

# Medicare Part D Congress

## November 2, 2006



# CMS Update and Analysis of Medicare Part D



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# Program Overview

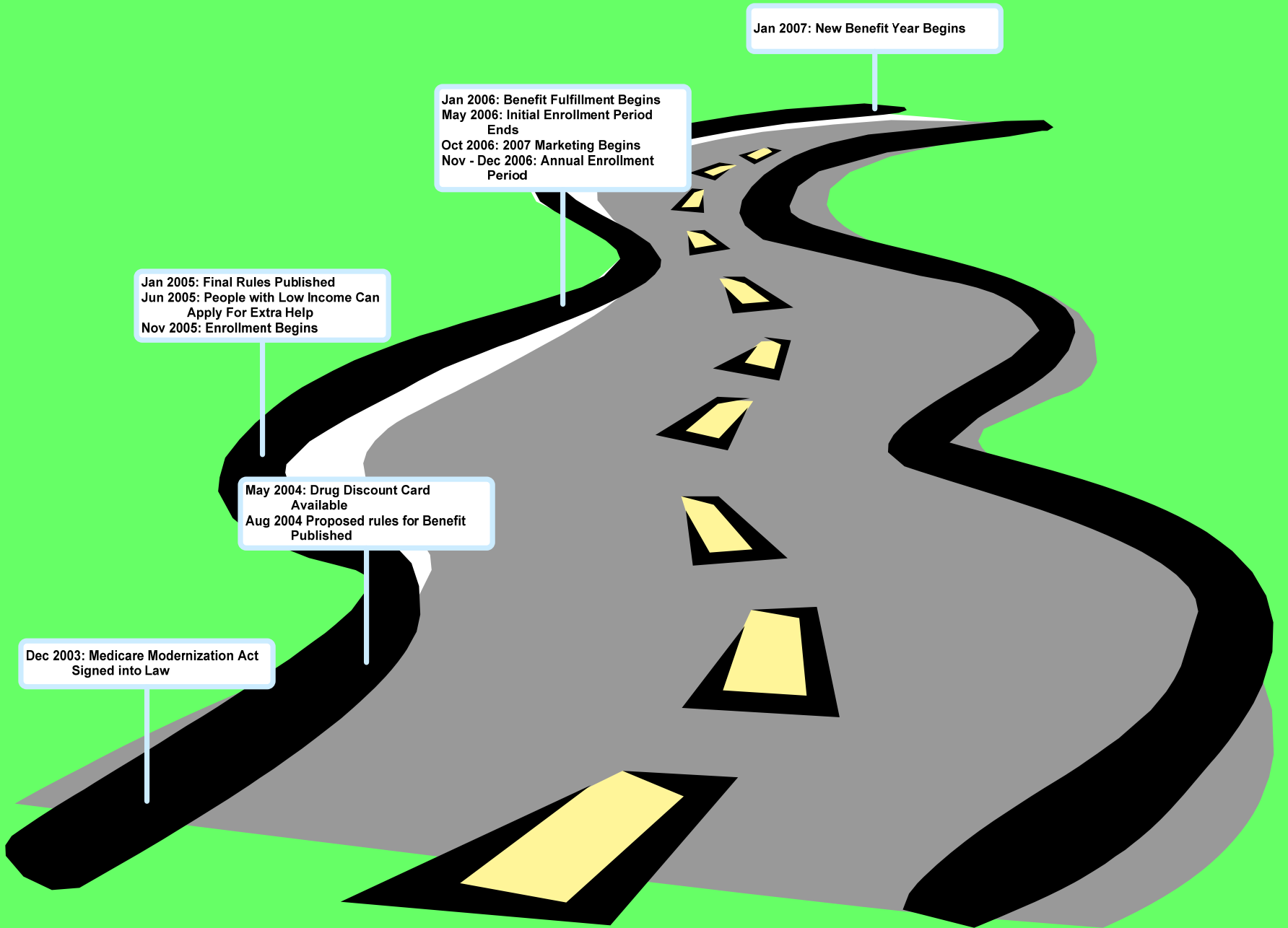
Jan 2007: New Benefit Year Begins

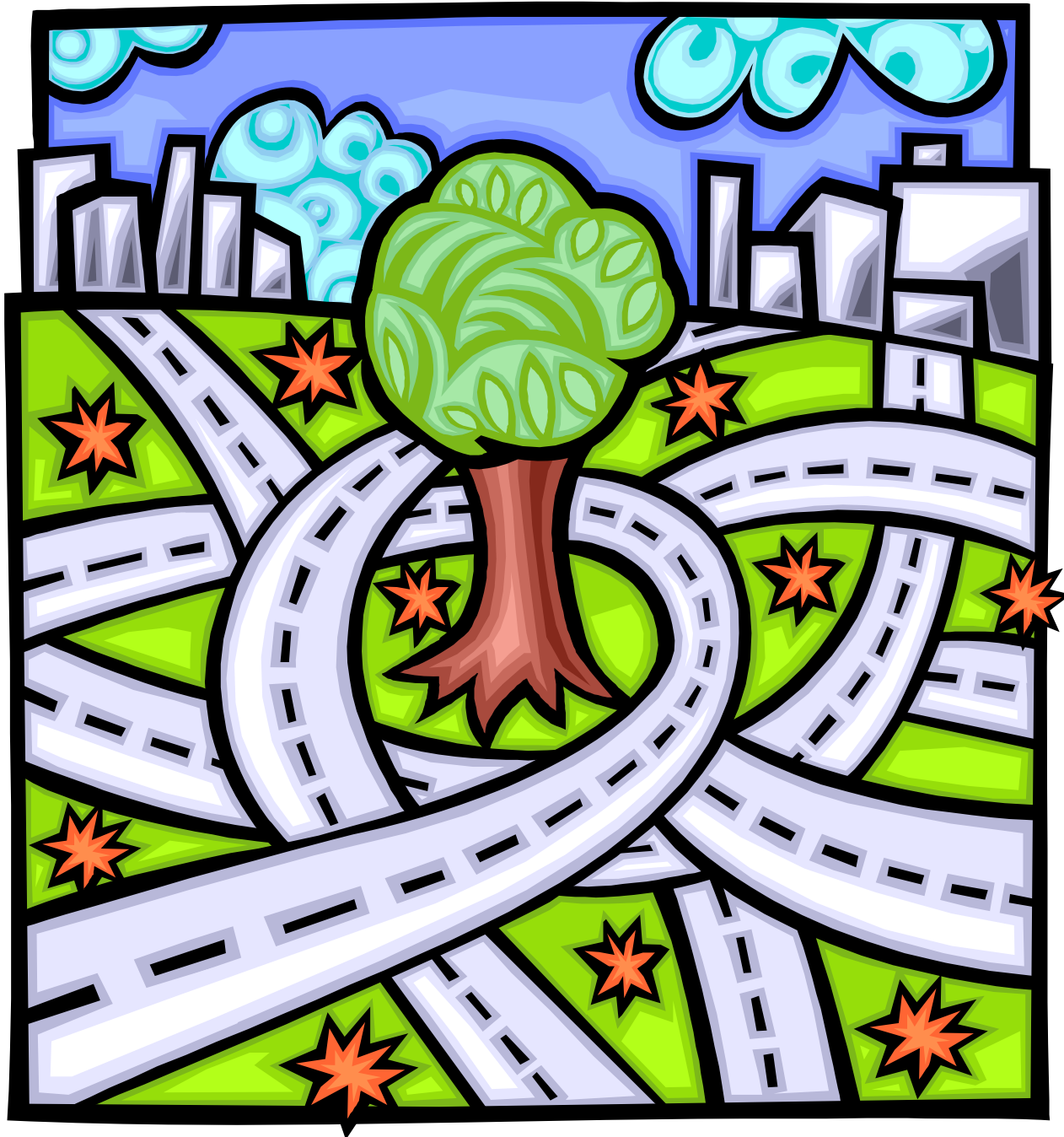
Jan 2006: Benefit Fulfillment Begins  
May 2006: Initial Enrollment Period Ends  
Oct 2006: 2007 Marketing Begins  
Nov - Dec 2006: Annual Enrollment Period

Jan 2005: Final Rules Published  
Jun 2005: People with Low Income Can Apply For Extra Help  
Nov 2005: Enrollment Begins

