



Advising the Congress on Medicare issues

Status report on Part D

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The Part D program

- Spending for the Part D program totaled about \$60 billion in 2011
- Over 30 million enrolled in 2012
- Part D enrollees filled on average 4 prescriptions at \$230 per enrollee per month in 2010
- In 2013, 1,033 stand-alone PDPs and over 1,600 MA-PDs offered

Overview of the presentation

- Beneficiaries' access to prescription drugs
 - Enrollment and plan offerings
 - Coverage/access for 10% without creditable coverage
 - Recent trend: use of tiered pharmacy networks
- Program costs
 - Use of generics and Part D prices
- Part D's competitive design
 - Voluntary plan switchers

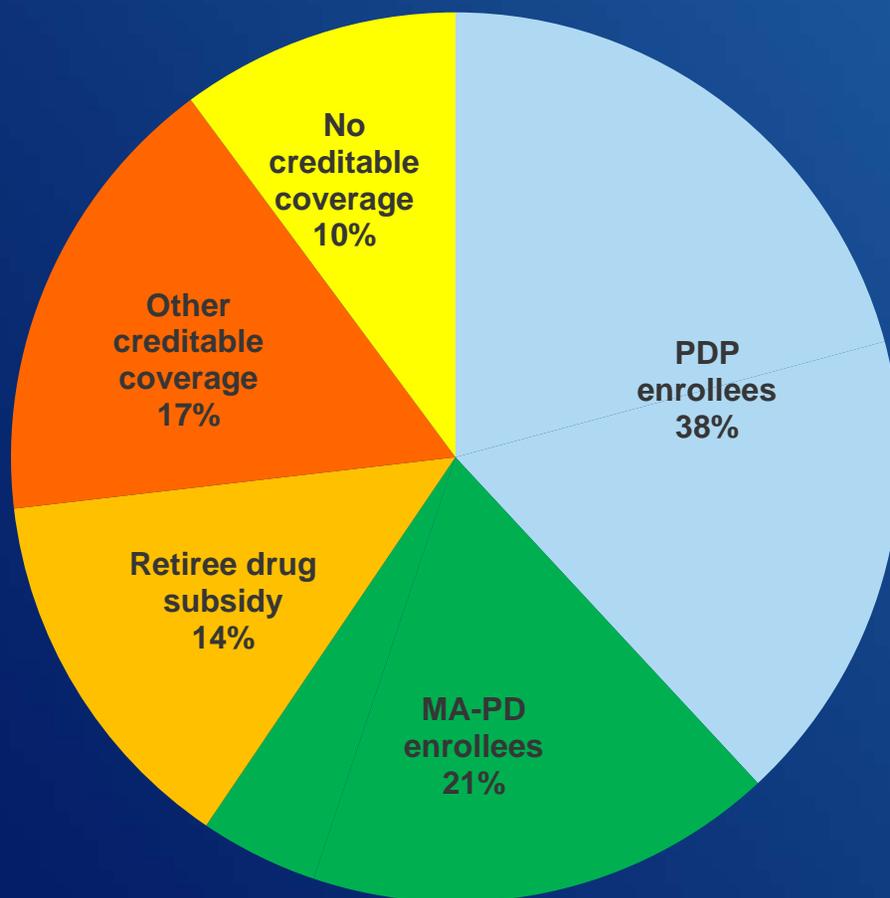
Medicare beneficiaries' access to prescription drug benefits in 2012

- Beneficiaries appear to have good access to prescription drugs
 - All individuals have access to many Part D plans
 - Many continue to receive coverage through former employers
- Surveys indicate Part D enrollees are generally satisfied
- Some beneficiaries had no drug coverage or coverage less generous than Part D

Part D enrollment and plan offerings, 2012-2013

- Patterns of Part D enrollment similar to previous years
 - About 63% in stand-alone PDPs, 37% in MA-PDs
 - 77% of LIS enrollees are in PDPs
 - More MA-PD enrollees have enhanced benefits (e.g., coverage in the gap)
- About the same number of plans available in 2013
 - PDP regions have between 23 and 38 PDPs
 - A typical county has 5 to 10 MA-PDs
- More PDPs offering gap coverage than in 2012
 - The extent of gap coverage varies
 - Gradual phase-out of the coverage gap will make this less important over time

