

# Medicare Part D Immersion

Pre-conference workshop

IIR Medicare Part D Congress

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# Pre-Conference leaders



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# Medicare Part D Overview

Brian Bumpus

# Overview

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- ◆ History of Medicare
- ◆ Review of Part D Benefits
- ◆ PDP enrollment
- ◆ Part D Demographics

# In the beginning...



“Millions of our citizen’s do not now have a full measure of opportunity to achieve and to enjoy good health.”

-President Harry Truman

“No longer will older Americans be denied the healing miracle of modern medicine.”

-President Lyndon Johnson July 30, 1965

# Medicare Framework

- ◆ Part A: Hospital and nursing home coverage (Free)
- ◆ Part B: Medical and Surgical fees (Optional \$88.50/mo in 2006)
- ◆ Part C: Medicare-Advantage (optional comprehensive health insurance)

# Medicare Prescription Drug, Improvement and Modernization Act



**Signed December 8, 2003**

# Medicare Prescription Drug Discount Card

- ◆ 6/2004 through 12/2005
- ◆ Bureaucrat SOP waved
- ◆ Stop-gap quick implementation for 2004 election
- ◆ CMS Estimated 10-15% savings
- ◆ \$30 annual Fee
- ◆ \$600 Transitional assistance for low income senior (<135% FPL)

# Prescription Benefit Structure

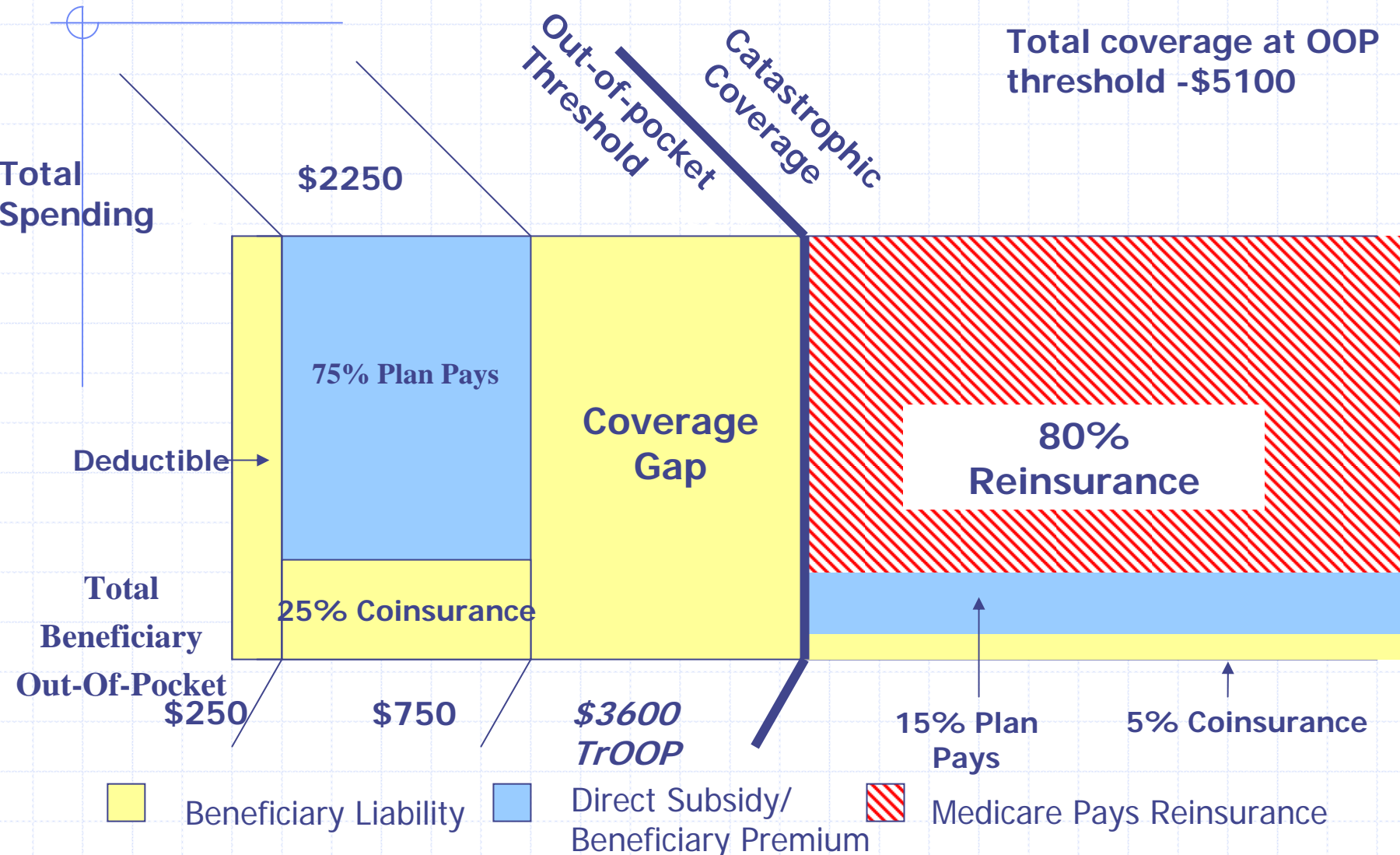
Outpatient prescriptions managed through private competitively bid companies.