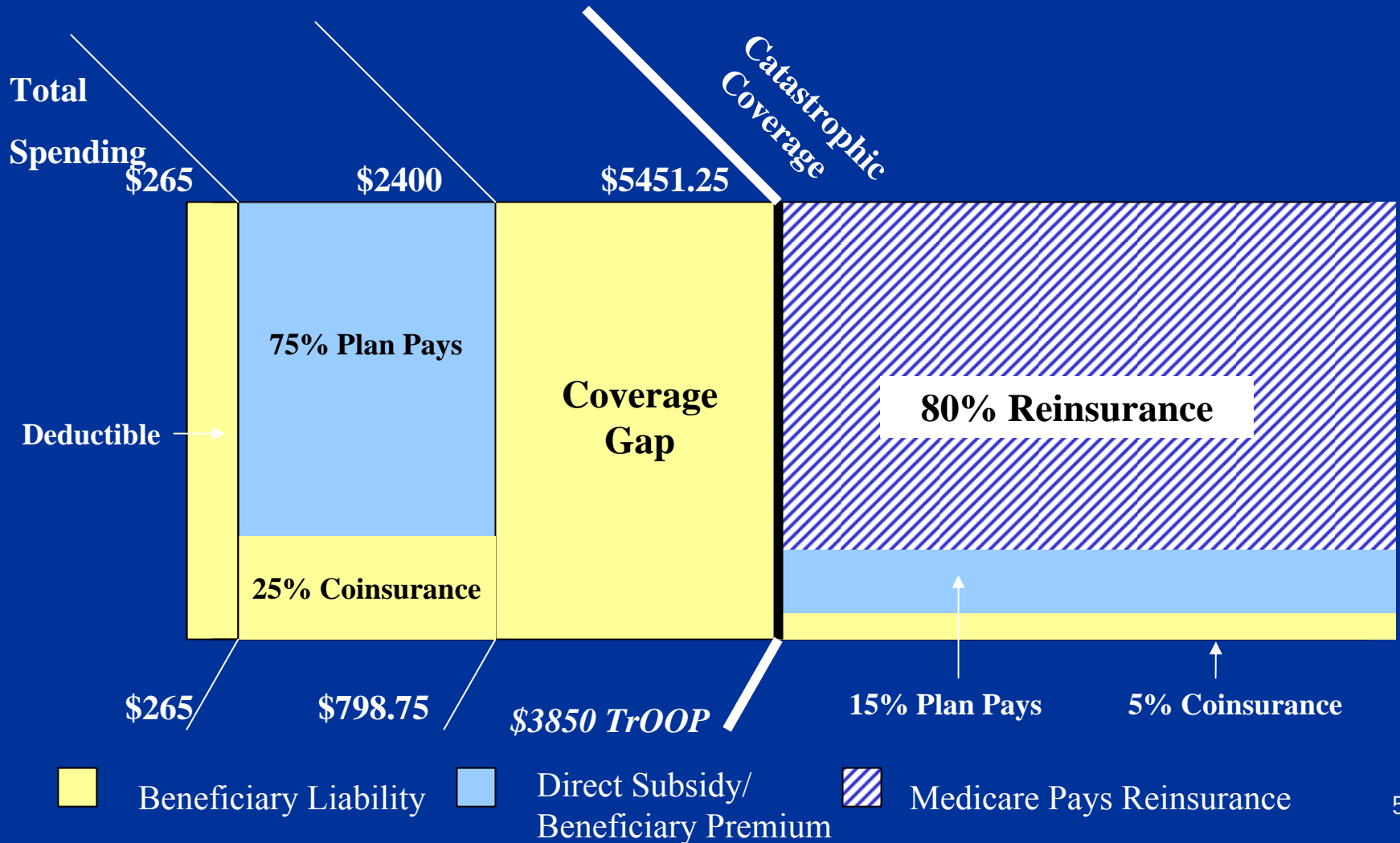
May 2004: Drug Discount Card Available  
Aug 2004 Proposed rules for Benefit Published

Dec 2003: Medicare Modernization Act Signed into Law





# Standard Benefit 2007



# Annual Adjustments for Standard Benefit in 2007

<b>Benefit Parameters</b>	<b>2006</b>	<b>2007</b>
<b>Deductible</b>	<b>\$250</b>	<b>\$265</b>
<b>Initial Coverage Limit</b>	<b>\$2250</b>	<b>\$2400</b>
<b>Out-of-Pocket Threshold</b>	<b>\$3600</b>	<b>\$3850</b>
<b>Total Covered Drug Spend at OOP Threshold</b>	<b>\$5100</b>	<b>\$5451.25</b>
<b>LIS Copayments</b>	<b>2006</b>	<b>2007</b>
<b>Institutionalized</b>	<b>\$0</b>	<b>\$0</b>
<b>Up to or at 100% FPL</b>	<b>\$1/\$3</b>	<b>\$1/\$3.10</b>
<b>Other LIS</b>	<b>\$2/\$5</b>	<b>\$2.15/\$5.35</b>

# Various plan options that go beyond the standard benefit

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**There are plan offerings that**

- **Incorporate “Tiered” copayments or coinsurance**
- **Lower the initial deductible**
- **Change the coverage gap**
- **Have no coverage gap**

**“Enhanced” options are available with additional benefits beyond Medicare’s standard drug coverage.**

# Plan Analysis

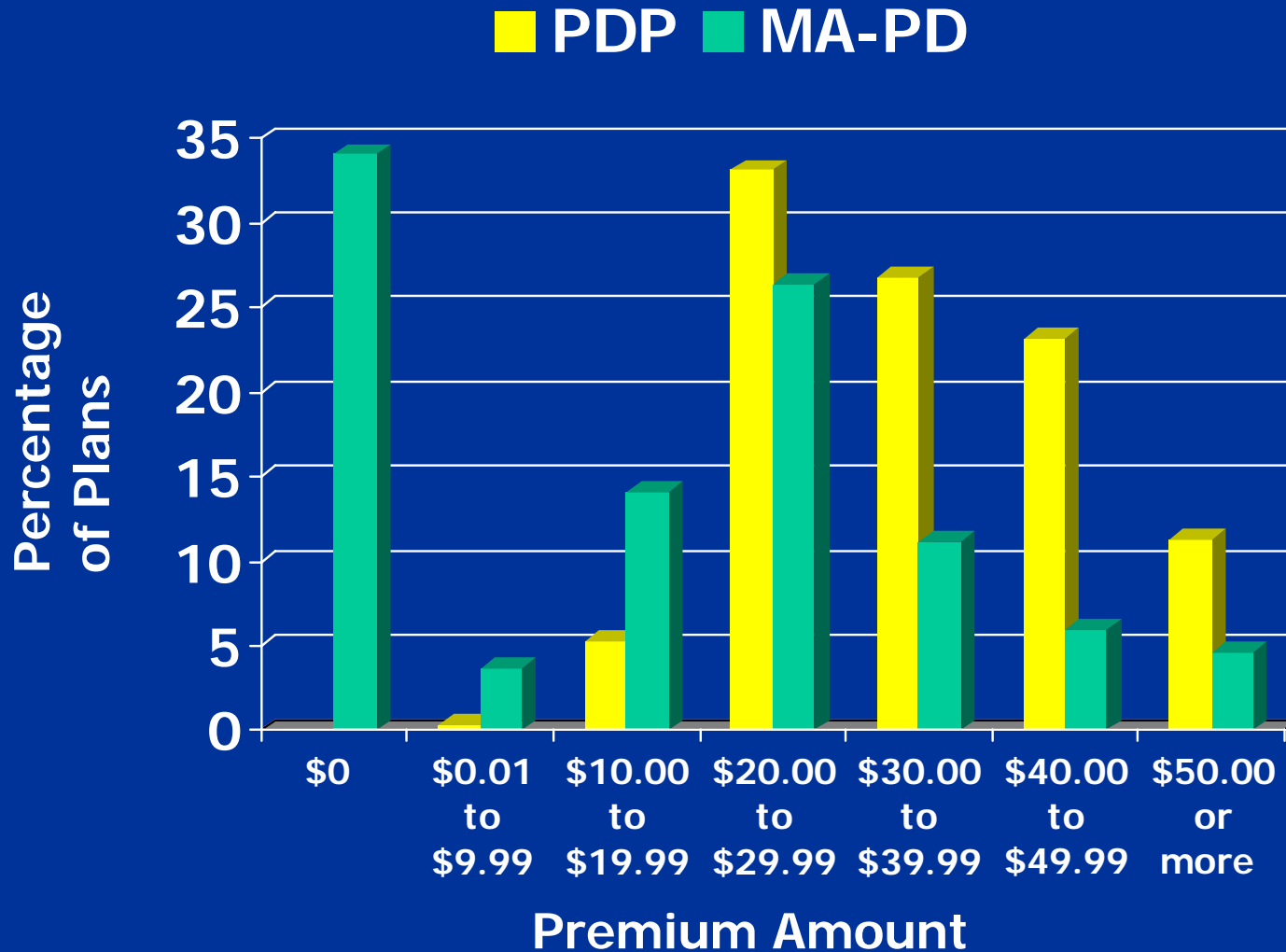
# CY07 PDP Benefit Type Analysis

<b>Benefit Type</b>	<b>2007 % of Plans</b>	<b>Number of Plans</b>	<b>Change from 2006</b>
<b>Defined Standard Benefit</b>	<b>12.1%</b>	<b>232</b>	<b>+2.8%</b>
<b>Actuarially Equivalent Standard</b>	<b>13.4%</b>	<b>257</b>	<b>-8.3%</b>
<b>Basic Alternative</b>	<b>27.2%</b>	<b>523</b>	<b>+0.5%</b>
<b>Enhanced Alternative</b>	<b>47.3%</b>	<b>908</b>	<b>+5.0%</b>
<b>Totals</b>	<b>100%</b>	<b>1920</b>	<b>-</b>

