
Beneficiary Choices in Medicare Part D and Plan Features in 2006

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Summary

Expansion of Coverage

Beneficiary Choices

Methodology

Purpose of study

- ◆ This analysis is designed to shed new light on how the Medicare prescription drug program is working by assessing the characteristics of plans chosen by beneficiaries
- ◆ To date, most studies of the Medicare Part D drug benefit have analyzed overall plan offerings and average characteristics without taking into account the enrollment choices of Medicare beneficiaries
- ◆ Here, we attempt to provide a more complete picture by weighting plan characteristics to reflect beneficiary choices, since beneficiaries have disproportionately chosen to enroll in some plans

Key findings

- ◆ The share of beneficiaries with comprehensive drug coverage increased from 59% in 2005 to 90% in 2006
 - 31 states had gains in coverage of over 50%, with 14 of those having gains of over 75%
- ◆ Beneficiaries have disproportionately chosen plans offering the following:
 - Lower premiums
 - Reduced or zero deductibles
 - Broader formularies
 - Fewer prior authorization and step therapy restrictions
 - Fewer complaints

Summary

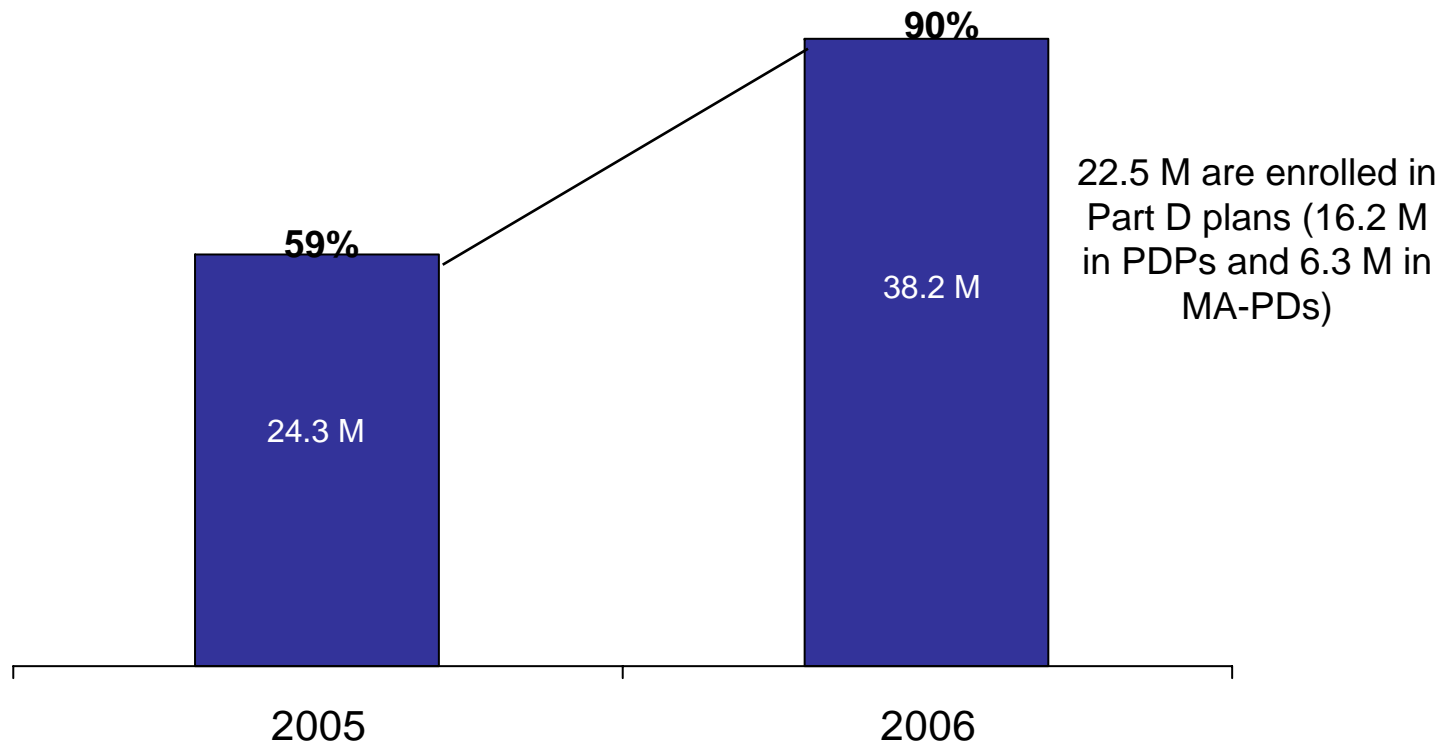
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Gain in comprehensive drug coverage

