

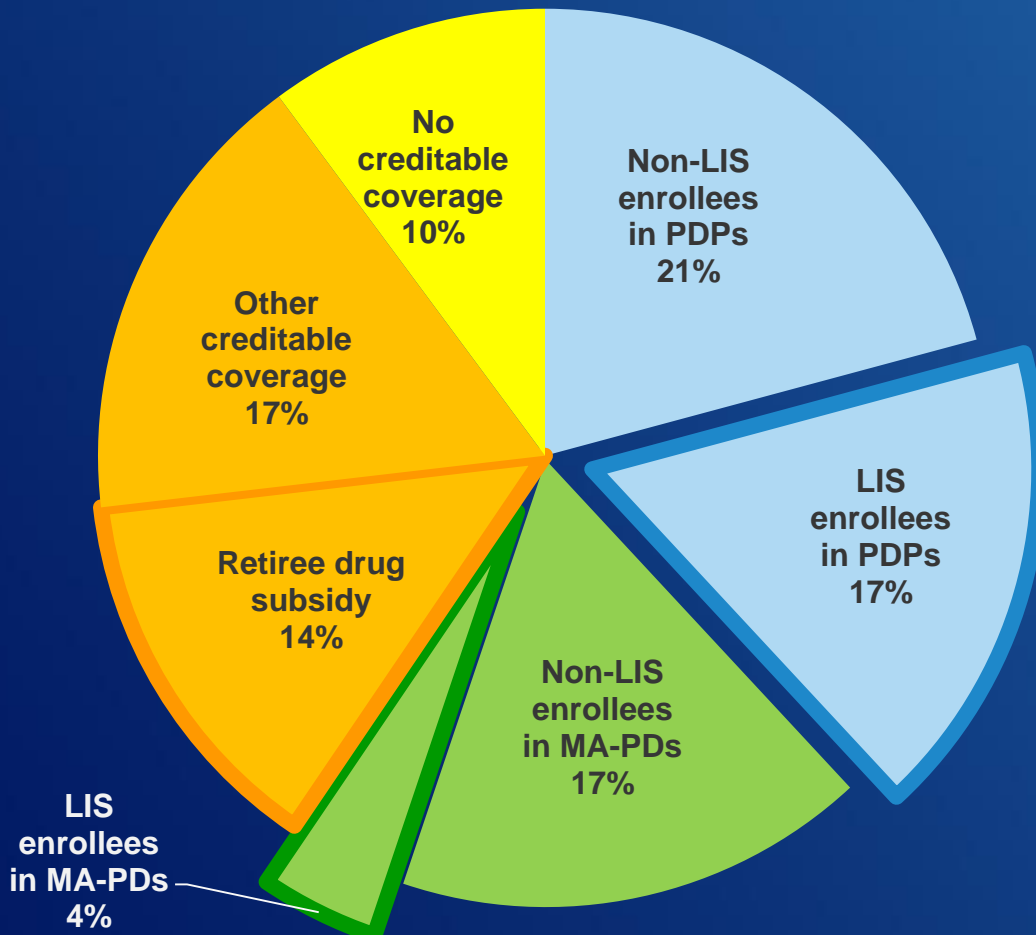


Advising the Congress on Medicare issues

Status report on Part D

Shinobu Suzuki
November 5, 2010

90% of beneficiaries had Part D or creditable drug coverage in 2010



Sources of drug coverage

PDPs: 38%

MA-PDs: 21%

Part D: 59%

RDS: 14%

Other creditable coverage: 17%
creditable coverage: 30%

Enrollment by plan characteristics, 2010

PDPs

- Benefit type
 - 78% with basic benefits
 - 22% with enhanced benefits
- 51% pay reduced (< \$310) or no deductible
- 6% have some coverage in the gap

MA-PDs

- Benefit type
 - 6% with basic benefits
 - 94% with enhanced benefits
- 98% pay reduced (< \$310) or no deductible
- 58% have some coverage in the gap