- ◆ Prescriptions Drug Programs (PDPs)
- ◆ Medicare Advantage MA-PDs

# Standard Benefit in 2006

Does NOT include \$37/mo Premium for Part D

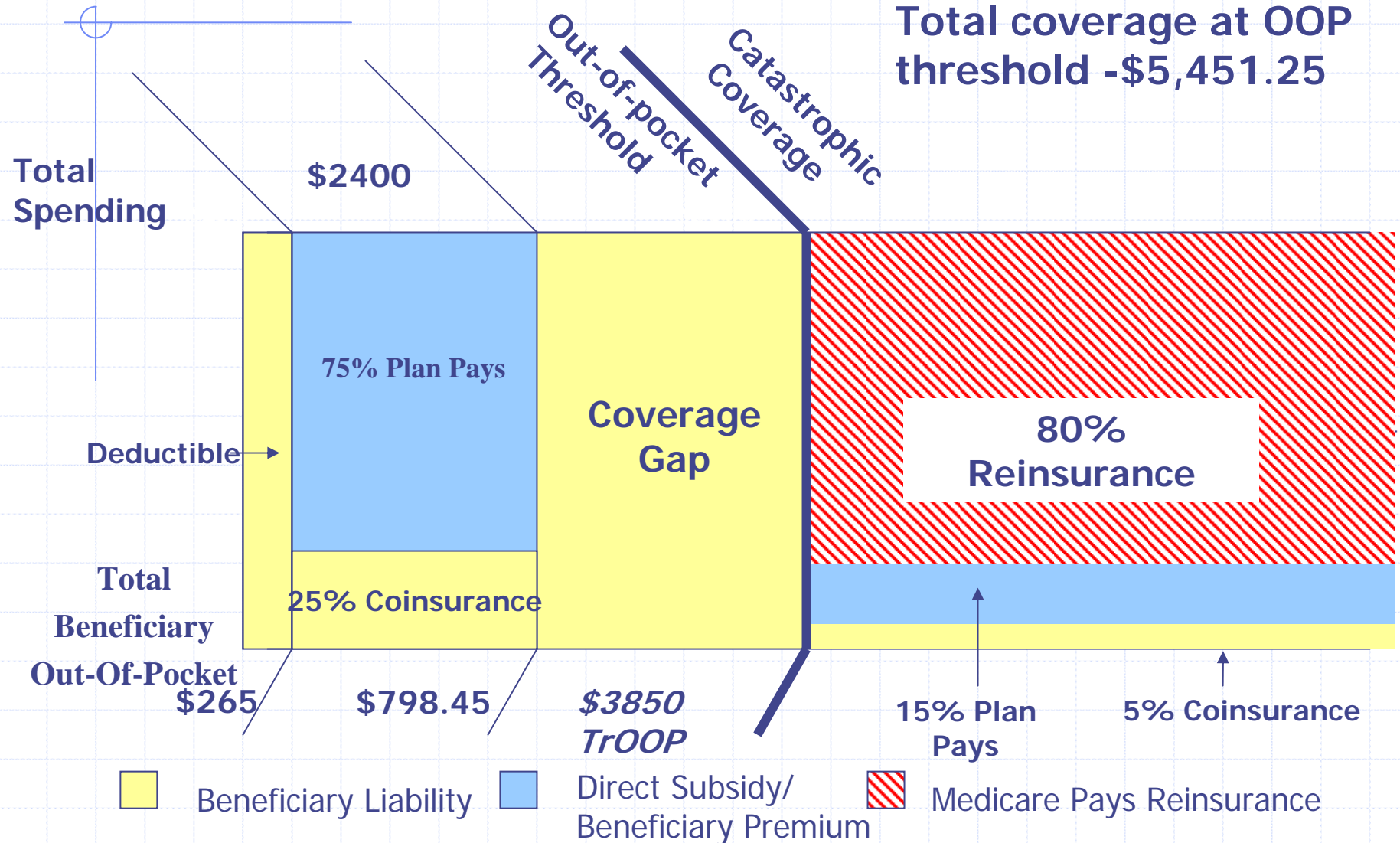
Total coverage at OOP threshold - \$5100