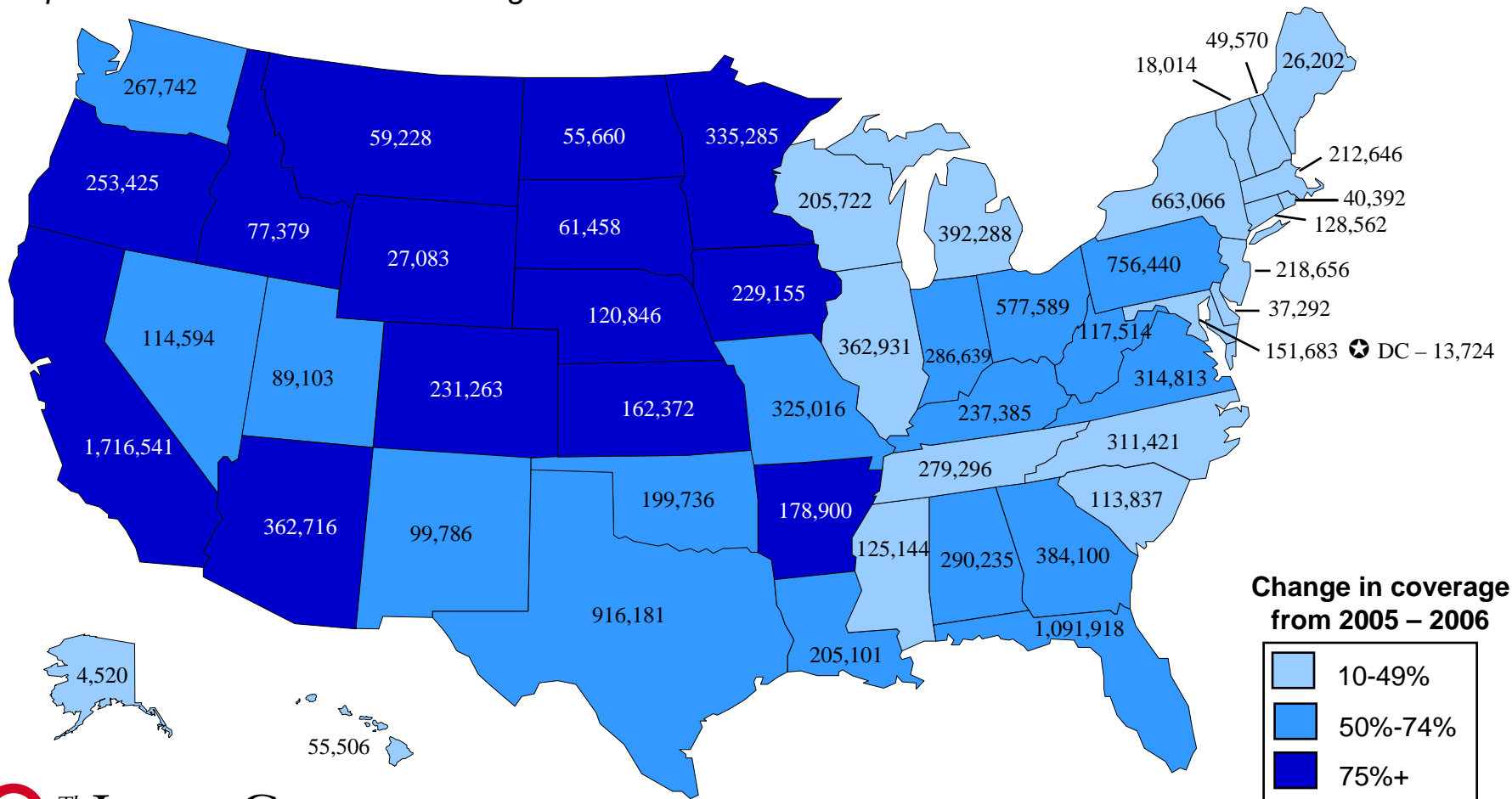
Nationally, the share of beneficiaries with comprehensive drug coverage increased from 59% to 90%. In 2006, 16.2 million were enrolled in PDPs, while 6.3 million were enrolled in MA-PDs.



Note: Drug coverage in Medigap or Medicare Advantage plans is not included for 2005 as that coverage was not comprehensive, because it typically included coverage limits and high cost-sharing requirements. Drug coverage data obtained from several sources including: CMS, Current Population Survey, Kaiser State Health Fact Sheets, and National Conference of State Legislatures.

Number of residents gaining comprehensive drug coverage, by state

Most states have gained over 50% in the number of residents with comprehensive drug coverage. Gains vary geographically, due in part to differences in the number of beneficiaries without coverage prior to implementation of the Medicare drug benefit.



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Range of available plan choices

- ◆ The number of PDPs available to beneficiaries varies from 27 to 47, depending on the state, with an average of 42
- ◆ With flexibility to offer alternatives to the standard benefit (subject to Medicare standards and oversight), PDPs offer a range of premiums, deductibles, and formularies
- ◆ We compare the average characteristics of all Part D options available to beneficiaries in 2006 to the average characteristics of the plans that beneficiaries actually chose
 - We calculate the characteristics of the plans beneficiaries chose by weighting each plan by its voluntary enrollment, rather than weighting each plan equally