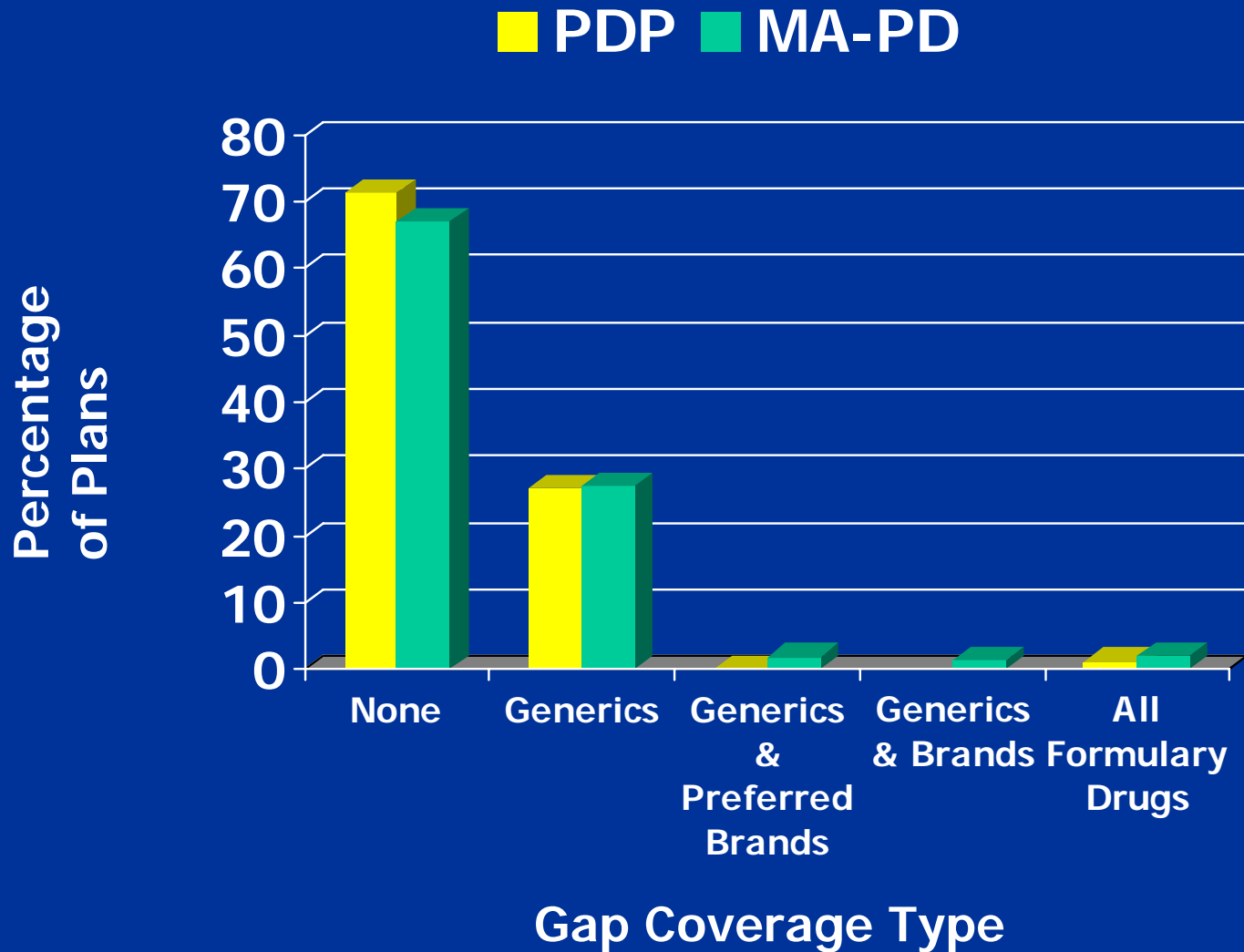
# CY07 MA-PD Benefit Type Analysis

<b>Benefit Type</b>	<b>2007 % of Plans</b>	<b>Number of Plans</b>	<b>Change from 2006</b>
<b>Defined Standard Benefit</b>	<b>5.1%</b>	<b>87</b>	<b>-2.4%</b>
<b>Actuarially Equivalent Standard</b>	<b>2.1%</b>	<b>36</b>	<b>-5.2%</b>
<b>Basic Alternative</b>	<b>18.1%</b>	<b>311</b>	<b>-2.6%</b>
<b>Enhanced Alternative</b>	<b>74.7%</b>	<b>1281</b>	<b>+10.2%</b>
<b>Totals</b>	<b>100%</b>	<b>1715</b>	<b>-</b>

# 2007 Premium Analysis



# 2007 Gap Coverage Analysis



# 2006 Plan Summary

- **All regions have multiple plan options with Part D premiums significantly below \$30. The average monthly premium for Part D benefits is about \$32.20.**
- **There is at least one prescription drug plan with a premium below \$20 per month in every region of the country except Alaska.**
- **Plans where full subsidy eligibles have no additional premium (sometimes referred to as zero premium plans for LIS eligibles) vary between 6 plans (Arizona, Florida) in some regions to 16 in others (South Carolina, Texas, and Virginia).**
- **There are a number of MA-PD plans where there is no additional premium for the prescription drug portion of the benefit.**

# 2007 Plan Summary

- **Every state has at least one plan option with a premium less than \$20 per month; at least one plan available with no deductible; and at least one plan available with coverage of generic and preferred brand formulary drugs in the coverage gap.**
- **On average, premiums increased less than \$8 over 2006 and in several states the average premiums decreased.**
- **Beneficiaries will have access to between 27 and 41 plans with no deductibles in 2007 (an increase of 3 to 13 plans per state from 2006).**
- **In every state, the majority of plans offer mail-order pharmacy services.**

# 2007 Plan Summary (cont.)

- **The number of PDP sponsors ranges from 20 to 29 per state and this represents an increase over 2006 of between 4 to 9 sponsors per state.**
- **The number of PDP plans offered by these sponsors ranges from 45 to 66, representing an increases of between 7 to 18 plans compared to 2006.**
- **In general, the largest increase in plans was seen for those offering enhanced coverage.**
- **In 2007, there are between 4 and 12 additional enhanced plans being offered in each state.**
- **Enhanced plans represent between 44% to 50% of plans offered in each state.**

# Formulary Analysis

# Formulary Review: Approach

- **Part D Formularies reviewed to prevent discrimination against beneficiaries by age, disease, or setting (e.g. long-term care)**
- **Ensure the inclusion of a broad distribution of therapeutic categories and classes**
- **Utilize reasonable benchmarks to check that drug lists are robust**
- **Review tiering and utilization management strategies**
- **Identify potential outliers at each review step for further CMS investigation**
- **Obtain reasonable clinical justification when outliers appear to create access problems**

# 2007 Formulary Process

- **Formulary Reference NDC File**
  - Streamline submission and review process
  - Eliminate need to clean up files
- **Drugs contained on a specialty tier must have a plan negotiated price of at least \$500 per month**
- **Check for LTC and home infusion drugs**

# 2007 Formulary Findings - Model

Model	#	%
USP	232	60%
AHFS	38	10%
Other	117	30%
Total	387	100%

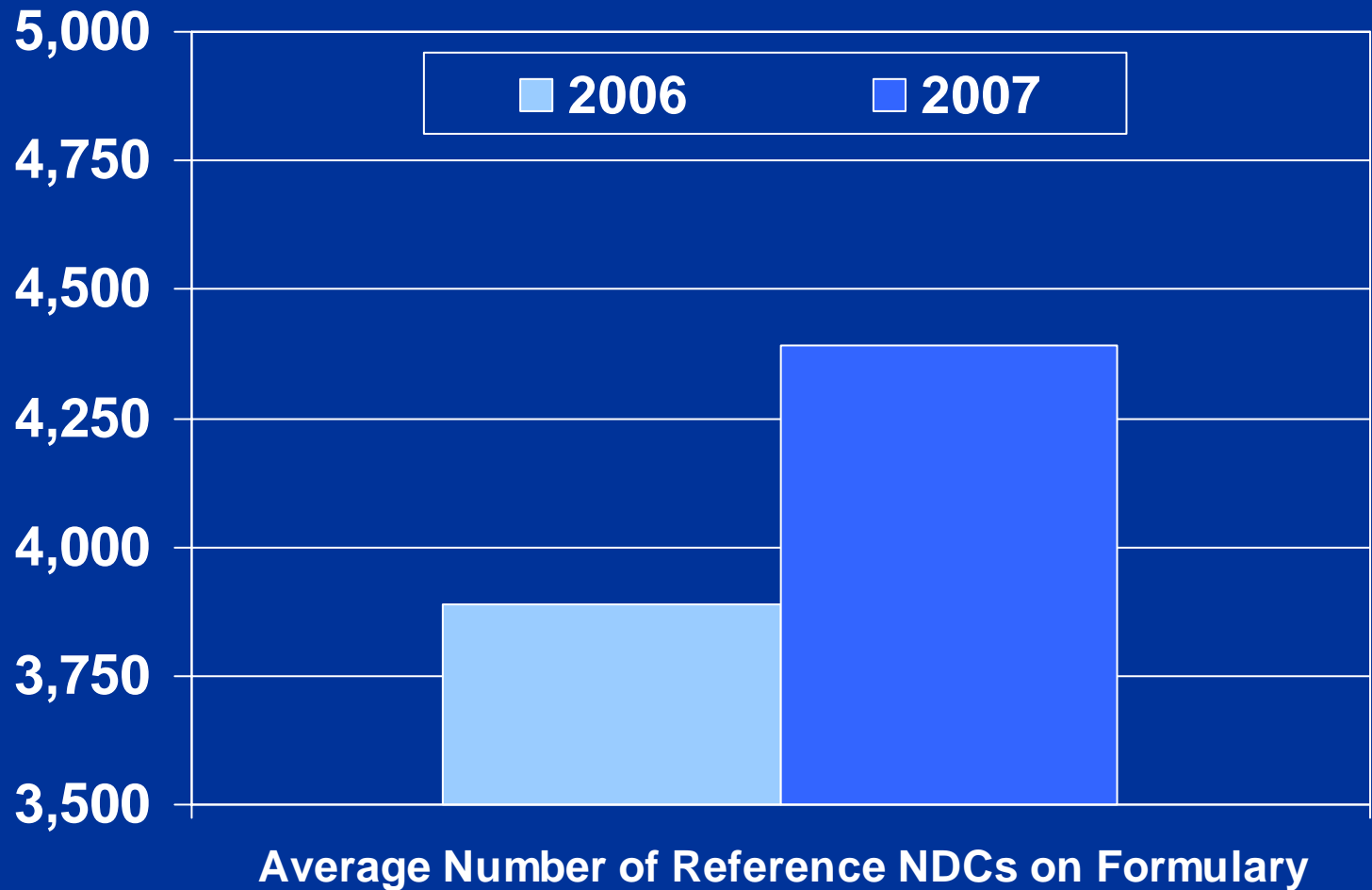
# 2007 Formulary Findings - Tiers

Tiers	#	%
<b>1</b>	<b>13</b>	<b>3.4%</b>
<b>2</b>	<b>55</b>	<b>14.2%</b>
<b>3</b>	<b>81</b>	<b>20.9%</b>
<b>4</b>	<b>197</b>	<b>50.9%</b>
<b>5</b>	<b>34</b>	<b>8.8%</b>
<b>6</b>	<b>6</b>	<b>1.6%</b>
<b>7</b>	<b>1</b>	<b>0.3%</b>
Total	387	100.0%