# Standard Benefit in 2007

Does NOT include \$37/mo Premium for Part D

Total coverage at OOP threshold - \$5,451.25



# The “Doughnut Hole”

- ◆ Huge Gap in coverage between \$2150 and \$5100
- ◆ Sec. Thompson says 80% beneficiaries expenses will be below \$2000.



# Medicare Prescription Drug Sponsor Requirements

- ◆ 104 Sponsor applications
- ◆ Three years experience
- ◆ 1,000,000 lives covered, at least one whole state
- ◆ At least two drugs per category
- ◆ At least two sponsors per state

# Geographic Divisions

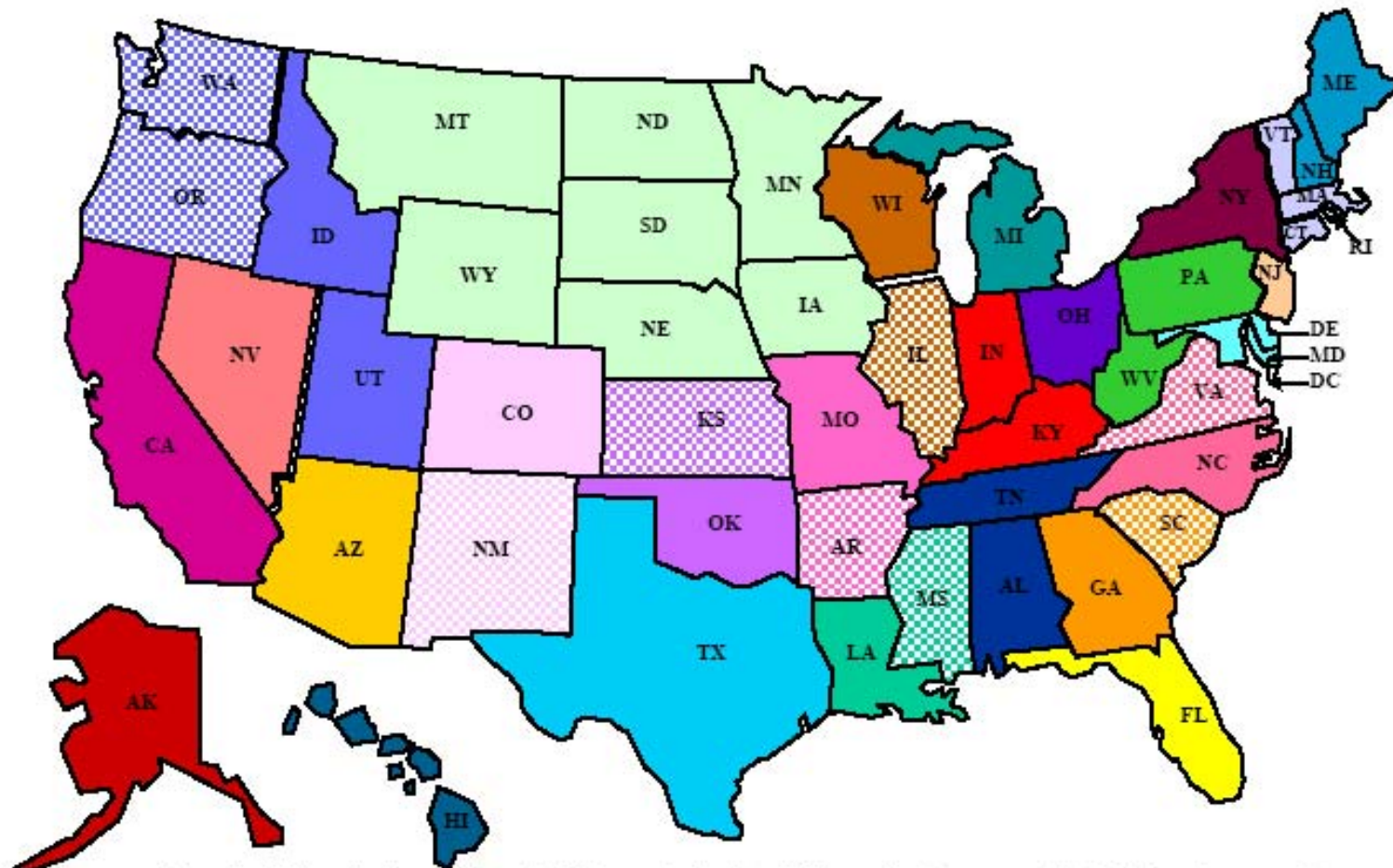
- ◆ 34 PDP Regions

- ◆ 26 MA Regions

- ◆ Regional lines drawn by state boundaries

- Smallest AK 52,198 beneficiaries
- Largest CA 4,257,579 beneficiaries
- Average: PDP- 1.3MM; MA- 1.6MM

