

Comparing the Generosity of Drug Coverage in the Medicare Part D and Veterans Affairs Programs

July 2020



Objectives and Scope



Objective

Gauge the impact of Medicare Part D adopting a national formulary, similar to the current Veterans Affairs (VA) formulary



Scope

Xcenda compared coverage of select drugs between all Part D plan formularies and the VA national formulary

Project Methodology



- **Analysis 1:** A sample of 25 drugs that were newly approved from 2015 to 2019
 - First-in-class status
 - Oral and subcutaneous injection formulations covered under the pharmacy benefit (ie, no physician-administered therapies)
 - No pediatric-only indications
 - Covered Part D drug status



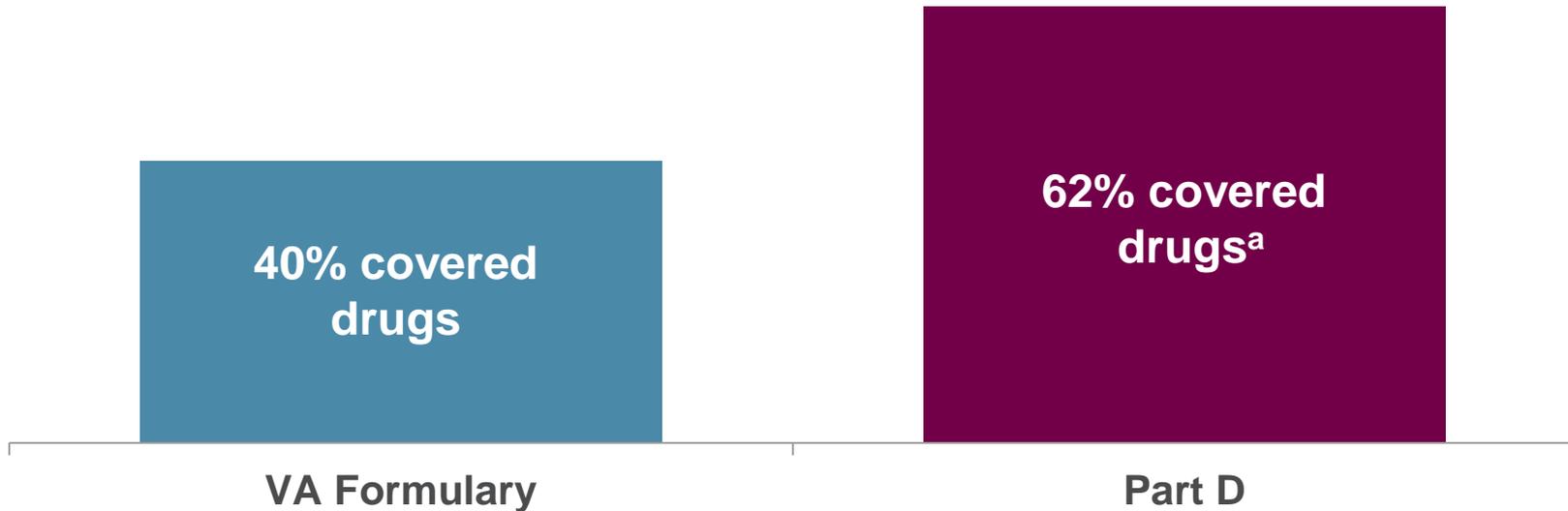
- **Analysis 2:** Top 200 Part D brand drugs from 2018
 - Based on total spending in from the Medicare Part D Spending Dashboard

Medicare.gov
The Official U.S. Government Site for Medicare



- Analysis of all Part D plan formularies to assess coverage for each drug in March 2020
- Comparison of Part D coverage to the February 2020 VA national formulary

