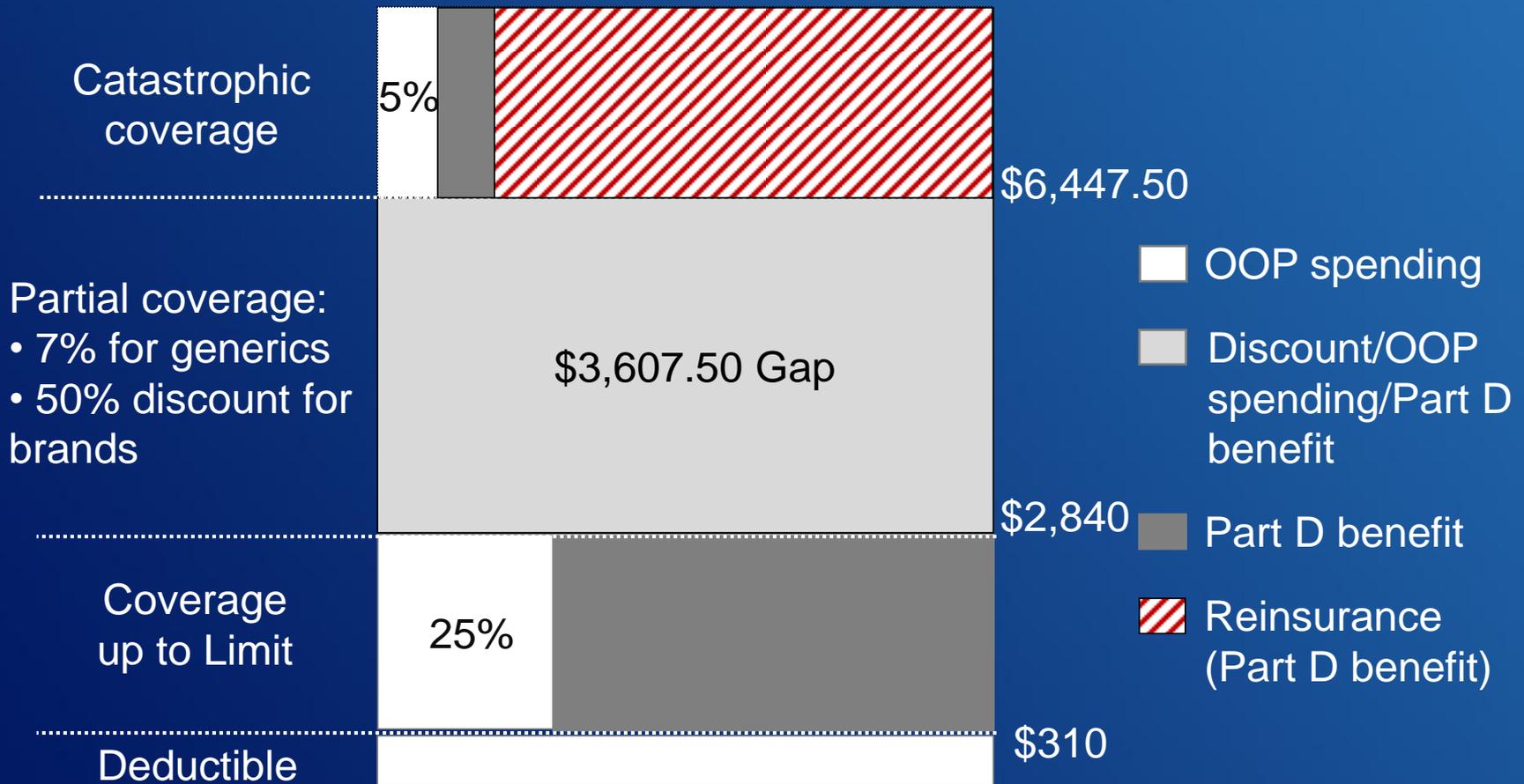


Beneficiaries with high drug spending under Part D

Shinobu Suzuki and Joan Sokolovsky
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Part D benefit structure, 2011