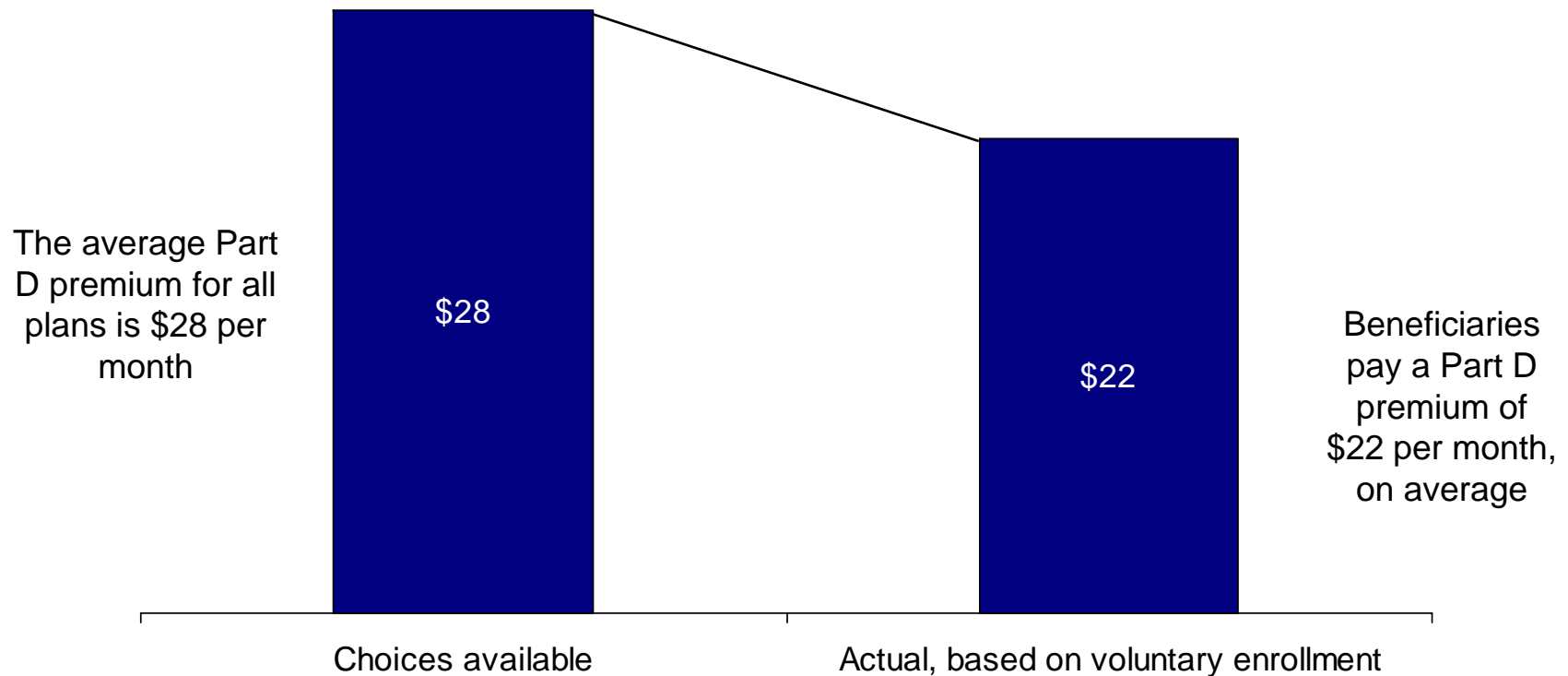
Summary of beneficiary choices

- ◆ Overall, beneficiaries have voluntarily enrolled in Part D plans (PDPs and MA-PDs) that offer lower-than-average premiums – \$6 less per month, on average

- ◆ Beneficiaries enrolling in PDPs have chosen:
 - Lower-than-average premiums for reduced- or zero-deductible plans – average premiums of \$29 compared to \$41 for all plans
 - Broader formularies – average of 2,009 drugs covered compared to 1,616 drugs for all plans
 - Fewer restrictions on drugs – prior authorization required for 6.0% of drugs compared to 8.0%, on average, and step therapy required for 1.6% of drugs compared to 2.0%, on average
 - Fewer complaints – complaint rate of 2.3 per thousand (for four plan sponsors with highest enrollment) compared to 3.1 per thousand for all others

Monthly premiums for Part D plans (PDPs and MA-PDs)

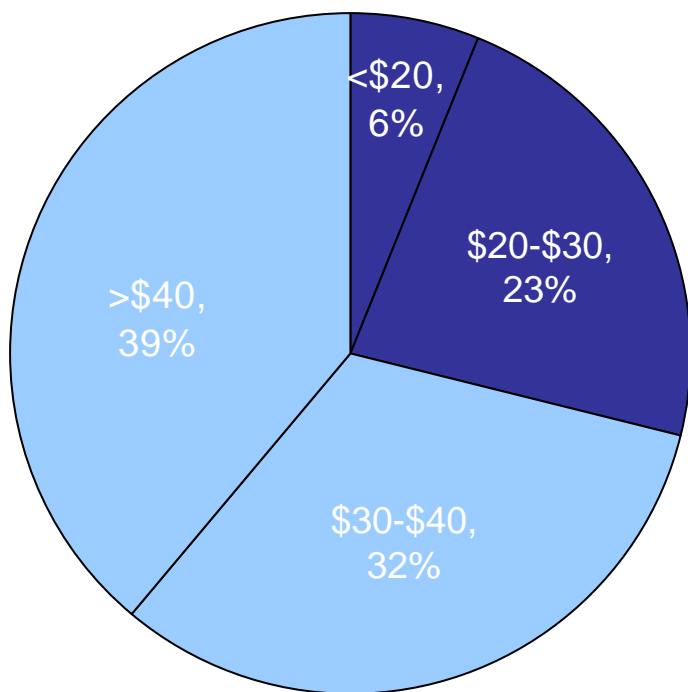
Beneficiaries have chosen to enroll in Part D plans with lower monthly premiums.



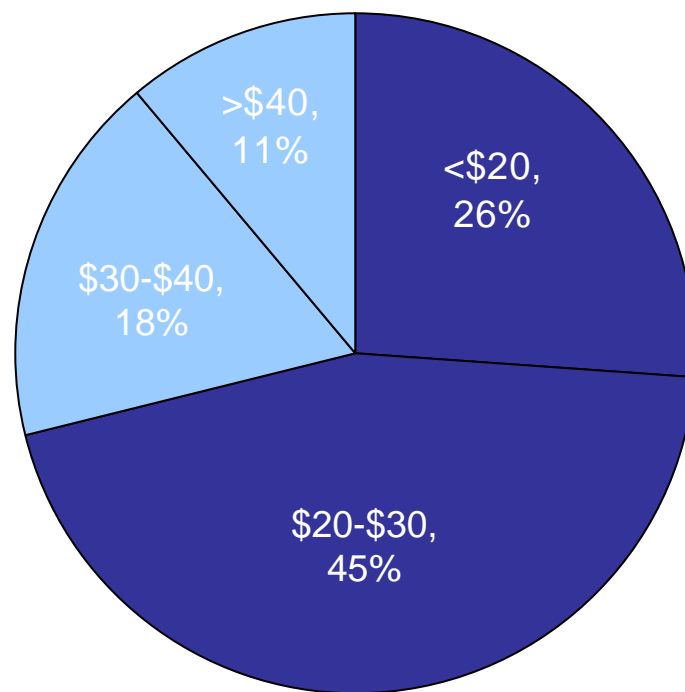
Note: Average premiums are for beneficiaries enrolled in PDPs and MA-PDs. CMS reports that the average Part D premium (not weighted by enrollment) is \$32.20 and that the average enrollment-weighted Part D premium is \$24. Figures shown above do not include plans offered in U.S. territories, 111 MA-PDs for which premium data were unavailable at time of data collection, and random assignment of beneficiaries by CMS.