# PDP/MA Map

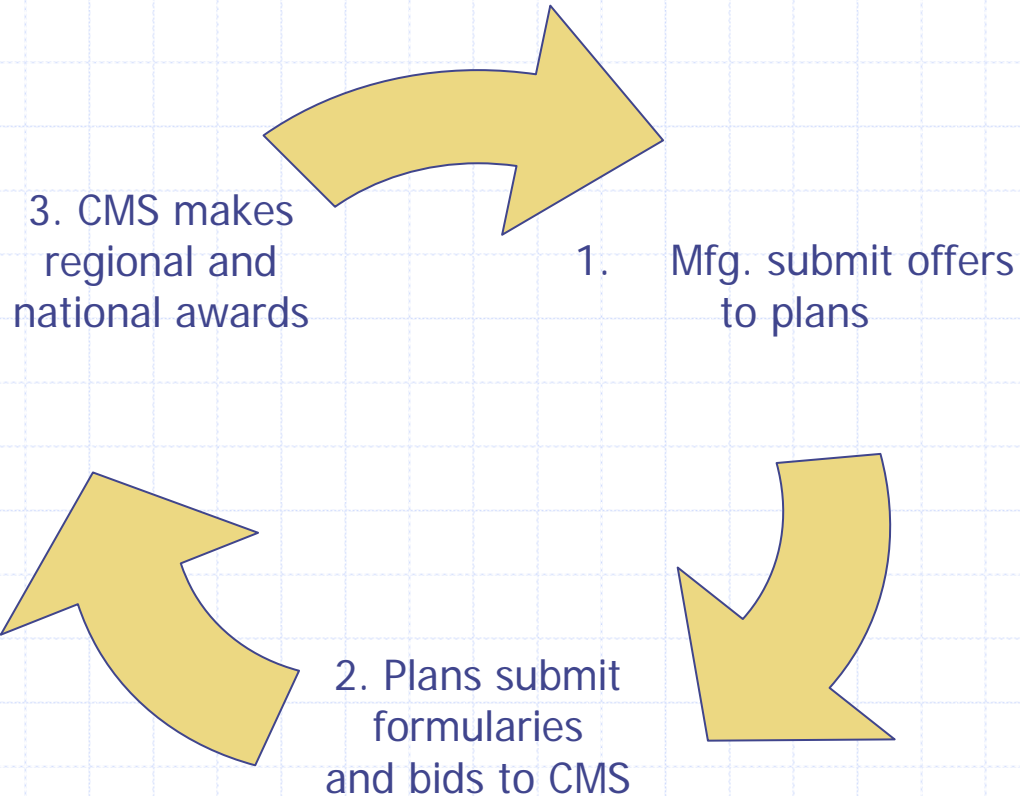


Note: An MA region is one color. A difference in shading indicates that there are multiple PDP regions nested within the MA region. No change indicates that the MA and PDP regions are the same. For example, Wisconsin and Illinois are in one MA region; they are each a separate PDP region. Each territory is its own PDP region.

# Part D Formulary Development

- ◆ Act provides for minimum formulary requirements of at least 2 drugs in each therapeutic category.
- ◆ 146 unique therapeutic categories defined by US Pharmacopeia (USP)
- ◆ Certain drug classes specifically excluded:  
ie. Benzodiazepines, weight loss drugs
- ◆ Assures consistent, comprehensive benefits across regions
- ◆ Robust appeal process for denials

# Sponsor Bidding Process



# National Bid Awards

## PDPs

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- ◆ Aetna life
- ◆ Connecticut General Life
- ◆ Coventry health and Life
- ◆ Medco
- ◆ MemberHealth Inc.
- ◆ PacifiCare
- ◆ Siverscript Ins. Co.
- ◆ Unicare
- ◆ United Healthcare
- ◆ Wellcare

## MA-PDs

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- ◆ Aetna Life
- ◆ Connecticut General Life
- ◆ Coventry health and Life
- ◆ PacifiCare
- ◆ United Healthcare

# Top 5 Part D Sponsors

Organization	July Enrollment	% of Lives
Grand Total	22,491,177	
UHC- Pacificare	5,355,738	25.3%
Humana Inc.	4,355,738	19.4%
WellPoint	1,249,265	5.6%
WellCare	977,975	4.3%
Member Health	964,312	4.3%