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



Sources of drug coverage

Part D:	59%
Retiree drug subsidy:	14%
<u>Other creditable coverage:</u>	17%
Creditable coverage:	90%

Analysis of beneficiaries with no creditable coverage using 2010* MCBS data

- About 10% did not have creditable coverage
 - 4 out of 10 indicated that they had some drug coverage
 - Of the remainder, slightly over half reported not taking enough drugs to need Part D
- Compared to Part D enrollees, they tended to be:
 - Younger (more people between 65 – 74 years old)
 - Higher income and more educated
 - Healthier (26% reported excellent health vs. 13% of Part D enrollees)

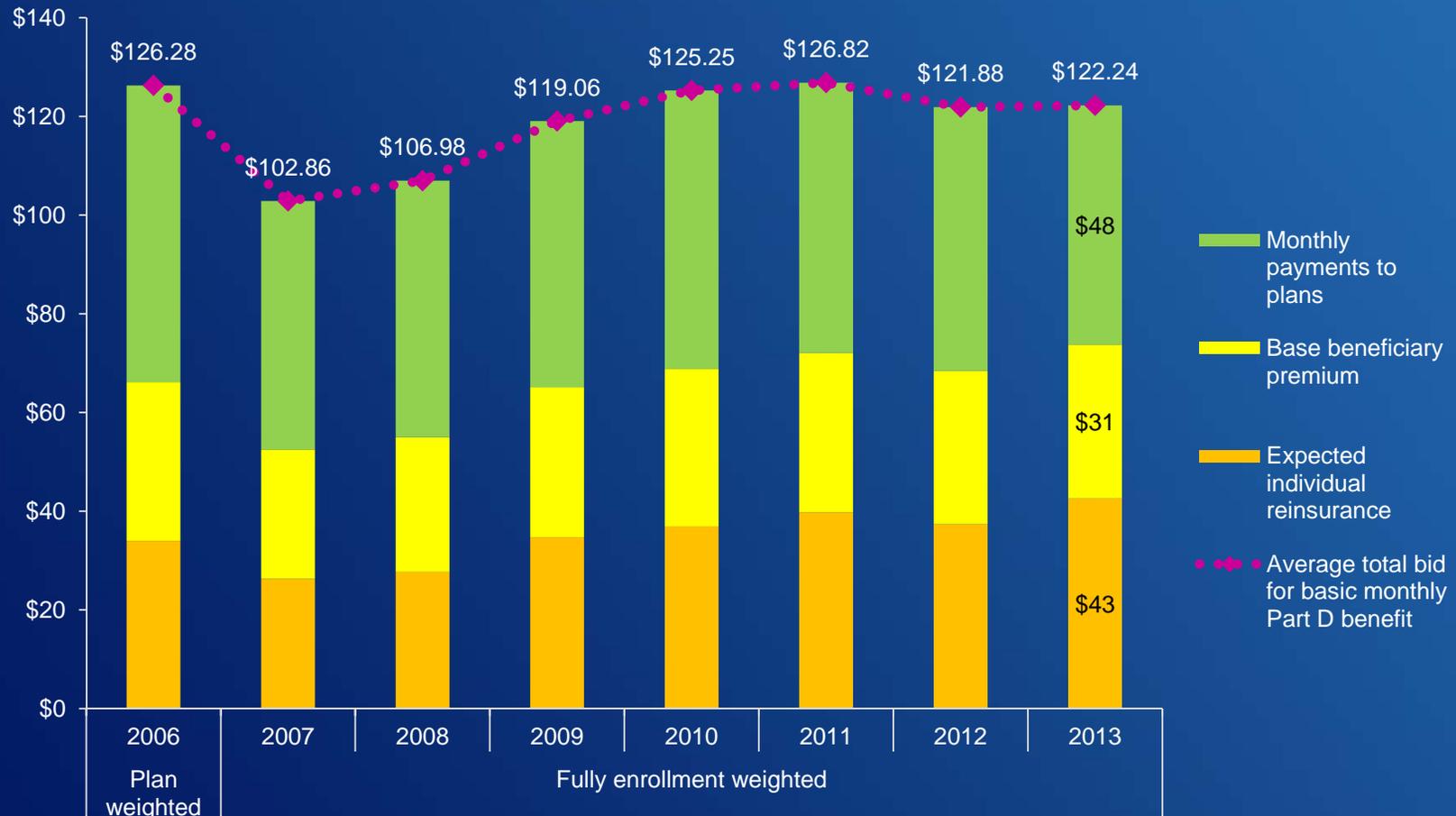
A growing number of sponsors are using tiered pharmacy networks

