

Making Part D Access Affordable

Senate Redesign Options of Medicare Part D

February 2020



Introduction

- Policymakers are discussing ways to limit the out-of-pocket expenses faced by non-low income subsidy (LIS) patients in the Medicare prescription drug benefit (Part D) to make prescriptions more affordable
- This work was done on behalf of the Council for Affordable Health Coverage (CAHC)* who has worked on making Part D more affordable for Medicare beneficiaries
 - The CAHC is a broad-based alliance with a singular focus: bringing down the cost of health coverage for all Americans
 - CAHC membership represents a broad range of interests – organizations representing small and large employers, manufacturers, retailers, insurers, patient groups, and physician organizations

* Editorial control was maintained by Xcenda.

Revisiting the Part D Benefit Structure

- Since the Medicare prescription drug benefit (Part D) was implemented in 2006, utilization of drugs has evolved
- While there is high generic utilization, specialty tiers and use of coinsurance has increased, creating affordability challenges for beneficiaries
 - According to the Kaiser Family Foundation, over 1 million non-low income beneficiaries had spending in the catastrophic phase of the benefit in 2017
 - On average, their out-of-pocket spending is more than six times higher than spending incurred by beneficiaries not reaching the catastrophic phase and not receiving a low income subsidy
 - Patients who do not reach the catastrophic phase often also struggle to afford cost sharing of hundreds of dollars a month or more
- Congress has advanced several pieces of legislation to reform the benefit design

Part D Benefit Design Reform Bills

Revised Senate Finance Committee (SFC)

S. 3129

LYN19700 S.L.C.

116TH CONGRESS
1ST SESSION

S. _____

To amend titles XI, XVIII, and XIX of the Social Security Act to lower prescription drug prices in the Medicare and Medicaid programs, to improve transparency related to pharmaceutical prices and transactions, to lower patients' out-of-pocket costs, and to ensure accountability to taxpayers, to address current and future expiring provisions, and for other purposes.

IN THE SENATE OF THE UNITED STATES


introduced the following bill, which was read twice and referred to the Committee on

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1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled.*

OMM D3 5VB



116TH CONGRESS
1ST SESSION

S. 3129

To provide for certain reforms with respect to the Medicare program under title XVIII of the Social Security Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 19, 2019

Mr. CRAPO (for himself, Mr. ENZI, Mr. BURR, Mr. BARRASSO, Mr. TILLIS, and Mr. RISCIT) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