Percentage of First-in-Class Drugs Covered

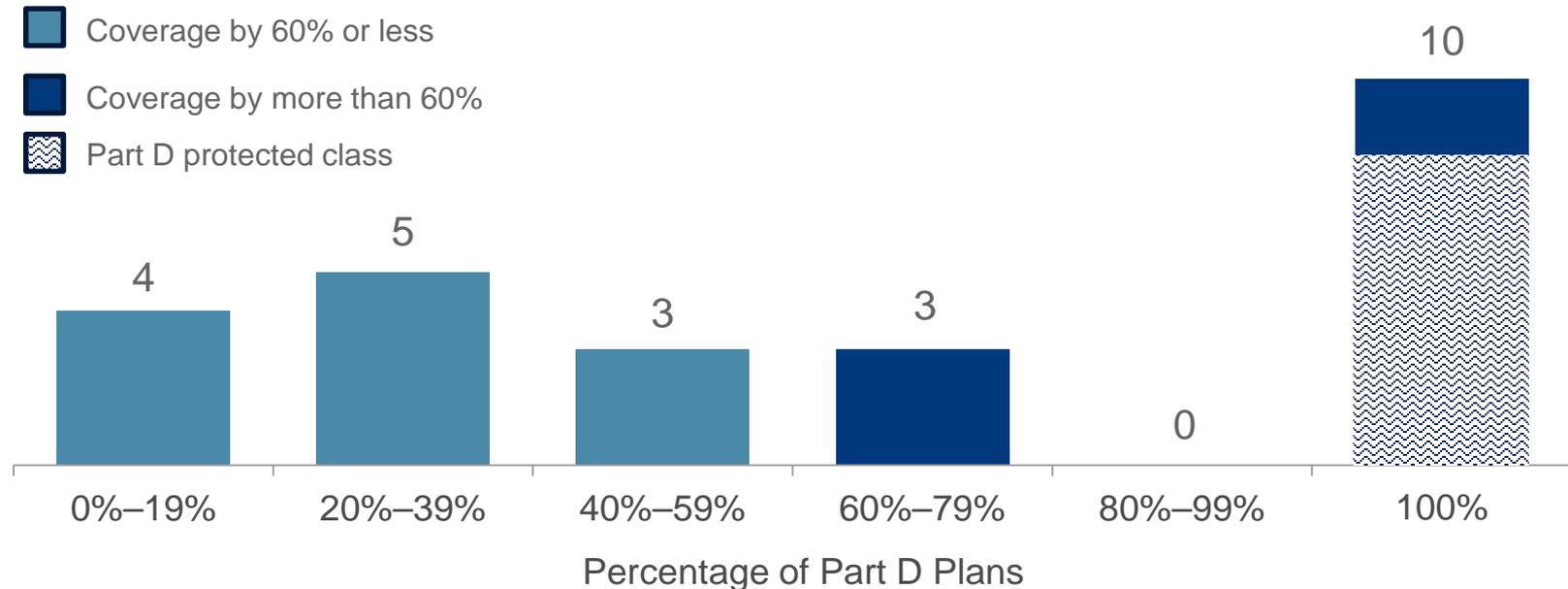


Our analysis reveals a clear contrast between the 2 programs as Part D plans, on average, covered almost 16 (62%) of the selected 25 drugs, while the VA national formulary only covers 10 (40%) of the sampled products.

a. Average coverage by all Part D plans for all of the selected drugs.

FDA First-in-Class Part D Plan Analysis Results

Medicare Part D Coverage for 25 First-in-Class Drugs Sampled

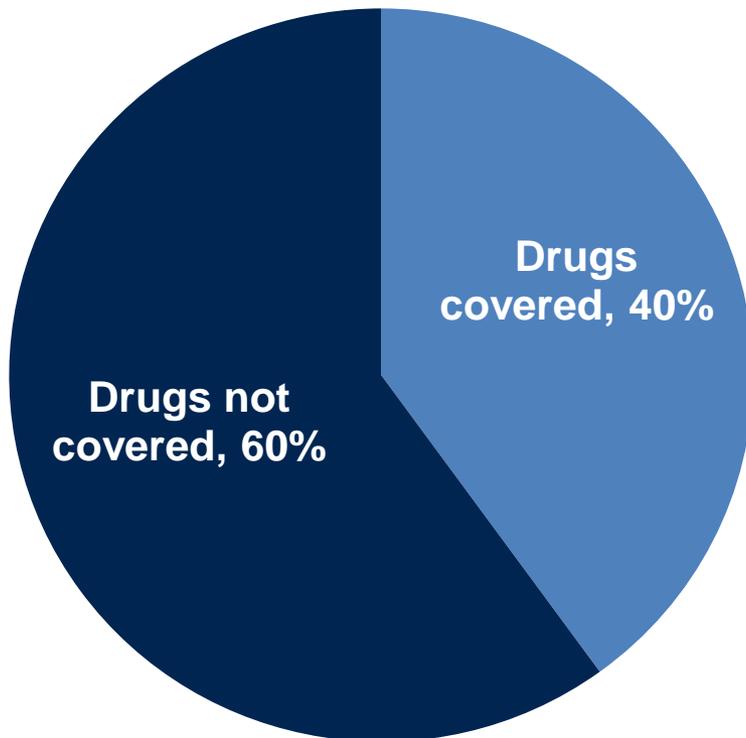


More than 60% of Part D plans covered 13 of 25 analyzed products, on average; of the 10 therapies with universal coverage, 8 fall within a Part D protected class (all antineoplastics), while the other 2 treated heart failure.