Prescription drug use and spending, 2008

- About 92% of enrollees filled at least one prescription
- Enrollees filled 4.1 prescriptions at \$221 per month on average, but vary by type of plan and by LIS status
- 31% had spending high enough to reach the coverage gap
- 9% reached the catastrophic coverage phase

Fewer plans, some change in benefits offered for 2011

PDPs

- # of plans: 1,109 vs. 1,576 in 2010
- CMS regulation aiming to more clearly differentiate between basic and enhanced benefit plans
- Plan availability: 28-38 vs. 41-55 in 2010
- 42% have no deductible
- Limited gap coverage
 - Offered by 33% of PDPs
 - About 30% of plans with gap coverage includes some generics and brand-name drugs

MA-PDs

- # of plans: 1,566 vs. 1,834 in 2010
- CMS regulation discouraging low-enrollment plans, network requirement for PFFS plans (MIPPA 2008)
- Plan availability varies by county of residence
- 87% have no deductible
- Limited gap coverage
 - Offered by 52% of MA-PDs
 - Over 40% of plans with gap coverage includes some generics and brand-name drugs

Phase-out of the coverage gap (PPACA changes): 2011-2020

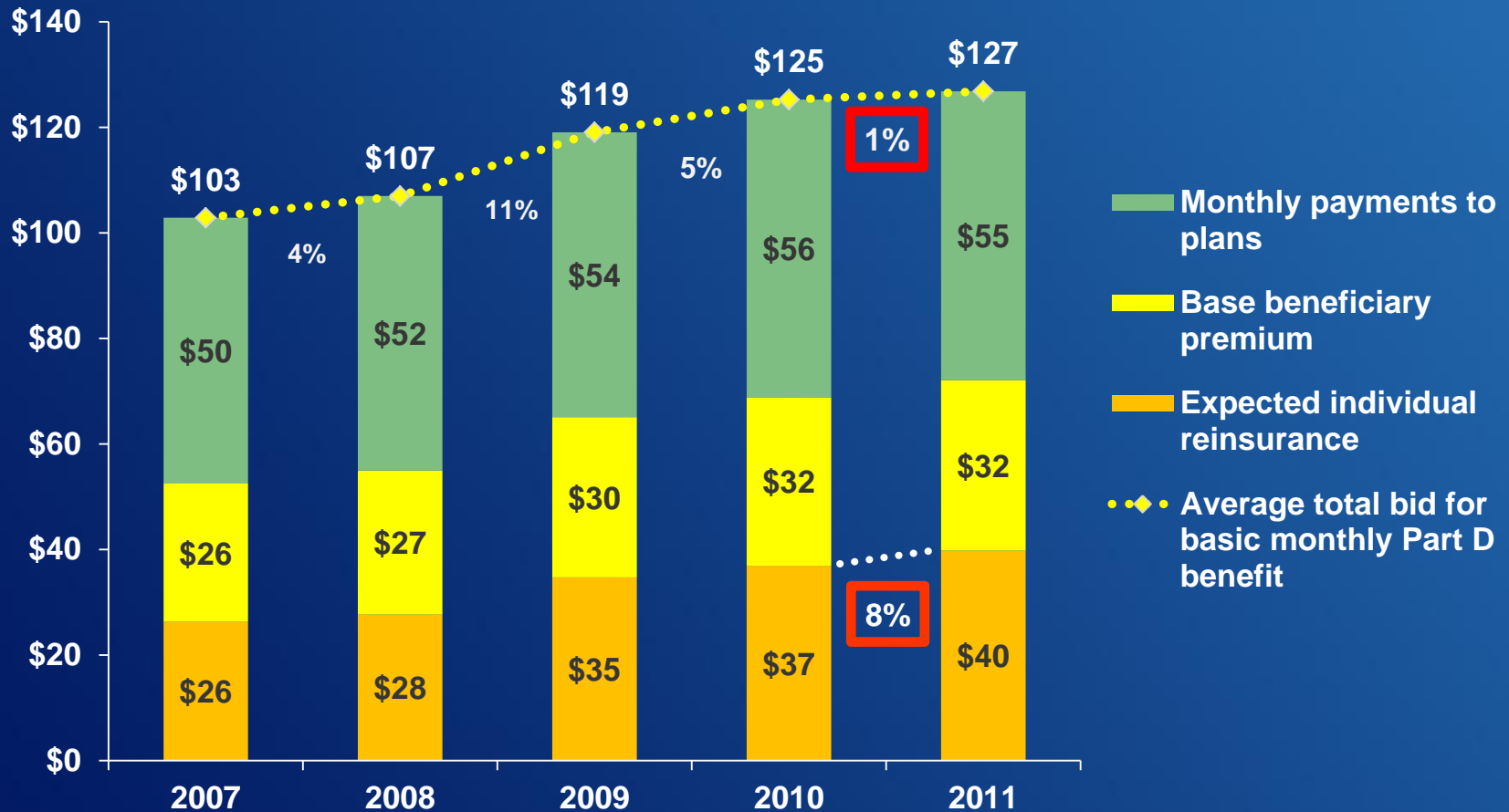
- Coverage gap discount program beginning in 2011
 - Manufacturers provide 50% discount to non-LIS enrollees for brand name drugs
 - Amount of discount counts toward enrollees' annual OOP threshold
- Cost sharing reduced from 100% to 25% by 2020
 - Beginning in 2011 for generics
 - Beginning in 2013 for brand-name drugs
- Slower growth in OOP threshold between 2014 and 2019