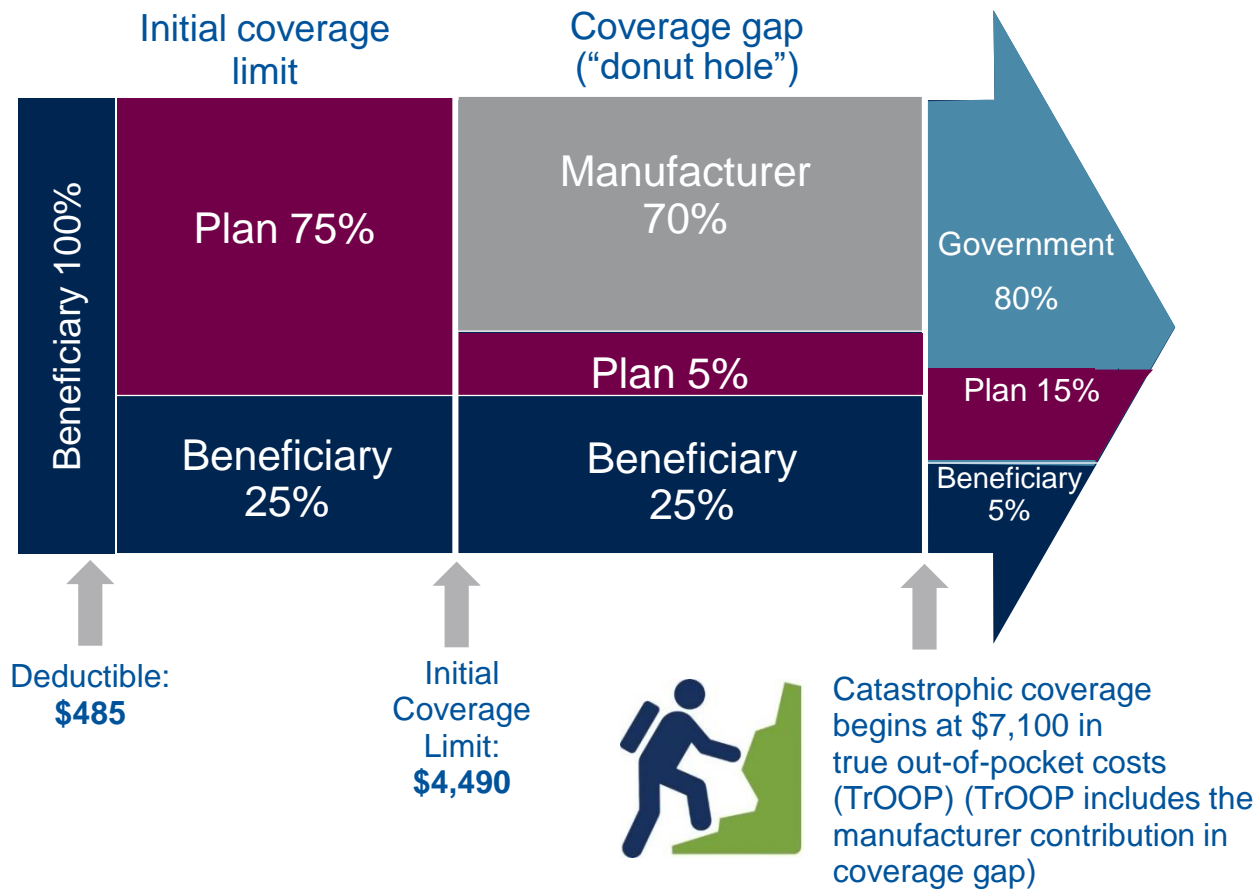
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1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 **SECTION 1. SHORT TITLE.**
4 This Act may be cited as the "Lower Costs, More
5 Cures Act of 2019".
6 **SEC. 2. TABLE OF CONTENTS.**
7 The table of contents for this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