The top 5 sponsors captured 59% of the Part D business

# Enrollment Update

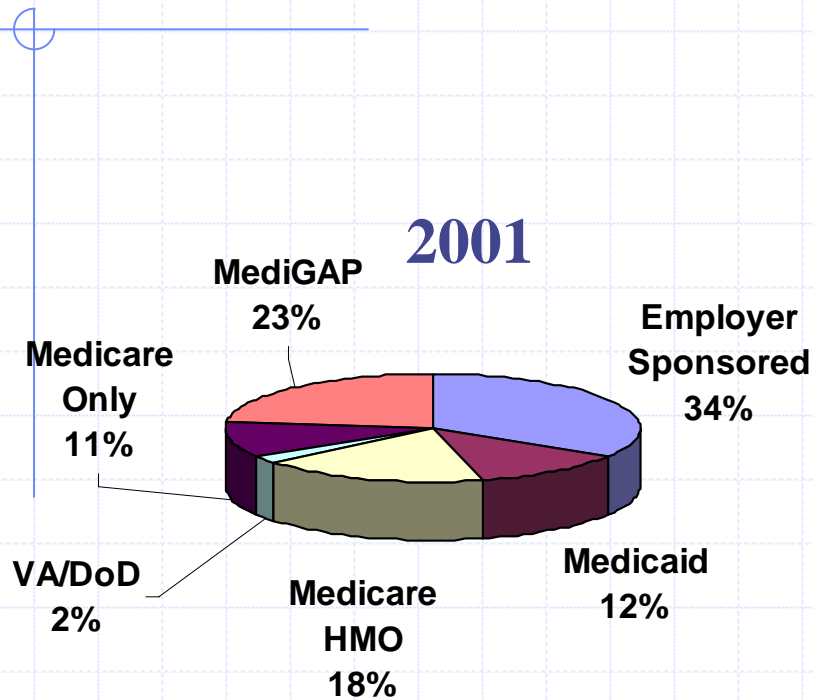
- ◆ Total number of possible enrollees is 39.1 million.
- ◆ 29.2 million are projected to enroll.
- ◆ 22.5 million enrolled as of June 11, 2006
  - 10.4 million PDP
  - 6.0 million MA-PD
  - 6.1 Duals assigned
- ◆ 10 million with other creditable coverage  
(employer/union plans, Tricare, VA coverage)
- ◆ 5 Million no visible drug coverage

# The MMA effect on States

- ◆ States' initial thought of windfall punctured.
- ◆ **Claw-back:** State must pay back 90% they would have paid in Medicaid to duals based on 2003 figures