VA National Formulary Analysis Results

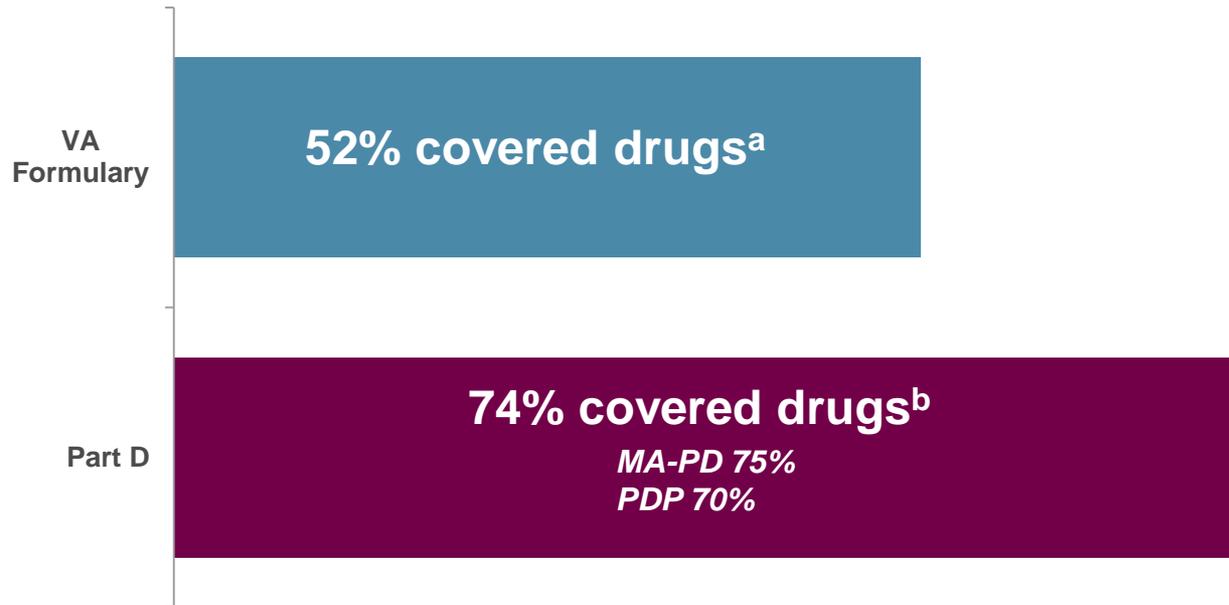
The VA national formulary coverage of the 25 drugs analyzed was about half of the average coverage by Medicare Part D plans

VA Coverage for 25 First-in-Class Drugs Sampled



- Of the 10 drugs covered (40%) by the VA formulary, the products were indicated to treat cancers (5), heart conditions (2), chronic immune thrombocytopenia (1), carcinoid syndrome diarrhea (1), and influenzas (1)
- 8 of the 10 covered products were also generally covered favorably among Part D plans (64%–100%)