Distribution of monthly PDP premiums

71% of PDPs offer premiums above \$30, but only 29% of beneficiaries chose PDPs with premiums above \$30.



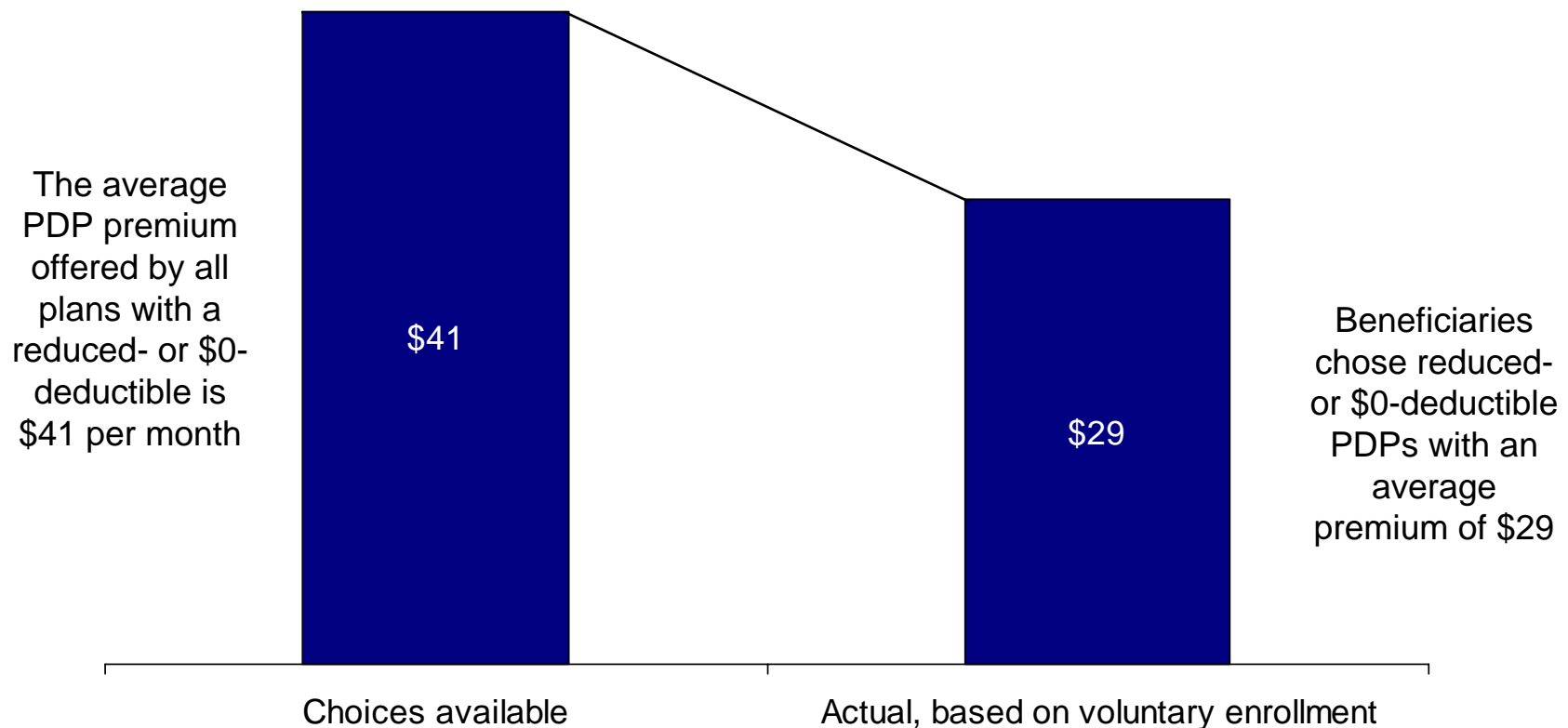
Choices available



Actual, based on voluntary enrollment

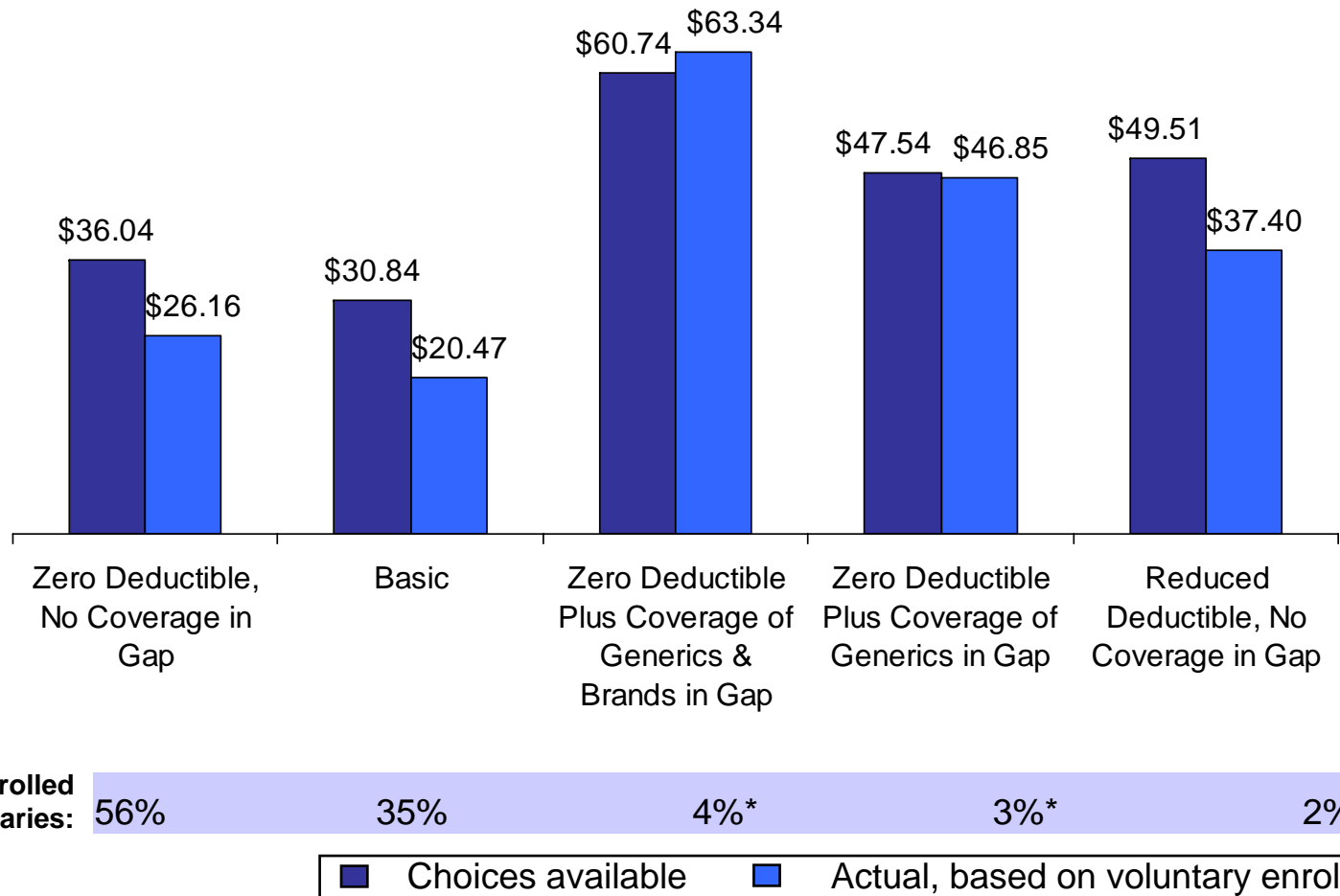
Monthly premiums for reduced- and zero-deductible PDPs

While plans are permitted to charge a deductible of up to \$250, most offer coverage with no or a reduced deductible. Beneficiaries