# 2007 Formulary Findings – Other Characteristics

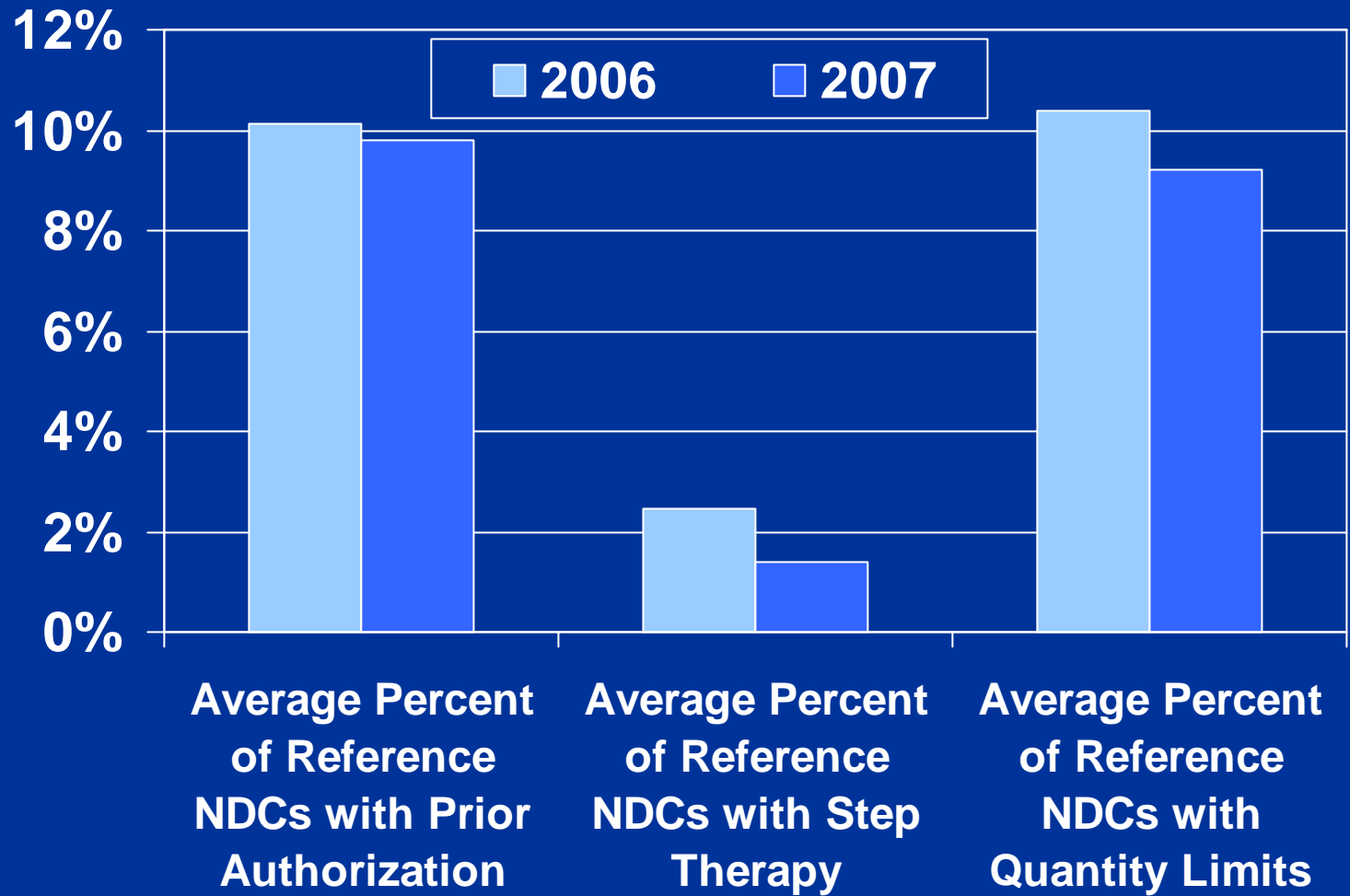
CHECK	#	%
<b>Specialty Tier</b>	<b>288</b>	<b>74.42%</b>
<b>Step Therapy</b>	<b>269</b>	<b>69.51%</b>
<b>Quantity Limit</b>	<b>381</b>	<b>98.45%</b>
<b>Prior Authorization</b>	<b>380</b>	<b>98.19%</b>
<b>TOTAL FORMULARIES</b>	<b>387</b>	

# 2006 vs. 2007 Formularies (PDP)



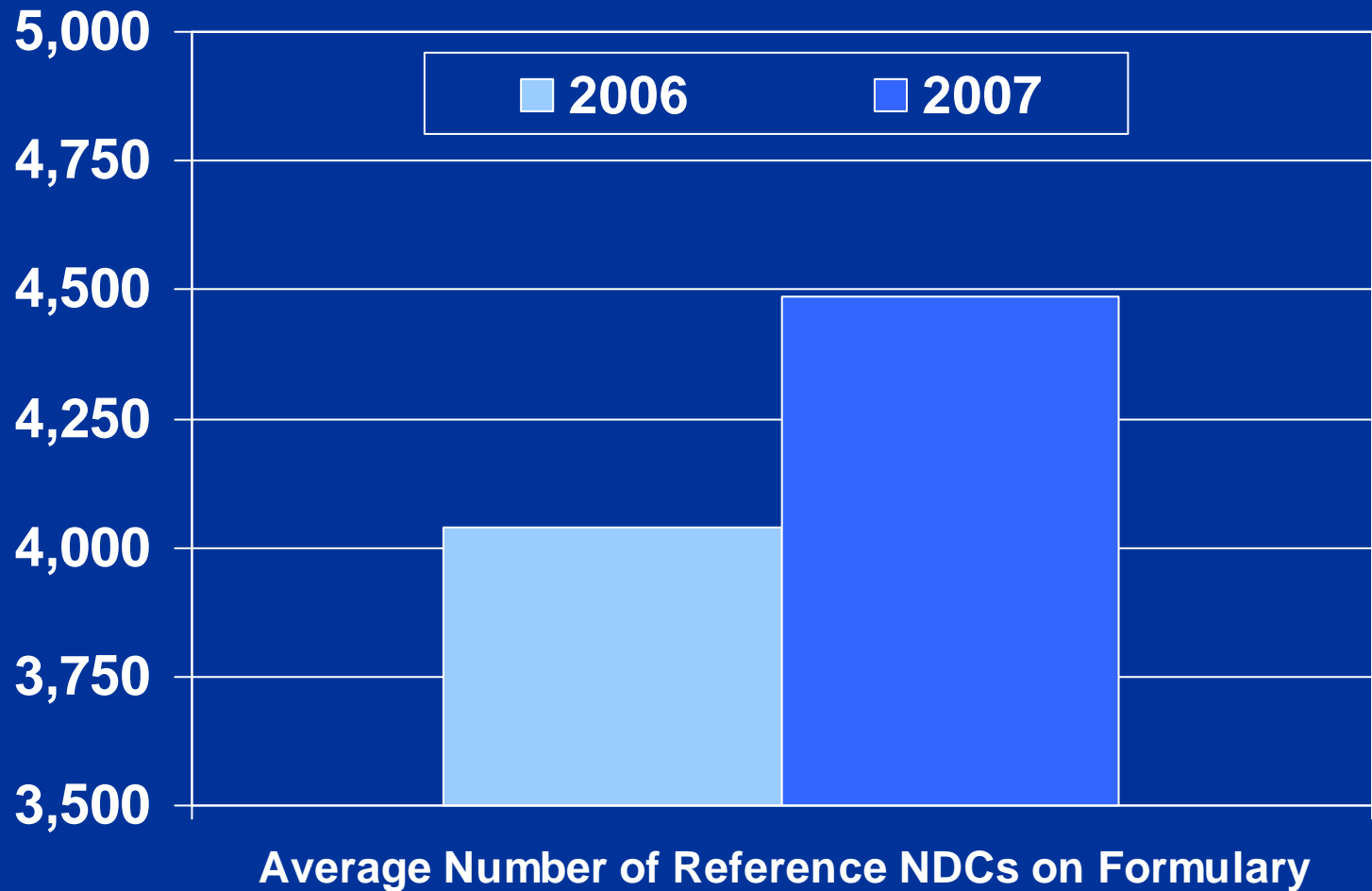
Note: Data limited to plans offered both in 2006 and 2007. Excludes employer sponsored plans. Formulary data from 2006 as of 4/20/2006, and 2007 as of 7/5/2006.