Percentage of the Part D Top 200 Brand Drugs Covered

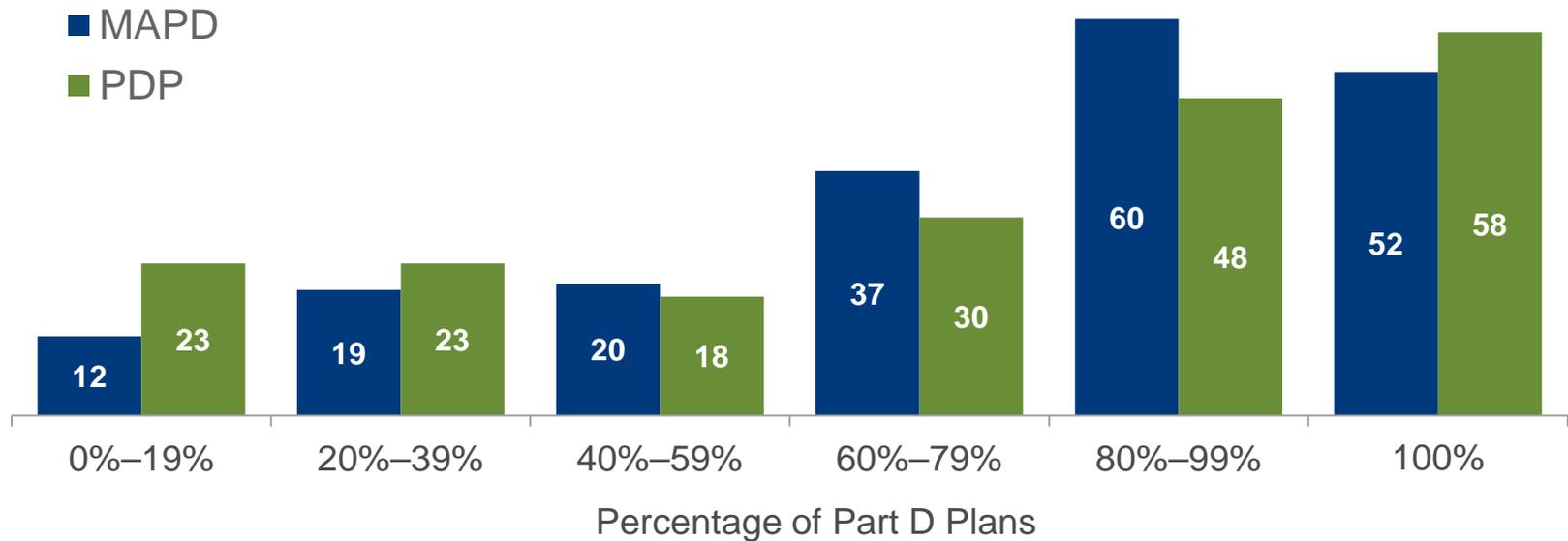


The VA could cover 103 (52%) of the top 200 Medicare Part D brand drugs compared to an average of 151 (75%) for Medicare Advantage prescription drug plans (MA-PDs) and 139 (70%) stand-alone prescription drug plans (PDPs), or 149 (74%) under Part D overall.

a. The VA formulary indicates coverage for brand and generic drugs by their generic name only; therefore, it is unknown if multi-source brands are covered when a generic of the same name is listed. In addition, it is VA's policy to always dispense generic medicines when they are available, with limited exceptions. Of the 28 multi-source brands found in the top 200 Part D drugs with VA coverage for the generic, this analysis assumed half were covered and the other half were not.

b. Average coverage by all Part D plans for all of the selected drugs.

Medicare Part D Coverage for Top 200 Brand Drugs Covered by Plan Type

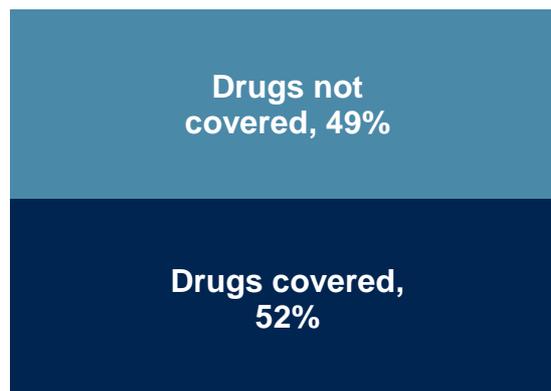


More than 60% of MAPDs covered 149 of the top 200 brand drugs, while more than 60% of PDPs covered 136 of the top 200 drugs, on average; over a quarter (27%) of the top 200 drugs were covered by all Part D plans.

VA National Formulary Analysis Results

The VA national formulary could cover about half of the analyzed top 200 Medicare Part D drugs

VA Coverage for Top 200 Medicare Part D Brand Drugs^a



- Top drug categories covered by the VA include antidiabetics (20 drugs), antivirals (15 drugs), and antiasthmatic and bronchodilator agents (9 drugs)
- The most common drug categories not covered by the VA are antidiabetics (13), antineoplastics and adjunctive therapies (9), miscellaneous cardiovascular agents (7), and antiasthmatic and bronchodilator agents (7)
- Categories with the most drugs where VA coverage could not be definitively determined are psychotherapeutic and neurological agents (6), antineoplastics and adjunctive therapies (3), anticoagulants (2), and antiasthmatic and bronchodilator agents (9 drugs) ^a

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Policy Implications



- The Congressional Budget Office (CBO) has repeatedly concluded that savings from government price negotiation for drugs are only possible if the Centers for Medicare & Medicaid Services (CMS) enacts a program-wide formulary for Part D
- Our analysis paints a stark contrast in coverage of newly approved first-in-class and top Part D drugs between the VA and Part D programs
- A national VA-style formulary in Part D would restrict access options for Part D beneficiaries and limit the availability of the latest and most advanced treatments
- While Part D formulary guidelines such as the protected classes and other coverage requirements may drive higher relative coverage under a national formulary in Medicare, CMS would still be well positioned to streamline access options if they adopted a national VA-style formulary in Part D