have chosen to enroll in reduced- and zero-deductible PDPs with lower monthly premiums than the average premium for all plans of this type.



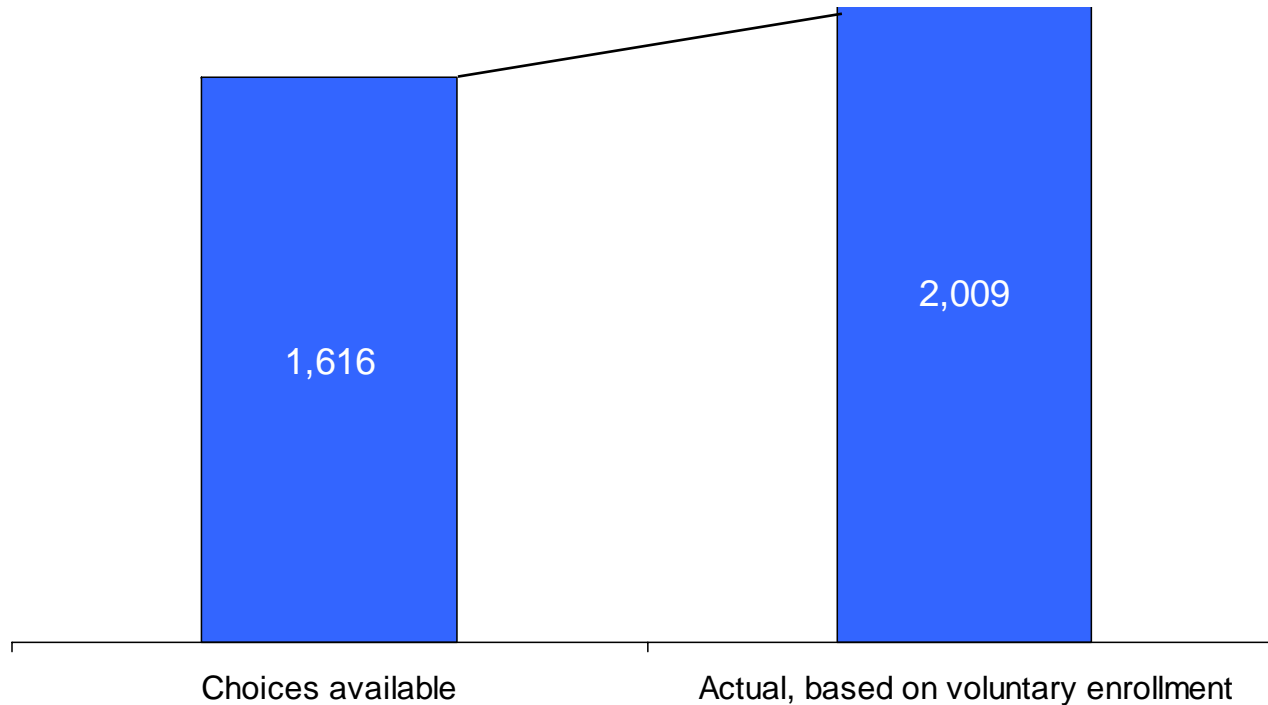
Average premiums for PDPs, by amount of additional coverage

56% of beneficiaries chose plans without a deductible and no coverage in the gap. Of these, beneficiaries chose lower-cost options, resulting in a premium \$10 less than the average offered by all such plans.