# 2006 vs. 2007 Formularies (PDP)



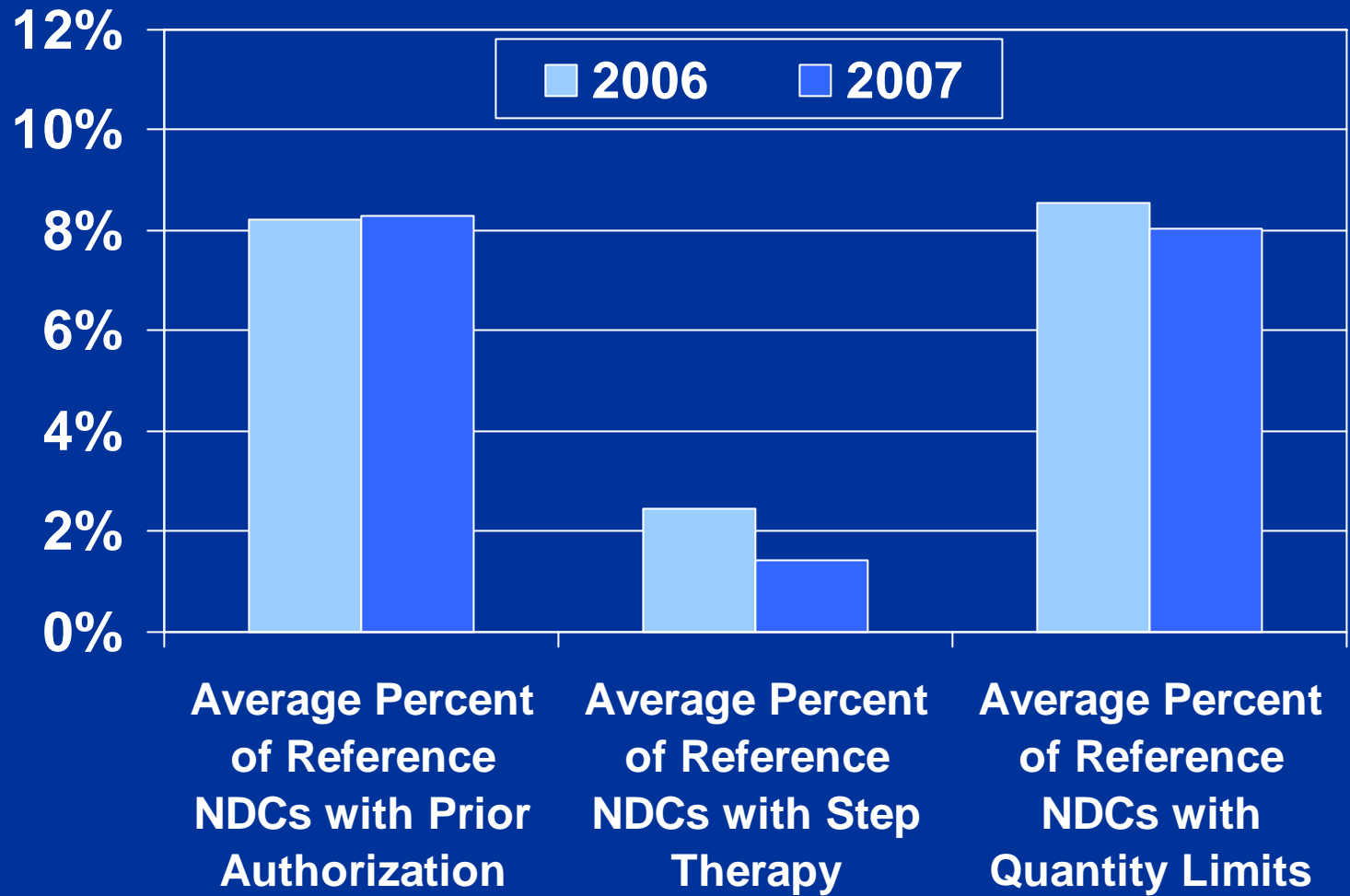
Note: Data limited to plans offered both in 2006 and 2007. Excludes employer sponsored plans. Formulary data from 2006 as of 4/20/2006, and 2007 as of 7/5/2006.

# 2006 vs. 2007 Formularies (MA-PD)



Note: Data limited to plans offered both in 2006 and 2007. Excludes employer sponsored plans and National PACE. Formulary data from 2006 as of 4/20/2006, and 2007 as of 7/5/2006.

# 2006 vs. 2007 Formularies (MA-PD)



Note: Data limited to plans offered both in 2006 and 2007. Excludes employer sponsored plans and National PACE. Formulary data from 2006 as of 4/20/2006, and 2007 as of 7/5/2006.

# Formulary Lessons Learned & Conclusions

- **Formulary policy provides for improved access to drugs by Part D members but also permits the Part D sponsor to determine its own formulary and utilization management tools.**
- **Formulary review process is efficient and allows for changes over time in review criteria.**

# Transition to Formulary Drugs in 2007

- **Transition is a process, not a time period**
- **Plans must establish transition processes for:**
  - New plan enrollees with 1/1/07 start date
  - Newly Medicare- eligible plan enrollees joining anytime in 2007
  - Transfers from other Part D plans (e.g., FBDEs) joining anytime in 2007
- **CMS expects plans to provide a transition process for current enrollees experiencing negative formulary changes between 2006 and 2007**
- **Transition applies to:**
  - Non-formulary drugs
  - Formulary drugs with UM requirements

# Elements of Transition Process

- **Temporary Transition fills**
  - During the first 90 days after enrollment
  - One-time, 30-day fill at retail
- **Edits only if they can be resolved at POS**
- **Transition Notices**
  - Sent via U.S. mail within 3 business days
  - Must include instructions for obtaining a therapeutic equivalent or requesting an exception

# Elements of Transition Process (cont.)

- **Public notice of transition process (e.g., enrollment materials, websites, Plan Finder)**
- **Transition in the LTC Setting:**
  - New enrollees: Multiple 31-day fills during the first 90 days following enrollment
  - Current enrollees: 31-day emergency supply while exception is being adjudicated
- **If possible, transition processes for current enrollees with level of care changes**

# Enrollment

# Enrollment into Part D Plans

- **Coverage is not automatic**
  - Except people who qualify for extra help
- **Annual Enrollment Period (AEP)**
- **If you want to stay in your current plan, do nothing!  
You will be automatically stay in that plan.**

For people currently eligible for Medicare	<b>November 15, 2006, through December 31, 2006</b>
For people aging into Medicare	<b>7-month period</b>

# Current Part D Enrollment

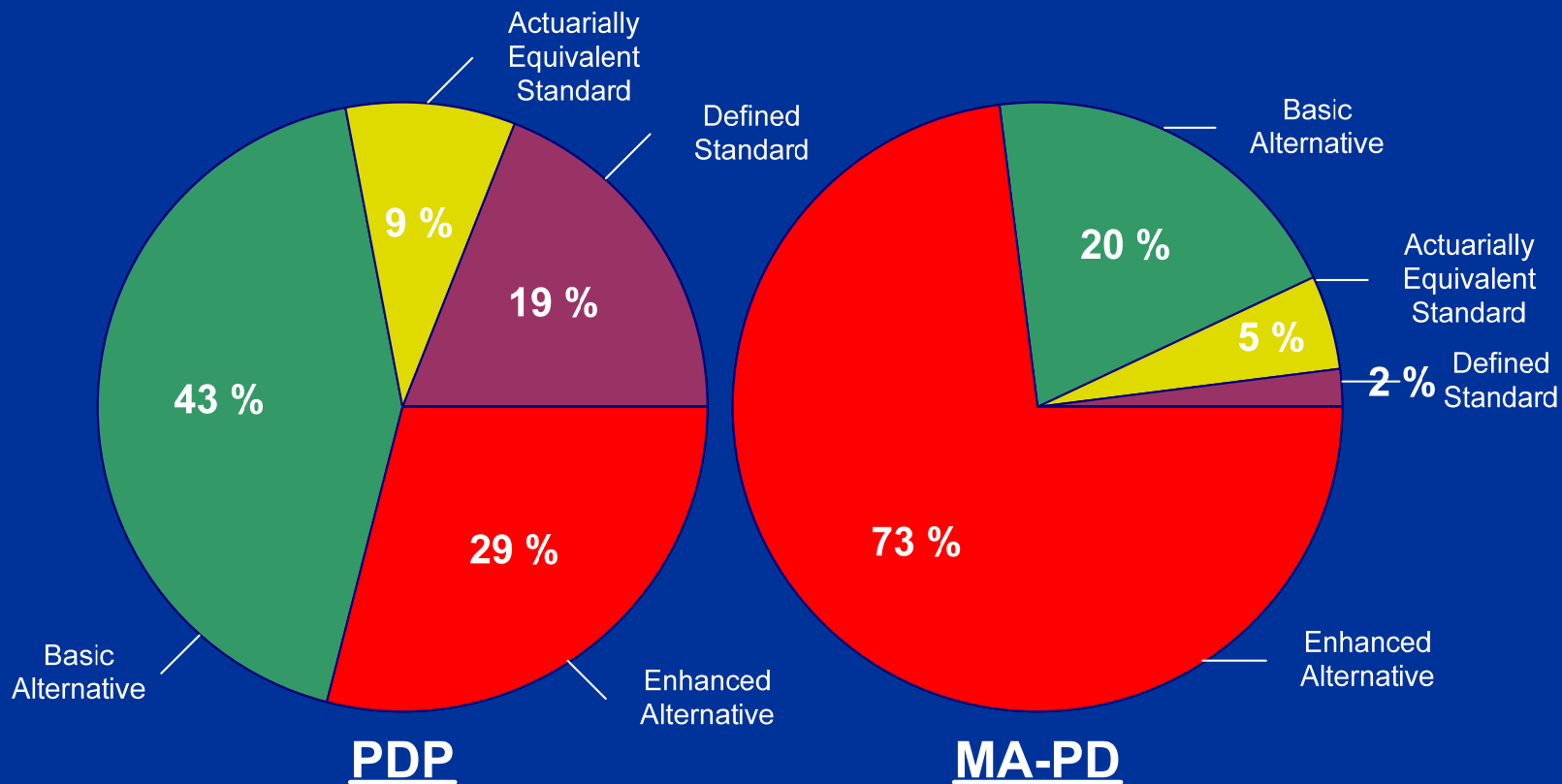
- **As of October 8<sup>th</sup>, approx 38.8 million people with Medicare across the U.S. had prescription drug coverage through Part D.**
- **About 6.1 million LIS beneficiaries were automatically enrolled in PDPs and 478,000 Medicare-Medicaid beneficiaries enrolled in MA plans.**