More PDPs qualify as premium-free to LIS enrollees in 2011

- 332 PDPs qualify in 2011 vs. 307 in 2010
- Fewer LIS enrollees (about 2.1 million) are in plans that will not qualify as premium-free in 2011
 - CMS expects to reassign 0.6 million LIS enrollees (about 1 million reassigned last year)
 - Some will be reassigned to qualifying plans offered by the same sponsor
 - CMS does not reassign LIS “choosers”, who have ever picked their own plan

Bids for basic Part D benefits remain stable, faster growth for reinsurance in 2011

\$ per member per month



Monthly Part D premium in 2011

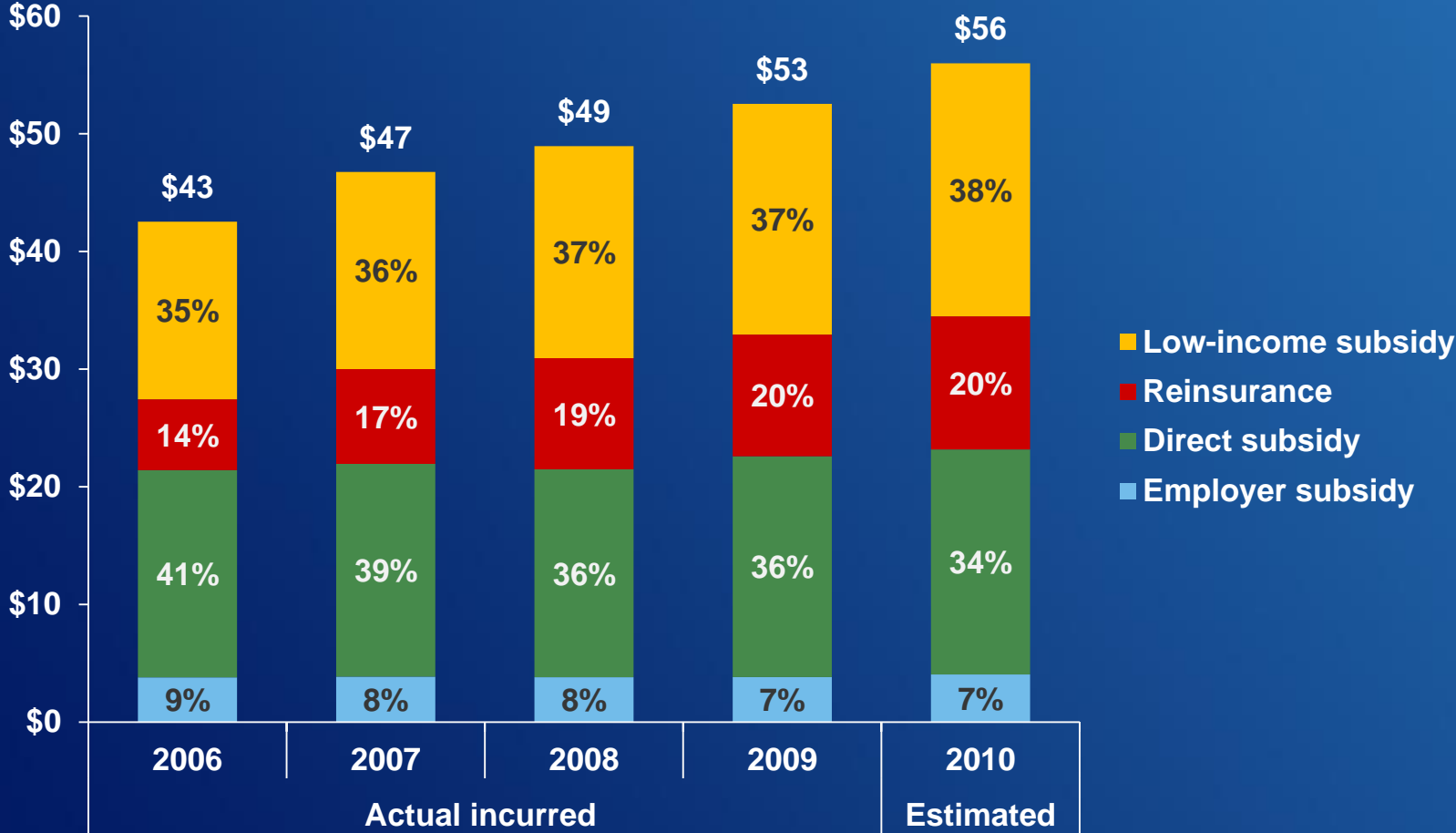
- Base beneficiary premium is \$32 for 2011
 - Actual average premium beneficiaries pay will depend on enrollment
 - Greater uncertainty surrounding beneficiaries' choice of plans due to reductions in plan offerings for 2011
- Reduced premium subsidy for higher income beneficiaries starting in 2011
 - Affects individuals with annual income greater than \$85,000 (\$170,000 for couples)
 - Subsidy schedule same as in Part B

In 2010, some LIS “choosers” pay a monthly premium of \$10 or more

- About 1.7 million LIS “choosers” in PDPs pay some portion of plan premiums
 - About 600,000 beneficiaries pay more than \$10 per month
 - Some pay premiums of over \$80 per month
- Raises some questions:
 - Are these conscious decisions by the enrollees?
 - Given their limited incomes (<150% FPL), can they afford the monthly premiums?

Total spending for Part D

In billions of dollars



CMS's Part D performance measures

- Majority of the current metrics (19 measures) relate to customer service and member satisfaction
- 2 measures relate to patient safety:
 - Members' use of high risk drugs
 - Optimal treatment for diabetes patients
 - Other quality measures under review
- Additional measures of patient safety and appropriate medication use could help beneficiaries choose high quality plans

Summary of trends

- Fewer plan offerings for 2011
- More PDPs qualify as premium free to LIS enrollees in 2011
- Continued growth in spending for LIS and reinsurance
- Some LIS enrollees remain in plans with premiums above benchmarks
- Performance measures focused more on customer service and member satisfaction