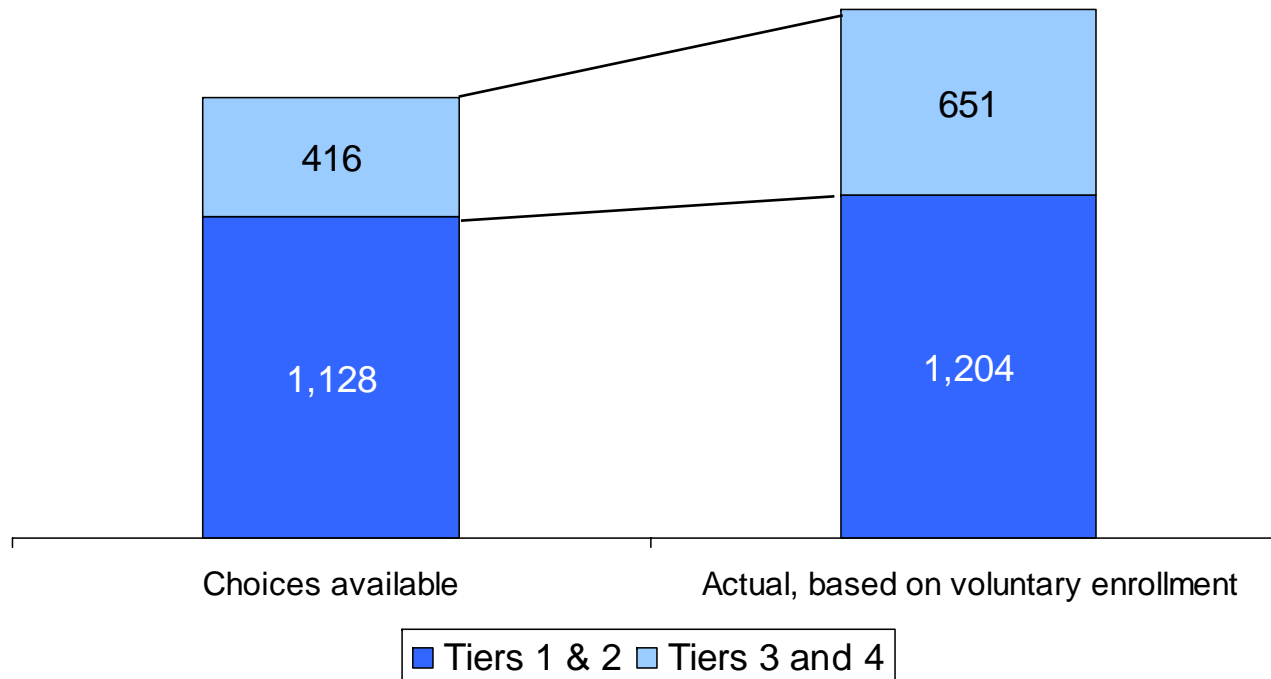
Average number of drugs covered by PDPs

Beneficiaries have enrolled in PDPs with broader formularies that cover, on average, 393 more drugs – 24% more than covered by the average available plan.



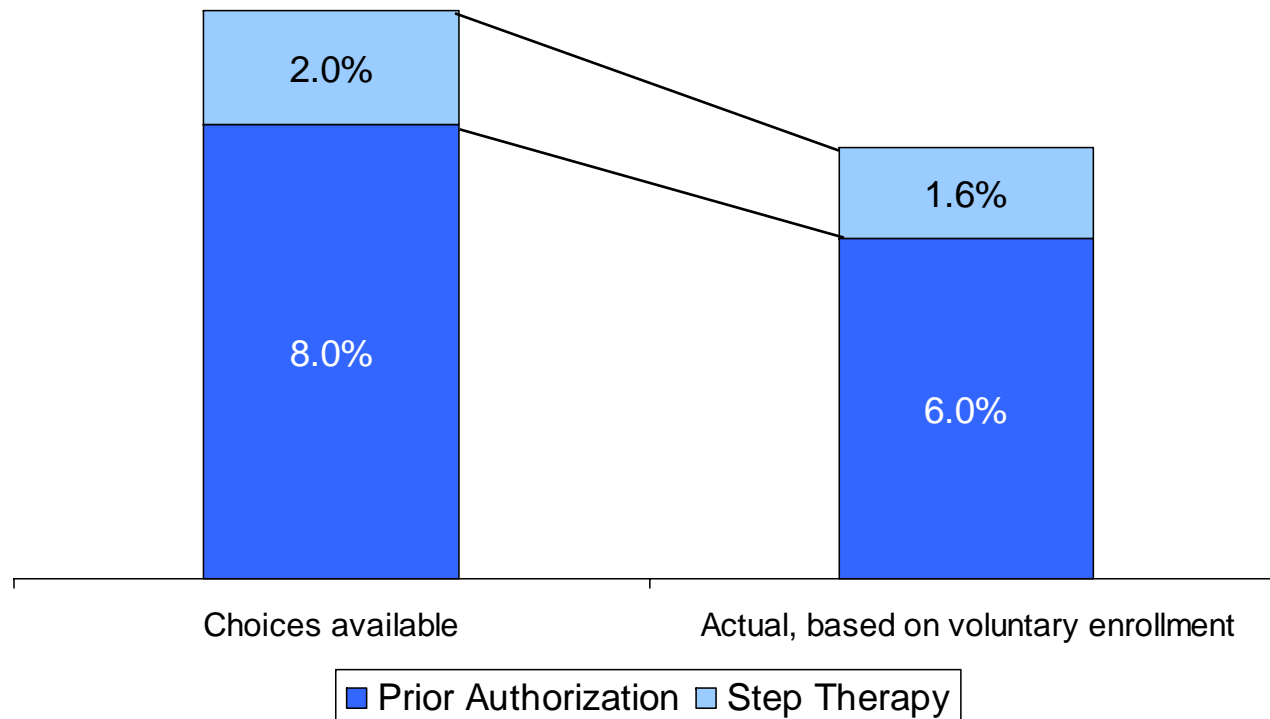
Number of drugs covered on tiers 1 and 2

Most beneficiaries enrolled in PDPs with a 3- or 4-tier formulary. In these plans, beneficiaries have access to an average of 1,204 drugs on tiers 1 and 2.