- In 2012, 6 PDPs offered preferred networks with cost-sharing differentials
 - Enrollees in these plans accounted for 12.5% of PDP enrollment
 - % of pharmacies classified as preferred varied across plans
 - Cost sharing differentials varied across plans, but were typically
 - \$5-\$10 for generics
 - Up to 19 percentage points for brands
- At least five more plans have announced the addition of preferred pharmacies for 2013

Potential effects of plans' use of preferred networks

- Effects on access to drugs?
 - Network adequacy determined based on access to preferred and nonpreferred pharmacies combined
 - Some enrollees may not have easy access to preferred pharmacies
 - Preferred pharmacy networks allowed only if cost sharing is not “so significant as to discourage enrollees in certain areas” but cost sharing differentials vary by plan
- Effects on beneficiaries' choice of plans?
 - Enrollees may not have been aware of the “nonpreferred” status of their pharmacies and/or the higher cost sharing that applies at “nonpreferred” pharmacies when choosing their plans
- Lower costs for plans and enrollees?
- Access/cost implications are not known. We will continue to monitor the use of tiered pharmacy networks and its effects.

Bids for basic Part D benefits grew by less than 1% in 2013



Reinsurance payments continue to grow much faster than other components

In billions of dollars



Note: Totals may not sum to 100 percent due to rounding.

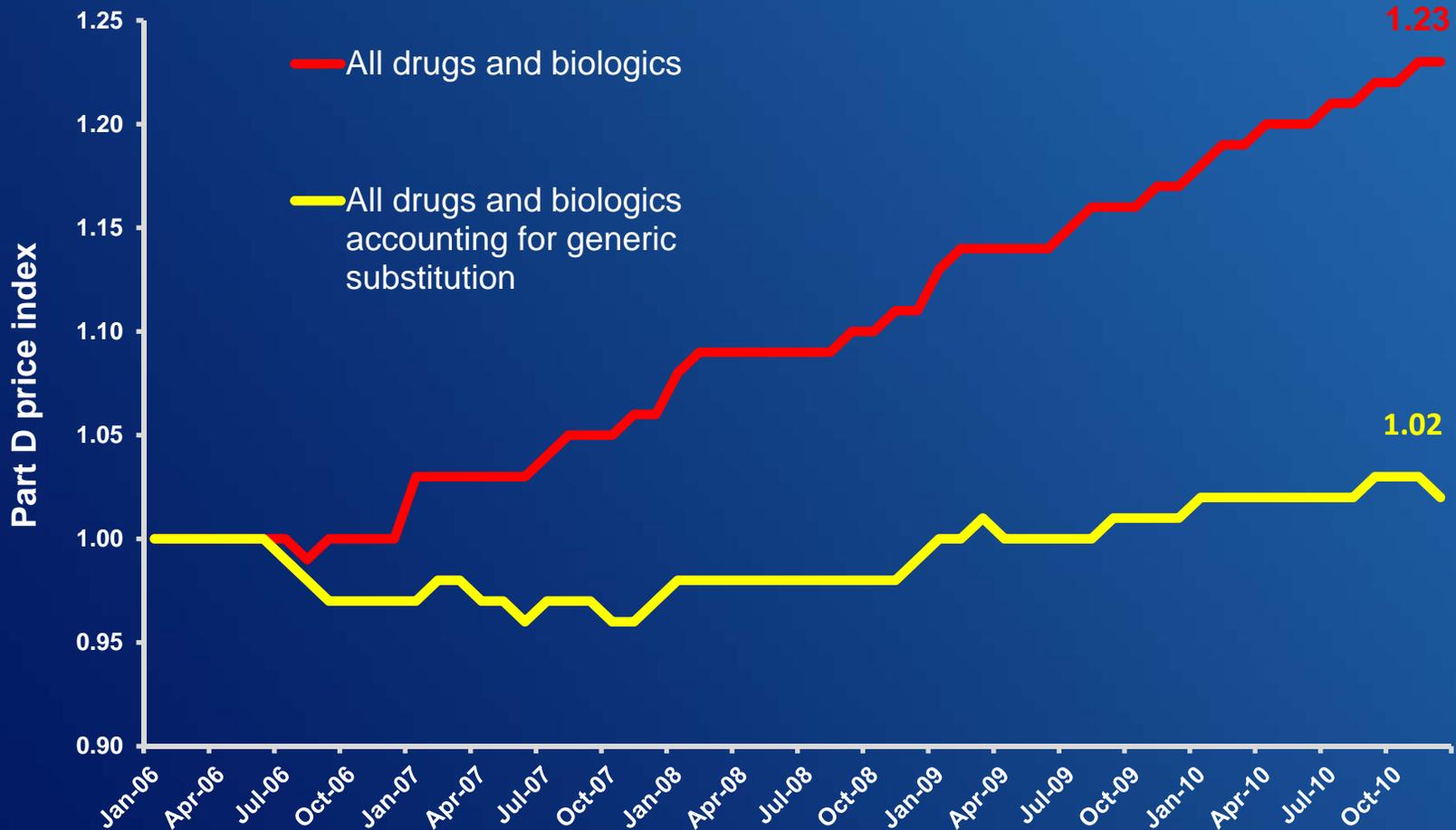
Source: MedPAC based on Table IV.B.10 of the Medicare Board of Trustees' report for 2012.