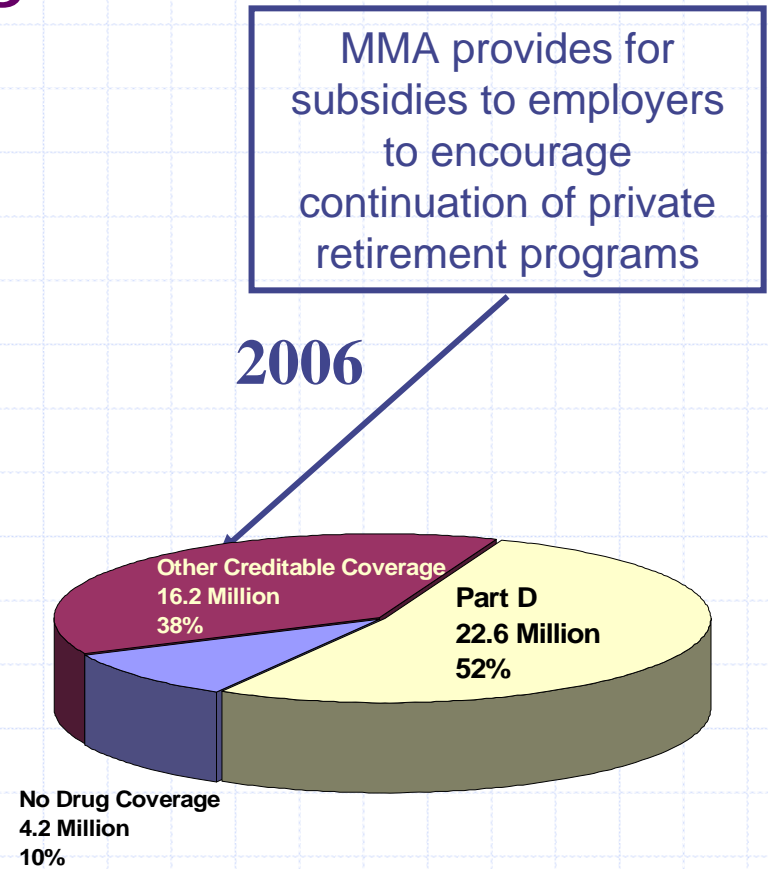


# Senior Drug Coverage 2001-2006



35.5 Million Patients

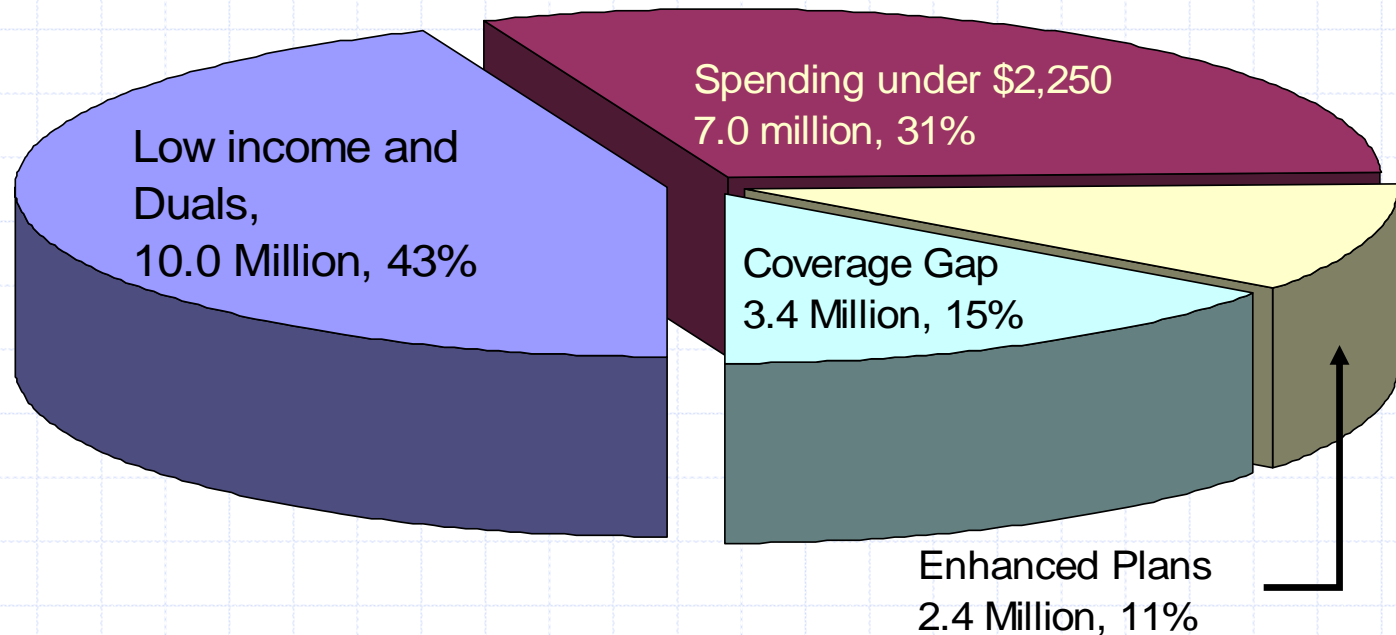
Source: Kaiser Family Foundation (2004)



43 Million Patients

Source: CMS

# Real Story of Coverage Gap



Source: Dan Mendelson AMCP Chicago Oct. 2006

# The Magic of Navigating through Part D will be in the Demographics



# Brian's rule of 70s

- ◆ 70% of Medicaid prescription spend went to Dual eligible patients
- ◆ 70% of LTC patients are on Medicaid
- ◆ 70% of many chronic use drugs are used by seniors
  
