Medicare Part D: What Are The Concerns?

Stuart Guterman
Director, Program on Medicare’s Future
The Commonwealth Fund

Association of Healthcare Journalists
March 17, 2006
(revised to reflect new data May 16, 2006)
What Do We Want From The New Drug Benefit?

• Continuity—Will beneficiaries with coverage before have corresponding (or better) coverage under Part D?
• Availability—Will beneficiaries be able to find a plan that’s best for them?
• Access—Will beneficiaries be able to get the drugs they need?
Concern About Vulnerable Populations

- Medicaid recipients
- Other low-income beneficiaries
- Nursing home residents
- Frail and disabled beneficiaries
- Chronically ill beneficiaries
- Racial and ethnic minorities
Source of Prescription Drug Coverage for Community-Dwelling Medicare Beneficiaries, 1998-2000

Percent

<table>
<thead>
<tr>
<th>Source</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>24.7</td>
</tr>
<tr>
<td>Medicare HMO</td>
<td>16.5</td>
</tr>
<tr>
<td>Medicaid</td>
<td>10.5</td>
</tr>
<tr>
<td>Employer</td>
<td>34.8</td>
</tr>
<tr>
<td>Medigap</td>
<td>11.8</td>
</tr>
<tr>
<td>Other</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Source of Prescription Drug Coverage for Medicare Beneficiaries Residing in Nursing Homes, 2001

- No Rx coverage: 20%
- Full Medicaid: 56%
- Other supplement with Rx coverage: 9%
- Other supplement with Rx coverage unknown: 15%

Coverage, Income, and Chronic Illness Are Factors in Adherence to Prescribed Drug Regimens

Beneficiary Out-of-Pocket Costs Under the Medicare Part D Standard Benefit, 2006
Deductibles Offered by Medicare Stand-Alone Prescription Drug Plans, 2006

- $0: 58% of plans
- $50-$100: 8%
- $150-$175: 0%
- $250: 34% of plans

Source: CMS, PDP Landscape of Local Plans Source File as of November 15, 2005.
Availability of Coverage in the Part D “Coverage Gap”

- No coverage: 84% of plans
- Generics only: 13% of plans
- Generics and Brand: 3% of plans

Source: CMS, PDP Landscape of Local Plans Source File as of November 15, 2005.
Average Plan Premiums by Deductible and Availability of Coverage in the Part D "Coverage Gap"

Plan Premium

<table>
<thead>
<tr>
<th>Plan Premium</th>
<th>$0 deductible and no coverage</th>
<th>$0 deductible and generics only</th>
<th>$0 deductible and generics + brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250 deductible</td>
<td>$30.74</td>
<td>$48.09</td>
<td>$61.28</td>
</tr>
<tr>
<td>and no coverage</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CMS, PDP Landscape of Local Plans Source File as of November 15, 2005.
Reported Enrollment in Medicare Part D or Equivalent Coverage, by Category, As of May 7, 2006

- No identified source of creditable coverage: 6.1 million
- Other creditable coverage: 5.8 million
- Federal retiree: 3.5 million
- Retiree subsidy: 6.9 million
- Medicare Advantage (MA) plans: 5.9 million
- Prescription Drug Plans (PDPs): 8.9 million
- Dual eligibles (in PDPs): 5.9 million
- Dual eligibles (in MA plans): 0.5 million

Medicare Part D Enrollment With Low-Income Subsidy, as of March 31, 2006 (Not Including Dual-Eligibles)

Disposition of Applications for Low-Income Subsidies, as of December 30, 2005

Denied--excess income and resources, 7%
Denied--excess resources, 34%
Approved, 27%
Denied--excess income, 20%
Received but not processed, 12%

So Where Are We?

- The Medicare Drug Benefit holds promise for improving access, coordination, and quality of care.
- It has a long way to go until it achieves that potential.
- The experience in the first few months has been plagued with political and public relations battles, instead of focusing on improving how the policy works.
- The new program needs to be monitored for indications of how it can be improved for its beneficiaries—particularly its most vulnerable groups.
An Alternative: Medicare Extra

- Comprehensive benefits option for Medicare beneficiaries
- Single $250 deductible
- Part B coinsurance reduced from 20% to 10%
- No coinsurance for long hospitals stays, home health, selected preventive care
- Prescription drugs:
  - No separate deductible
  - 25% coinsurance
  - No doughnut hole
- Ceiling on out-of-pocket costs
- Lower premiums, lower total out-of-pocket costs, than Medicare fee-for-service plus Medigap