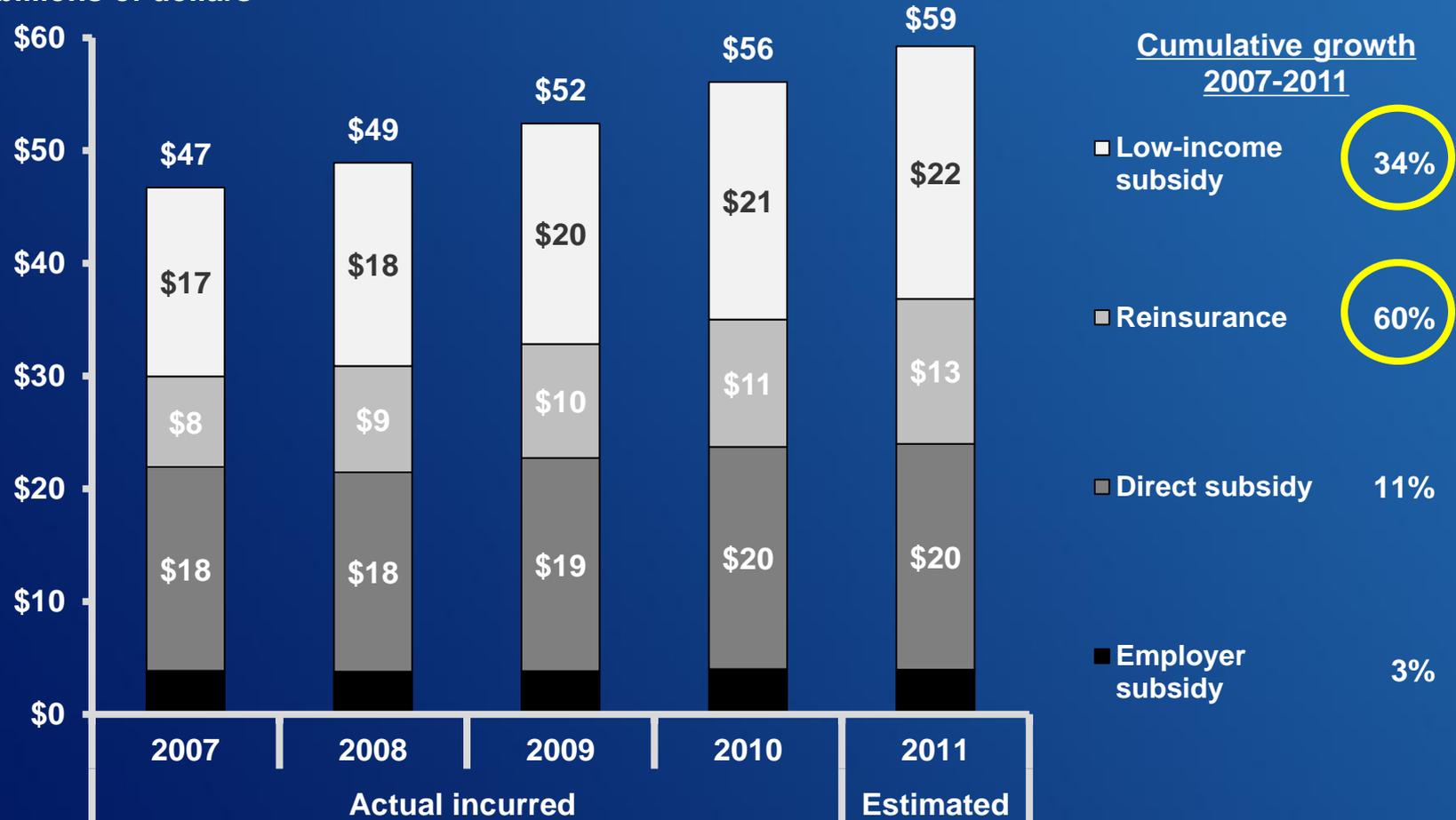


Medicare's payments to Part D plans

- Direct subsidy – pays for Part D basic benefits based on the national average bid, adjusted for risk
- Reinsurance – pays 80% of drug spending above the annual OOP threshold
- Low-income subsidy – pays for expected cost sharing and premiums for enrollees who are eligible for the LIS

LIS and reinsurance payments have grown much faster than direct subsidy payments

In billions of dollars



Part D enrollees with spending above the OOP threshold, 2009

- 2.4 million (8%) had spending above the OOP threshold, and accounted for 40% of total spending
- Majority (83%) receive the low-income subsidy
- Compared to other Part D enrollees, the “high-cost” beneficiaries are more likely to be:
 - Enrolled in stand-alone PDPs
 - Institutionalized
 - Disabled (< 65)

High-cost beneficiaries take more drugs and spend more per prescription, 2009

DATA ARE PRELIMINARY AND SUBJECT TO CHANGE

	High-cost beneficiaries		Non-High-cost beneficiaries	
# of beneficiaries, millions	2.4	(8%)	26.3	(92%)
Aggregate utilization:				
Gross drug spending, billions	\$29.2	(40%)	\$44.6	(60%)
# of prescriptions, millions	264	(20%)	1,074	(80%)
Average # of prescriptions per beneficiary	111		41	
Average spending per prescription	\$110		\$42	

Biologics account for a small share of spending for high-cost beneficiaries, 2009

- Among high-cost beneficiaries, biologics filled by less than 10%:
 - 7.5% among LIS beneficiaries
 - 9.9% among non-LIS beneficiaries
- Biologics accounts for a small share of drugs used by high-cost beneficiaries:
 - Less than 1% of the prescriptions
 - About 6% of drug spending

High-cost beneficiaries tend to use more brand-name drugs

DATA ARE PRELIMINARY AND SUBJECT TO CHANGE

% brand prescriptions by therapeutic classes	High-cost beneficiaries	Non-high-cost beneficiaries
Antipsychotics	75%	47%
Diabetic therapy	62%	33%
Peptic ulcer therapy	44%	25%
Antihyperlipidemics	58%	36%
Antidepressants	36%	19%
Antihypertensive therapy agents	38%	26%
Total, all therapeutic classes	42%	26%

Summary of findings

- Majority of high-cost beneficiaries receive Part D's low-income subsidy
- High-cost beneficiaries tend to:
 - Fill more prescriptions and spend more per prescription
 - Use many drugs commonly used by other Part D enrollees
 - Use more brand-name drugs

Issues of concern

- Are some high-cost beneficiaries taking too many medications?
- Why are high-cost beneficiaries filling more brand-name drugs compared to non—high-cost beneficiaries, even when generic alternatives are available?

Too many medications?

- Problems associated with high drug use
 - Adverse drug events, or ADEs (e.g., drug-drug interaction)
 - Inappropriate medications (e.g., antipsychotics used by elderly with dementia)
 - Nonadherence to medication therapy
- Need for more meaningful medication therapy management programs

How can we encourage the use of generic drugs where appropriate?

- Structure LIS cost sharing to encourage beneficiaries to choose generic drugs when available
- Ensure access to needed medications:
 - Cost sharing amounts should not impose financial burden
 - Continue to allow beneficiaries to appeal cost-sharing tiers for medically necessary drugs through the exceptions process

Next steps

- Medication therapy management programs
- Incentives faced by beneficiaries receiving the low-income subsidy
- Report on additional analysis and policy options