- ◆ 100% of duals are enrolled in Part D

# Different Drug Classes have surprising exposure to Part D

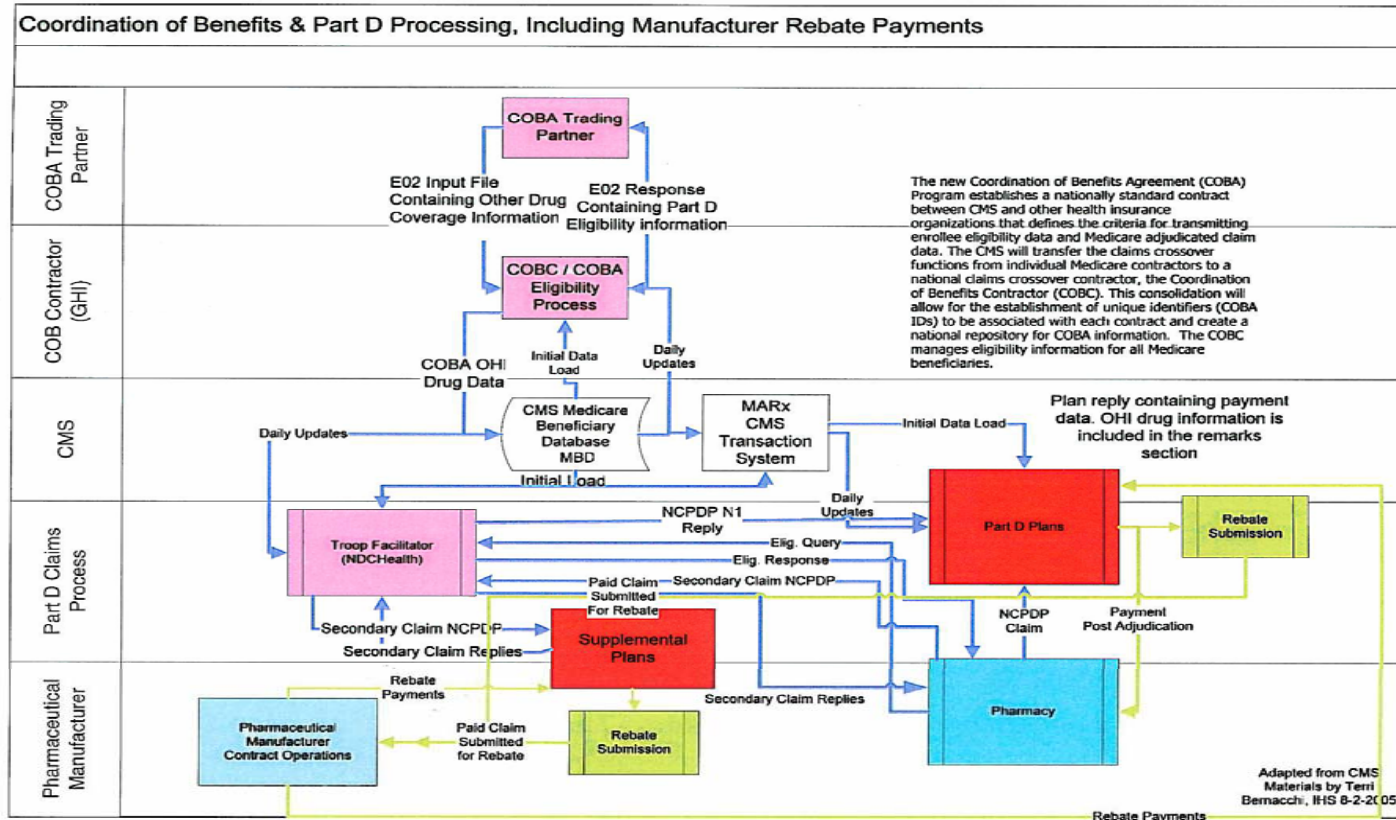
## HIV / AIDS

- ◆ Most patients are under 65 but many qualify for Social Security Disability Insurance (SSDI) benefits enabling their entry to Medicare Part D.
- ◆ While all the PDPs covered the 20+ drugs approved for HIV/AIDS, out of pocket costs can vary from \$15 to \$1000.

# Coordination of Benefits Issues

- ◆ Who pays and who does the manufacture pay?
  - 340B
  - Part D PDP
  - SPAP
  - Medicaid
  - Commercial Managed care plan

# The Adjudication Process is complex



# Part D Effect of Manufacturers

- ↑ Increased prescriptions filled by seniors
- ↑ Increased margin over Medicaid in older drugs with high CPI penalties
- ↑ Reduced competition/volume in PDLs
- ↓ Decreases margin in competitive non-PDL classes
- ↓ Increased use of generics

How's your Chrystal Ball?