Increase in generic drug use over the 2007 – 2010 period

- Overall generic dispensing rate (GDR) increased from 61% to 74%
- GDRs vary by plan type and LIS status:
 - MA-PDs exceeded GDR for PDPs by about 5 percentage points
 - GDRs lower for LIS enrollees and the difference grew from 2% to 5%

		2007	2008	2009	2010
By plan type					
	PDP	60	66	69	72
	MA-PD	66	71	74	77
By LIS status					
	LIS	60	65	68	71
	Non-LIS	62	69	72	76

Use of generic drugs has kept Part D prices stable, 2006 - 2010



Part D's competitive design

- Intended to provide sponsors incentives to offer attractive coverage while controlling spending
 - Plans
 - Compete for enrollees based on premium, formulary, quality of services, and network of pharmacies
 - Manage drug spending and bid competitively to retain/gain enrollment
 - Beneficiaries
 - Choose a plan that provides access to the drugs they need at premiums and cost-sharing they are willing to pay
- **Beneficiaries' willingness to reevaluate their plan choices from time to time is important for plan incentives**

Do Part D enrollees switch plans?

- Part D's annual open enrollment period provides an opportunity to reevaluate plan choice each year
- During the first few years, about 6%* of enrollees voluntarily switched plans each year
 - Similar to the rate of plan switches observed among FEHBP participants
 - Does not include plan switches resulting from CMS' annual reassignment for LIS enrollees
- Analysis of a more recent data suggests that a larger share of enrollees are voluntarily switching plans

Analysis of Part D enrollees who voluntarily switch plans, 2010-2011

- In 2010, 13.6% of non-LIS enrollees voluntarily switched plans
- Younger enrollees (ages 65-69) were more likely to switch plans than older enrollees (16% vs. 11-14%)
- Whites were slightly more likely to switch plans than non-Whites (14% vs. 10-12%)
- Most switchers chose plans of the same type
 - About 90% of MA-PD enrollees chose another MA-PD
 - About 80% of PDP enrollees chose another PDP
- The results were similar for 2011

Summary

- Beneficiaries appear to have good access to prescription drugs
- Plan offerings remain stable between 2012 and 2013
- Increase in use of tiered pharmacy networks
- LIS continues to be the single largest component of Part D spending
- Spending for reinsurance continues to grow fast
- Increase in use of generics keeping Part D prices stable
- More Part D enrollees are voluntarily switching plans than during the first few years of Part D