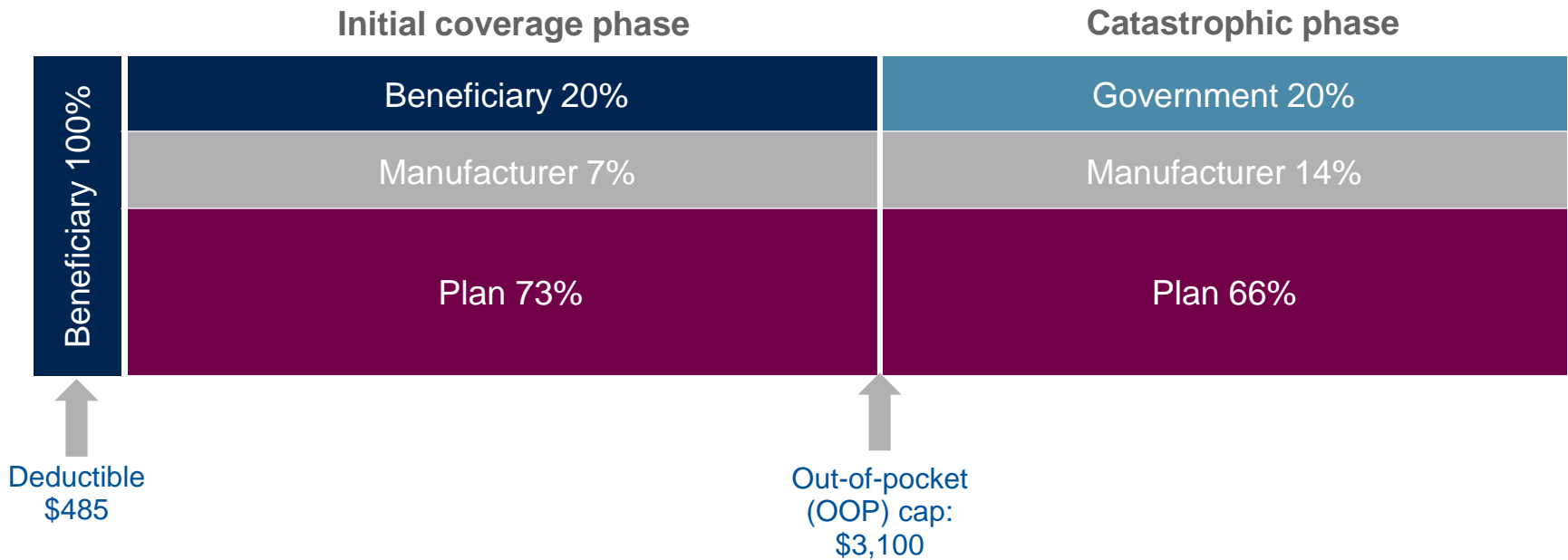
TITLE I—MEDICARE PARTS B AND D

Current Law: 2022 Part D Benefit Design for Branded Drugs, Non-Low Income Beneficiaries



1. CMS. Announcement of Calendar Year (CY) 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter. <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvgtgSpecRateStats/Downloads/Announcement2020.pdf>. Accessed December 3, 2019.
2. CMS. The 2019 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>. Accessed December 3, 2019. 2/12/2020
- 5

Revised Senate Finance Committee (SFC): Branded Drugs, 2022, Non-Low Income Beneficiaries



The new SFC design* eliminates the coverage gap and reduces beneficiary cost sharing prior to the catastrophic to 20% from 25%. Brand manufacturers would be required to pay a 7% discount in the initial coverage phase and a 14% discount in the catastrophic. Plan liability would be set at 73%, lower than their current liability in the initial coverage phase, but higher than their liability in the current coverage gap for brand medicines. This example reflects a full phase-in of the proposed changes.

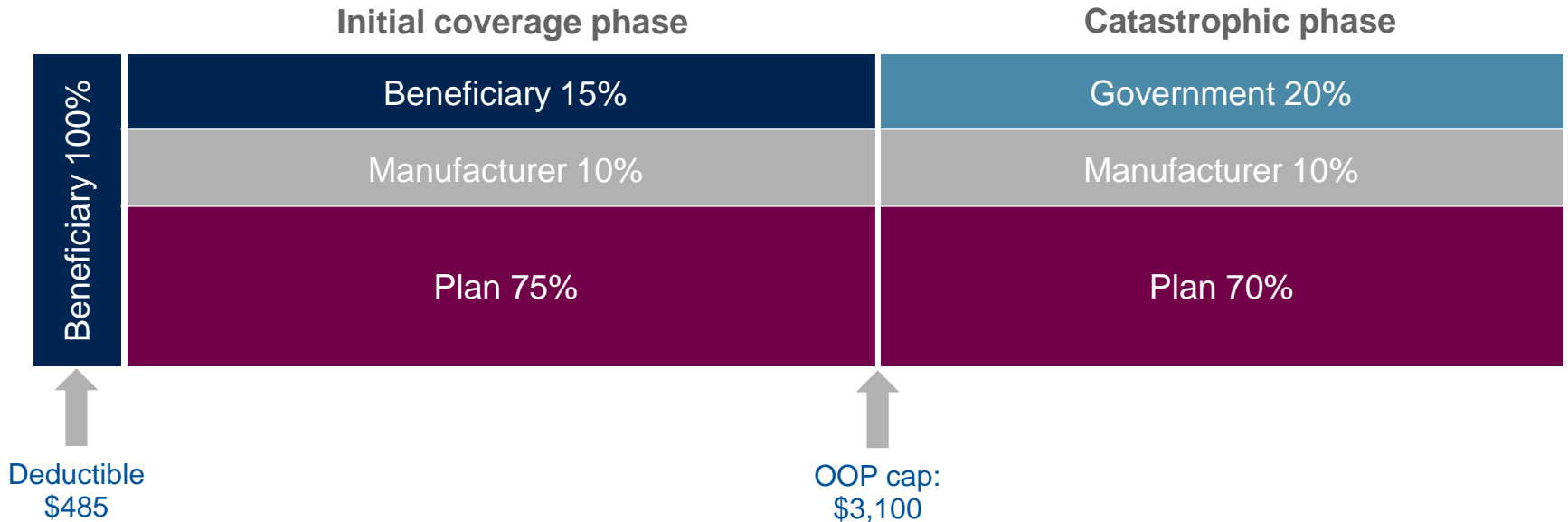
Senate Finance Committee (December 2019).