# Current Part D Enrollment

Enrollment Category	#
Stand-Alone Prescription Drug Plan	10.8M
Medicare Advantage with Prescription Drugs	6.2M
Medicare-Medicaid (Automatically Enrolled)	6.1M
Medicare Retiree Drug Subsidy	6.8M
Estimated Federal Retirees (Tricare, FEHB)	3.5M
Additional Sources of Creditable Coverage	5.4M
<b>Total</b>	<b>38.8M</b>

Data as of 10.08.06

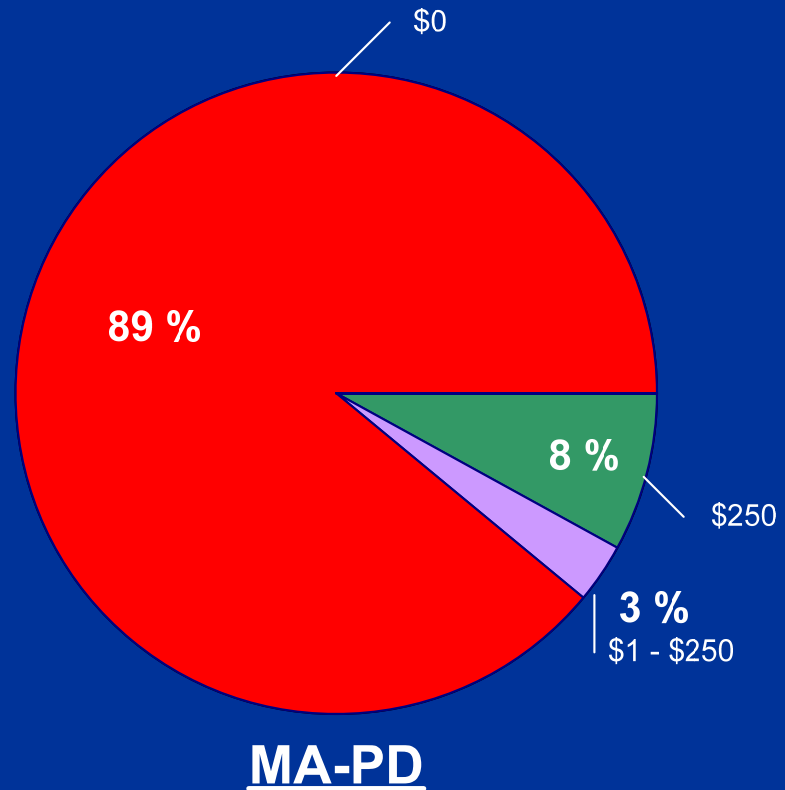
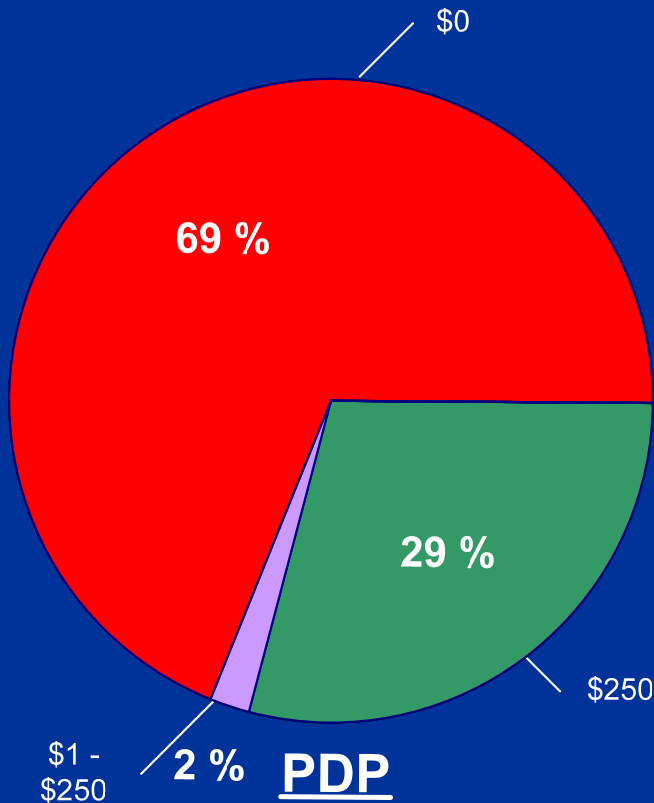
# Enrollment by Plan Type