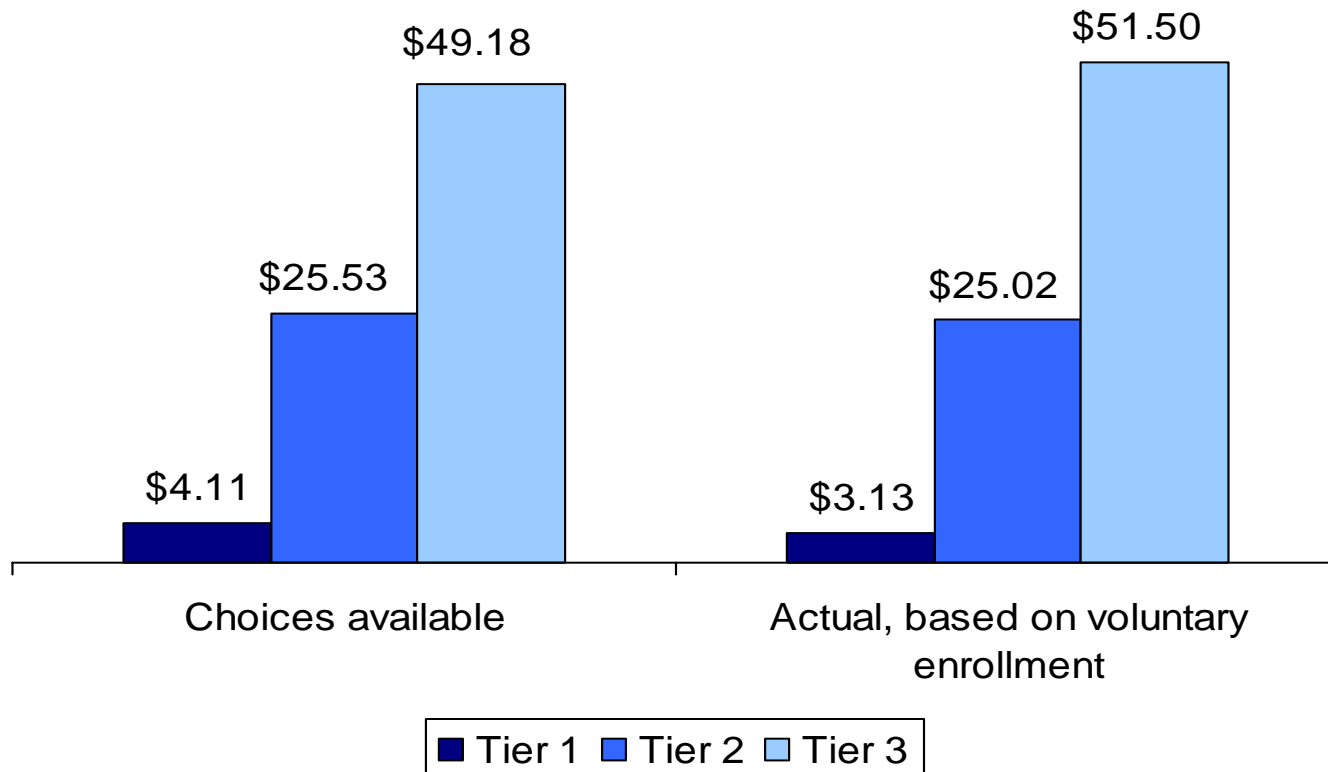
Percent of drugs subject to utilization management

Beneficiaries have enrolled in PDPs that apply restrictions to fewer drugs on average.