<https://www.finance.senate.gov/imo/media/doc/Prescription%20Drug%20Pricing%20Reduction%20and%20Health%20and%20Human%20Services%20Improvements%20Act.pdf>. Accessed December 10, 2019.

* The SFC passed a bill through Committee and subsequently redrafted the bill and released it for comment.

S. 3129:

Branded Drugs, 2022, Non-Low Income Beneficiaries



S. 3129 design is similar to the new SFC design, but has the manufacturer contribution set at 10% (applying to both non-LIS and LIS) in both the initial coverage period and catastrophic period; the beneficiary contribution is the lowest in this design at 15%.

Potential Impact of Changes on Patient OOP

- In order to gauge the impact of the various proposals on patient OOP, Xcenda built patient profiles of example patients with various conditions
- Assumptions:
 - OOP cap set at \$3,100
 - This is the amount non-LIS beneficiaries will spend to reach the catastrophic phase in 2022
 - Pharmaceutical profiles were built by a pharmacist
 - Premiums were not factored into OOP
 - Drug prices were obtained through Medicare.gov using the 2020 standard benefit design for standalone prescription drug plans (PDPs) in the example patient profile's area
 - 2020 drug prices were increased by 11.8% to estimate drug costs in 2022. This reflects the increase seen in the benefit design in the Medicare Trustees Report.
 - Parameters are considered fully phased-in in 2022 (ie, reinsurance liability represents parameters for “2024 and subsequent years”)
 - Impacts of potential “smoothing” (spreading out beneficiary OOP liability over multiple months) and other provisions of the revised SFC and S. 3129 bills are not reflected in the profiles or the month-to-month charts

Comparing Patient OOP for the “Average” Patient

- The “average” patient would benefit from the Part D redesign under both bills
 - An average non-LIS beneficiary who reaches catastrophic coverage in 2022 would benefit from the out-of-pocket cap, saving:
 - \$980 per year under revised SFC and S. 3129 compared to current law
 - But even the average non-LIS beneficiary who does not reach catastrophic in 2022 saves because of the reduced up front cost sharing in both bills:
 - \$75 per year under revised SFC compared to current law
 - \$155 per year under S. 3129 compared to current law (**double** the savings from the SFC proposal)
- Patient profiles show how Medicare beneficiaries with specific conditions would fare under the proposals

Comparing Annual Patient OOP Across Models

	Baseline 2022	Revised SFC	S. 3129
High cholesterol/ High blood pressure	\$1,445	\$1,255	\$1,060
Type 2 Diabetes	\$1,930	\$1,645	\$1,355
COPD	\$2,170	\$1,830	\$1,495
Hypertension/Afib	\$2,730	\$2,280	\$1,835
HIV	\$4,905	\$3,100	\$3,100
Metastatic Breast Cancer	\$10,890	\$3,100	\$3,100
Average Non-LIS reaching catastrophic	\$4,080	\$3,100	\$3,100
Average Non-LIS not reaching catastrophic	\$870	\$795	\$715

Revised SFC: Patient will hit the OOP cap with \$13,560 in total drug spending and \$3,100 in out-of-pocket spending

S. 3129: Patients will hit the OOP cap with \$17,918 in total drug spending and \$3,100 in out-of-pocket spending

Patient's cost savings compared to baseline ranges from:

- \$75 to \$7,790 in Revised SFC
- \$155 to \$7,790 in S. 3129

Green indicates OOP cap hit

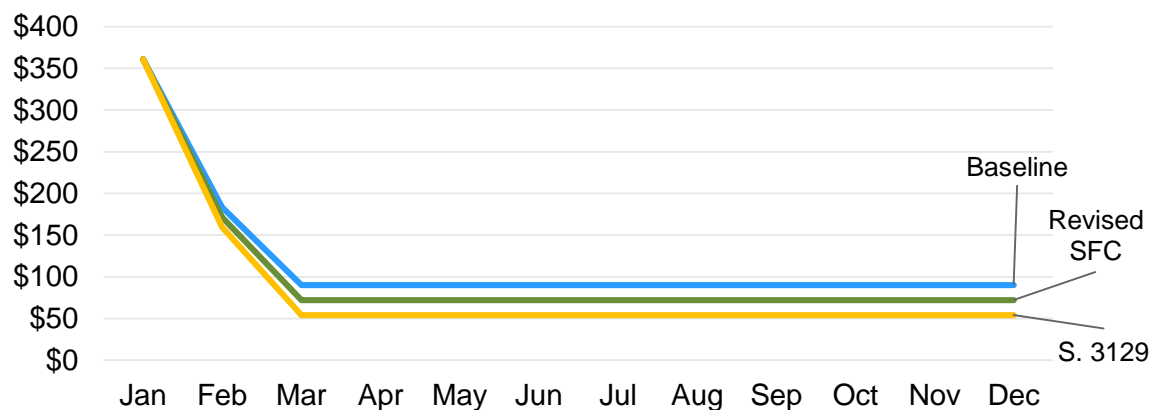
High Cholesterol/High Blood Pressure

Patient	Lisa, age 74 from Tulsa, Oklahoma
Disease Profile	Lisa has high blood pressure and high cholesterol
Medications	<ul style="list-style-type: none"> • Branded product for high cholesterol • Generic product for high blood pressure

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$1,445	\$1,255	\$1,060
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	-\$190	-\$385

Lisa's Month-to-Month OOP Costs (High Cholesterol/High Blood Pressure)



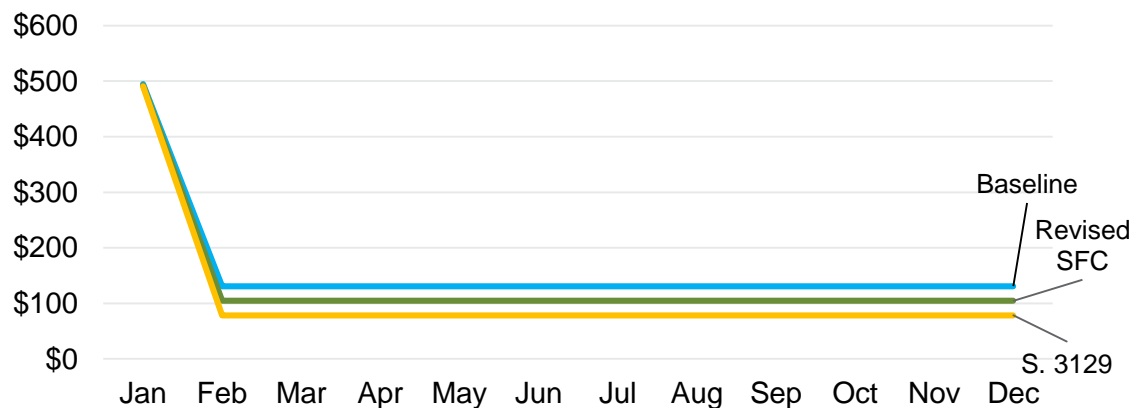
Type 2 Diabetes Mellitus

Patient	Tim, age 72 from Chicago, Illinois
Disease Profile	In addition to diabetes, Tim has high cholesterol and high blood pressure
Medications	<ul style="list-style-type: none"> • Branded product for diabetes • Generic products for diabetes, renal protection, high blood pressure, and high cholesterol

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$1,930	\$1,645	\$1,355
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	-\$285	-\$575

Tim's Month-to-Month OOP Costs (Type 2 Diabetes)



Note: Does not reflect \$50 post-deductible cap for insulin and insulin supplies included in S. 3129.