Data as of Oct06

Analysis excludes FBDE  
& LIS

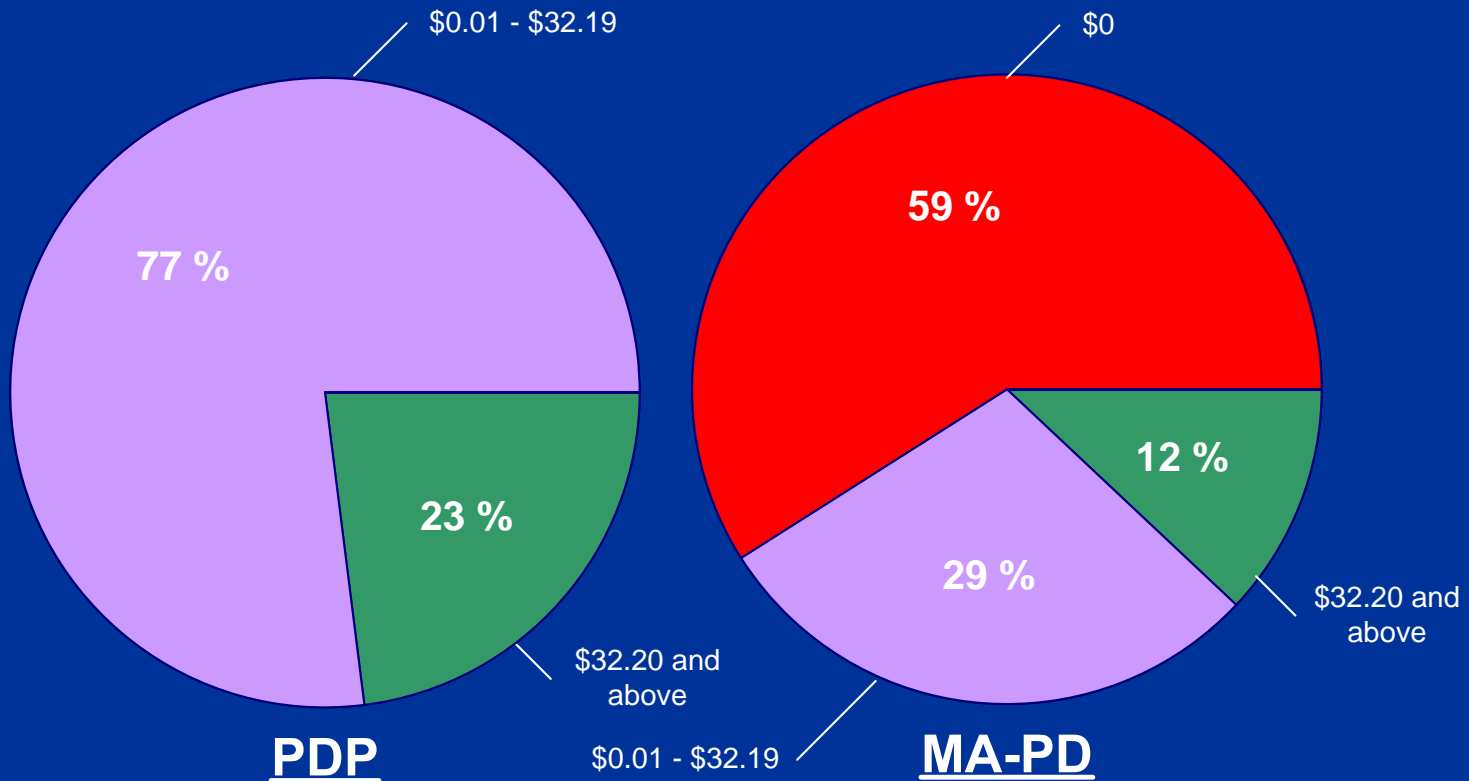
# Enrollment by Deductible Category



Data as of Oct06

Analysis excludes FBDE  
& LIS

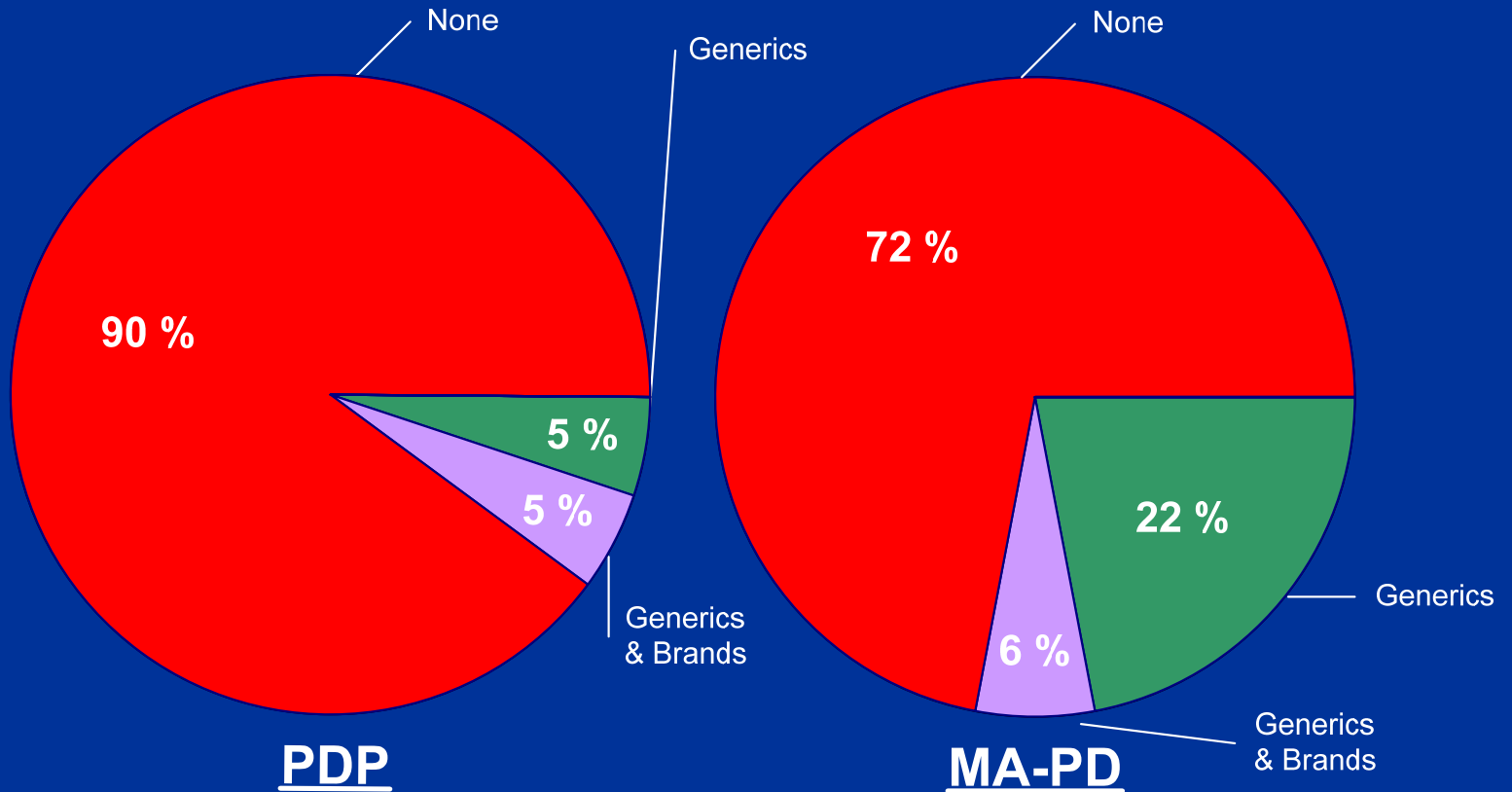
# Enrollment by Premium Category



Data as of Oct06

Analysis excludes FBDE  
& LIS

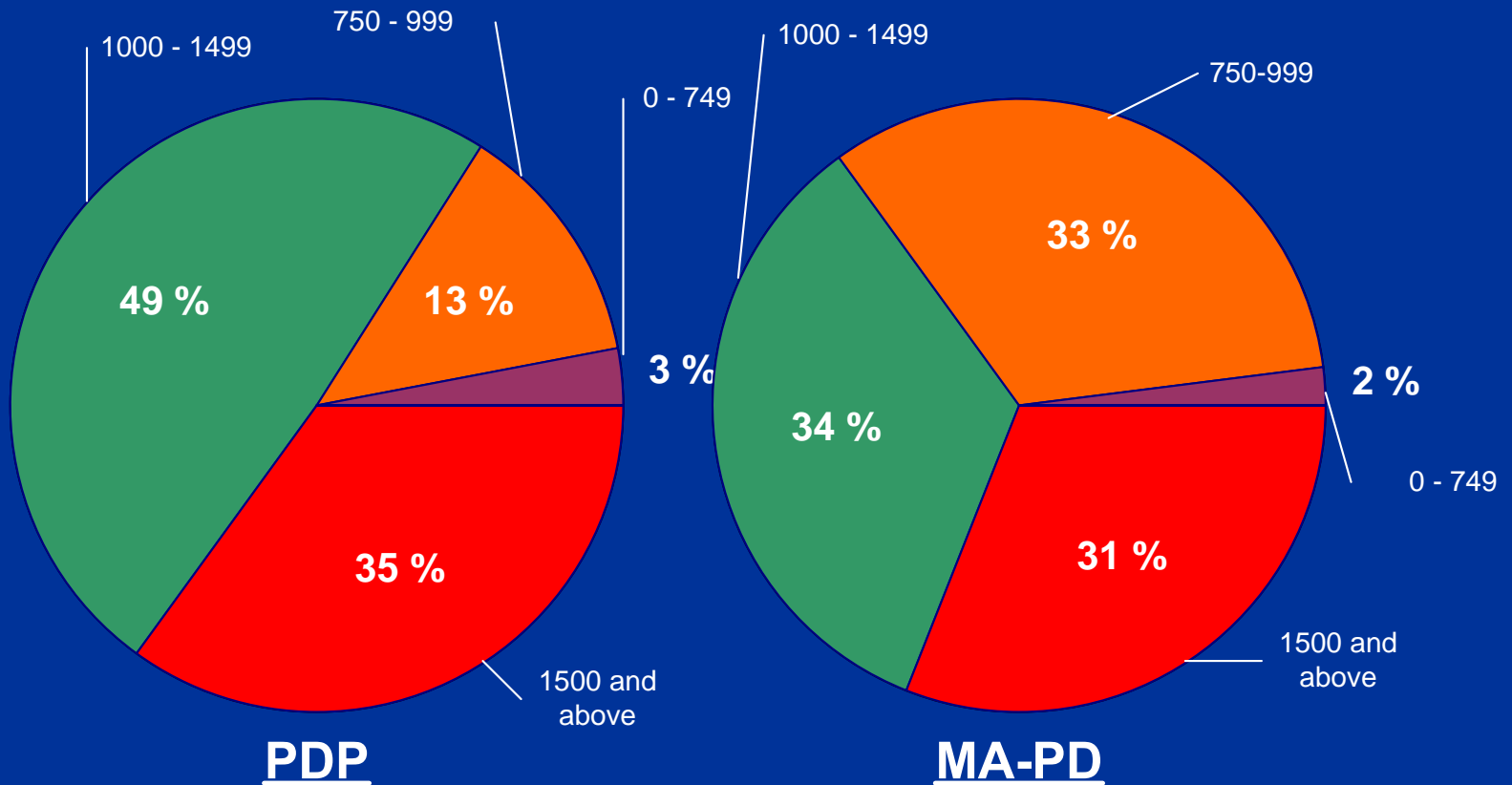
# Enrollment by Gap Coverage



Data as of Oct06

Analysis excludes FBDE  
& LIS

# Enrollment by Number of Generic Drugs on Formulary

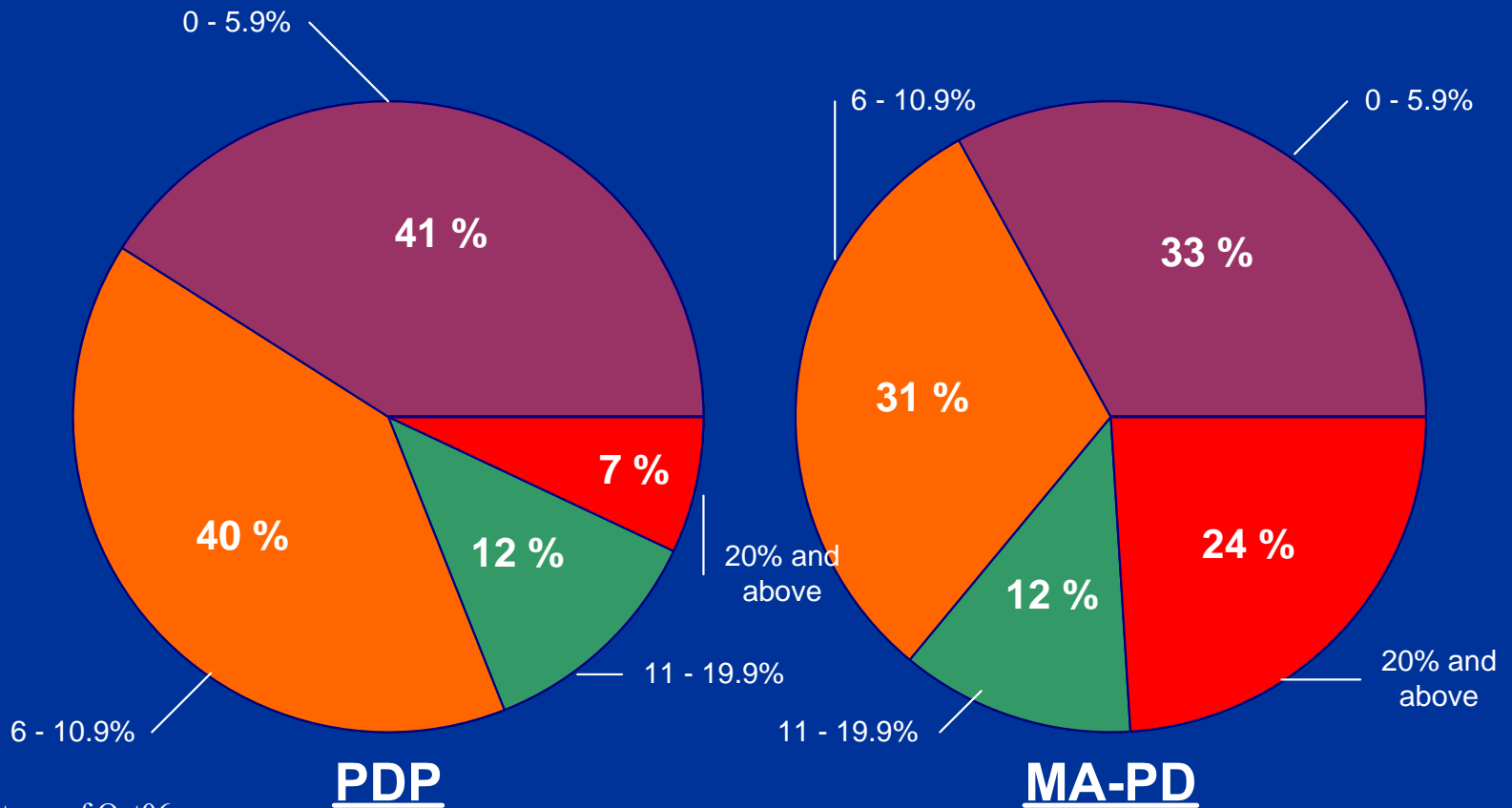


Data as of Oct06

Analysis excludes FBDE & LIS

Note: Drugs on formularies are considered at the generic entity level

# Enrollment by Utilization Management (UM) Rate



Data as of Oct06

Analysis excludes FBDE & LIS

UM rate is the number of drugs requiring prior authorization or step therapy divided by the total number of drugs on formulary