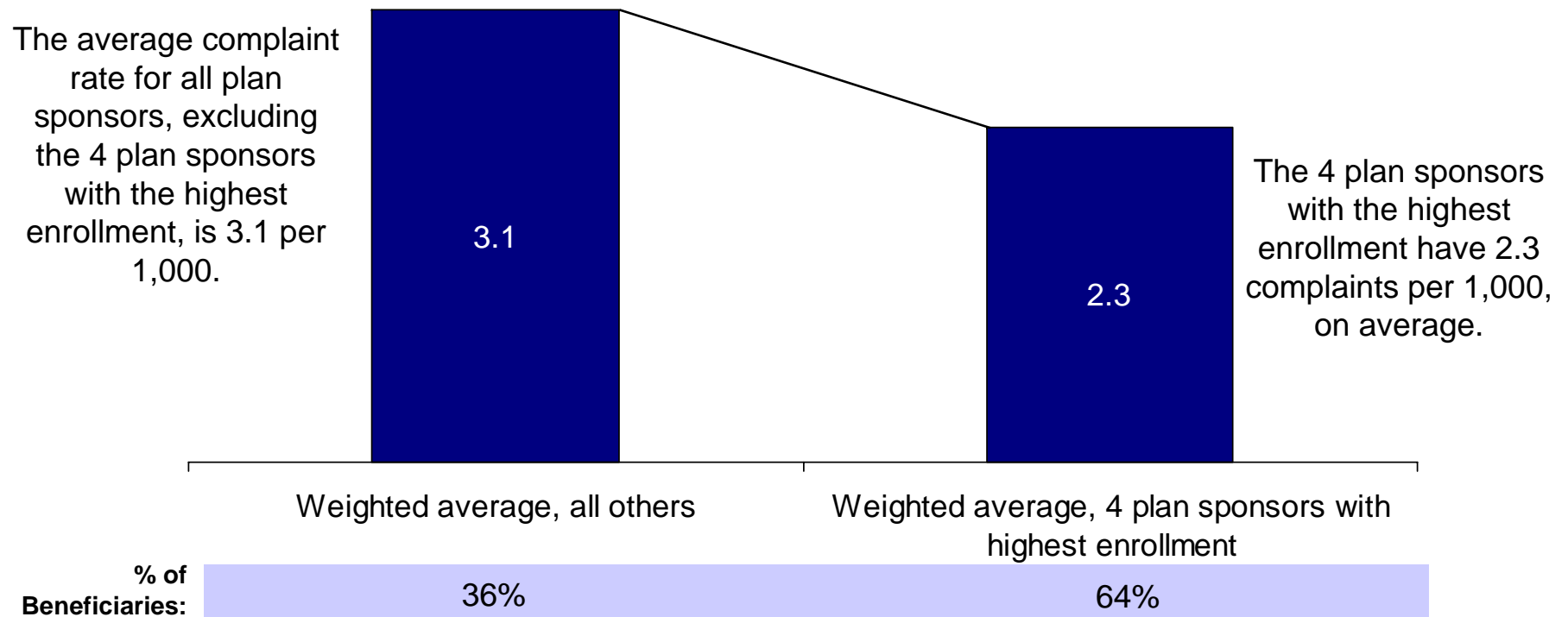
Average co-payment by tier for 3-tier PDPs

Beneficiaries pay, on average, \$3.13 co-payments for tier 1 generic drugs and, on average, \$25.02 co-payments for tier 2 preferred brand drugs.



PDP complaint rates for those in the four plan sponsors with the highest enrollment compared to all others

The four PDP sponsors with the highest enrollment have below-average complaint rates.



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This analysis is based on the voluntary enrollment of approximately 18 million beneficiaries into MA-PDs and PDPs. Those enrolled in employer-sponsored PDPs are excluded from the voluntarily enrolled numbers.

Analysis of PDPs and MA-PDs is based on plan-level data collected from the Medicare Personal PlanFinder by Lewin staff. The following data elements were collected for PDPs and MA-PDs in October 2005: premium; deductible type; availability of gap coverage; formulary tier structure; and co-pay and co-insurance level. For MA-PDs, premium and benefit data from Medicare and You beneficiary handbooks were manually matched to data on the PlanFinder website; in the case 111 plan options (6%), we were not able to complete the matching process in time to include the results in this analysis. Formulary data was subsequently updated in January 2006, along with information about utilization management requirements. Data on plan complaint rates is from the 7/19/2006 CMS release of PDP complaint rates.¹

PDP and MA-PD enrollment information is drawn from plan-level enrollment data released by CMS on July 26.² To focus on the choices by beneficiaries who voluntarily enrolled in a plan, random assignment decisions by CMS are removed from the analysis. CMS reports that approximately 6 million beneficiaries were automatically

Methodology, continued

enrolled and randomly assigned to low cost plans. Of these beneficiaries, MedPAC estimates that 69% remained in their initially assigned plan, while 31% chose to change plans.³

To remove from this analysis the approximately 4 million beneficiaries we estimate were randomly assigned and remained in their original plan, we followed several steps within each PDP region. To replicate the random assignment process, we first assigned those who were auto-enrolled equally among PDP sponsors offering at least one PDP at or below the low-income subsidy benchmark. Then, if a PDP sponsor offers more than one eligible PDP, the sponsor's share was divided equally among its eligible plan options.

To estimate the impact of Part D on the prevalence of comprehensive drug coverage nationally and by state, we use state-level enrollment data for Medicare Part D as of 6/11/06 released by CMS,⁴ and compared these data to estimates of coverage in 2005 compiled from several sources, including: Current Population Survey; Kaiser Family Foundation State Health Fact Sheets; national conference of State Legislatures; and an HHS press release on Medicare Part D enrollment dated 6/14/2006.⁵

Methodology, continued

We define comprehensive drug coverage in 2005 as drug coverage through employer-sponsored plans, Medicaid, Veterans Health Administration (VA), Indian Health Service (IHS), and state pharmaceutical assistance programs (SPAPs). Drug coverage in Medigap or Medicare Advantage plans during 2005 (prior to the prescription drug program's implementation) is not included as that coverage was not comprehensive, because it typically included coverage limits and high cost-sharing requirements.⁶ We define comprehensive drug coverage in 2006 to include coverage from employer-sponsored plans, VA, IHS, SPAPs, PDPs, and MA-PDs.⁷ To estimate gains in comprehensive coverage by state, we calculated the increase in the number of beneficiaries who gained comprehensive drug coverage from 2005 to 2006 as a percent of those with coverage in 2005.

¹http://www.cms.hhs.gov/apps/files/Press1905_JunePartDPDPCComplaintRates_060719.pdf#search=%22medicare%20pdp%20complaint%20rates%22

² http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp#TopOfPage

³ June 2006, MedPAC [Report to Congress: Increasing the Value of Medicare](#).

⁴ http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp#TopOfPage

⁵ <http://hhs.gov/news/press/2006pres/20060614.html>

⁶ Marsha Gold, Lori Achman, Shifting Medicare Choices, 1999-2003, Monitoring Medicare+Choice, Fast Facts #8, December 2003.

⁷ Employer-sponsored coverage includes Medicare retiree drug subsidy (RDS), federal retiree coverage, active workers with Medicare as secondary payer, and other retirees not already included.