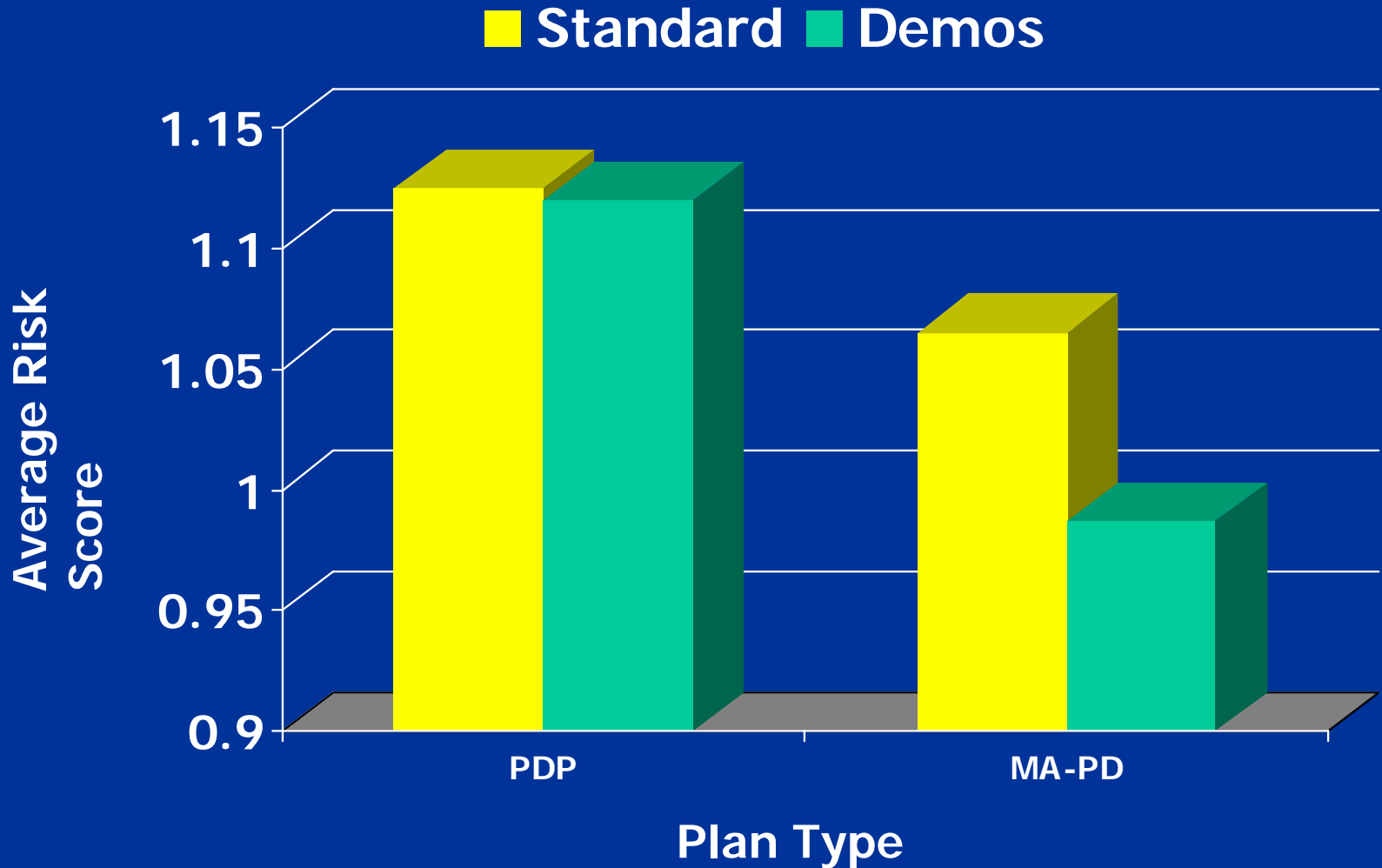
# Enrollment Summary

- **Individually, deductible and premium appear to have an association with enrollment selection – benefit type and coverage in the gap do not**
- **Specifically, a \$0 deductible and a premium below the \$32.20 national benchmark were associated with a higher proportion of enrollment**
- **Most beneficiaries enrolled in PDPs that offered a high number of drugs on formulary**
- **The majority of beneficiaries chose plans that had lower utilization management rates**

# CY06 Risk Adjustment Analysis

<b>Benefit Type</b>	<b>Plan Count</b>	<b>Risk Score Average</b>	<b>Demo</b>
<b>PDP</b>	<b>1269</b>	<b>1.017</b>	
<b>PDP</b>	<b>177</b>	<b>1.032</b>	✓
<b>MA-PD</b>	<b>1413</b>	<b>1.025</b>	
<b>MA-PD</b>	<b>346</b>	<b>0.984</b>	✓

# CY07 Risk Analysis - Projected



# 2007 Performance

# Publish Plan Performance Metrics

- **Purpose: CMS wants to ensure that beneficiaries receive the best prescription drug coverage available and that they have the data necessary to make the most informed decision about plan selection.**
- **Performance Categories / Domains**
  - **Customer Service (beneficiary and pharmacy help desk call center wait time)**
  - **Complaints (complaint rates for benefits/access, enrollment/disenrollment, pricing/co-insurance, and other)**
  - **Appeals (appeals processing and timeliness)**
  - **Data Systems (4Rx data, LIS match rate)**
  - **Pricing (availability of drug pricing on the Medicare Prescription Drug Plan Finder and price stability index)**

## ➤ Beneficiary Call Center Performance

### – PDPs:

- Average hold time 35 seconds
- All PDPs have average hold times <5 minutes
- Nearly all PDPs have average hold times <2.5 minutes (>95% of PDPs)

### – MA-PDs:

- Average hold time 51 seconds
- All but 1 MA-PDs have average hold times <5 minutes
- Nearly all MA-PDs have average hold times <2.5 minutes (>95% of MA-PDs)

## ➤ Pharmacy Call Center Performance

### – PDPs:

- Average hold time 51 seconds
- All PDPs have average hold times <5 minutes
- Nearly all PDPs have average hold times <2.5 minutes (94% of PDPs)

### – MA-PDs:

- Average hold time 47 seconds
- All MA-PDs have average hold times <5 minutes
- Nearly all MA-PDs have average hold times <2.5 minutes (>95% of MA-PDs)

# Plan Complaint Rates

- **Complaint rates have been declining**
- **In July, CMS received approximately 1.4 complaints<sup>1</sup> per 1,000 Medicare beneficiaries**
- **This compares to a plan complaint<sup>1</sup> rate of 1.7 per 1,000 Medicare beneficiaries**

**<sup>1</sup> Complaints against plans are counted if the complaint issue is under the control of the plan to resolve.**

# 2007 Auto-Enrollee Plan Readiness

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- **Memo sent to all plans receiving auto-enrollees in late-August**
- **Outlined seven critical requirements that plans must meet to be eligible**
- **Plans that are unable to meet these requirements risk being excluded from the auto-enrollment process**
- **CMS audited some of these plans.**

# 2007 Plan Readiness Checklist

- **Memo sent to all Part D plans in early September to help ensure plans are ready for the 2007 contract year.**
- **Based off 2006 lessons learned and existing guidance.**
  - Adequate customer service for annual enrollment period plus 60 days
  - Submit program data more frequently – exceed minimum requirements
  - Key Marketing dates
  - Key Enrollment/Disenrollment timelines

# Beneficiary Feedback

- **The vast majority of Medicare beneficiaries are reporting that they are happy with their drug coverage and their plans.**
  - Low costs
  - Complaint rates to Medicare have been declining
  - Plan call centers at the prescription drug plans continue to answer both beneficiary calls and calls from pharmacists promptly.
- **Most beneficiaries will be able to stay in the same plan next year, and they won't have to do anything this Fall unless they want to look at other options.**

# For More Part D Information

## [www.cms.hhs.gov/PrescriptionDrugCovGenIn/01/01\\_Overview.asp](http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/01/01_Overview.asp)

- Enrollment Data
- Performance Data
- Information for Pharmaceutical Manufacturers and Physicians
- Part D Regulations

## [www.cms.hhs.gov/PrescriptionDrugCovContra/01\\_Overview.asp](http://www.cms.hhs.gov/PrescriptionDrugCovContra/01_Overview.asp)

- Formulary Guidance
- Marketing Guidance
- Reporting Requirements
- Enrollment Guidance
- Coordination of Benefits Guidance
- Other Part D Related Guidance

## [www.cms.hhs.gov/DrugCoverageClaimsData/01\\_Overview.asp](http://www.cms.hhs.gov/DrugCoverageClaimsData/01_Overview.asp)

- Prescription Drug Event (PDE) Information
- Risk Adjustment Information

# Find, Fix & Finish

- We are working with plan sponsors to make sure customer service and technical support wait times are reduced for beneficiaries, pharmacists, and other stakeholders.
- We are making sure drug plans have up-to-date information on their dual eligibles beneficiaries.