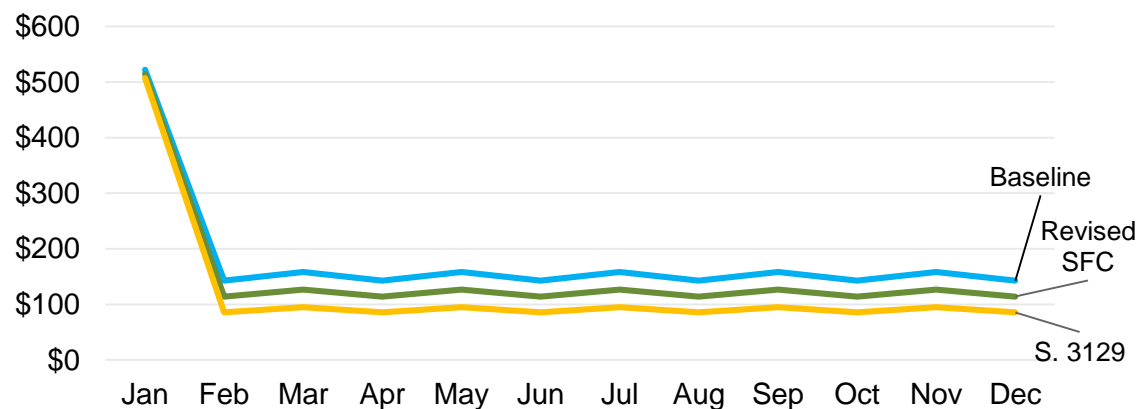
Chronic Obstructive Pulmonary Disorder (COPD)

Patient	Sandy, age 75 from Mountain View, California
Disease Profile	In addition to COPD, Sandy has high blood pressure, high cholesterol, and gastroesophageal reflux disease
Medications	<ul style="list-style-type: none"> • Branded products for COPD and shortness of breath • Generic products for high blood pressure, high cholesterol, and gastroesophageal reflux disease

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$2,170	\$1,830	\$1,495
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	-\$340	-\$675

Sandy's Month-to-Month OOP Costs (COPD)



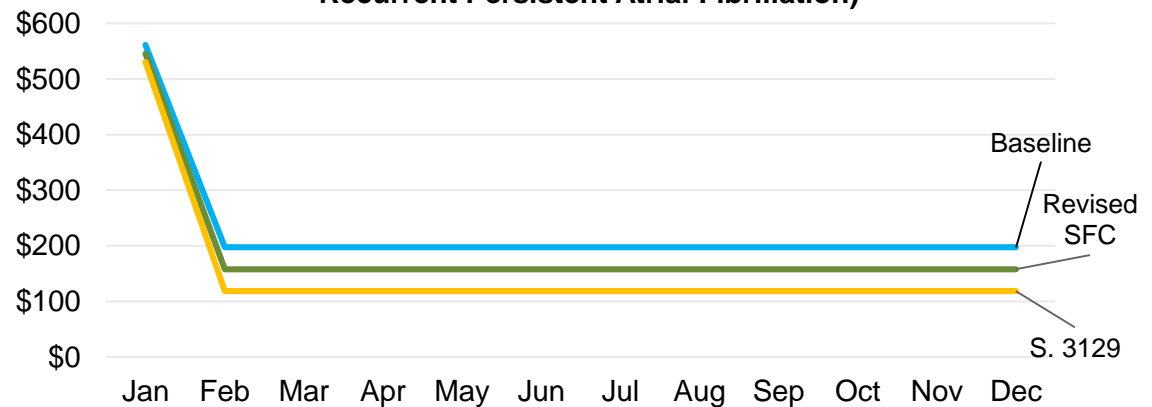
History of Hypertension and Recurrent Persistent Atrial Fibrillation

Patient	Ellen, age 68 from Charleston, SC
Disease Profile	Ellen has a history of hypertension and recurrent persistent atrial fibrillation
Medications	<ul style="list-style-type: none"> • Branded product for recurrent persistent atrial fibrillation • Generic products for blood pressure and to prevent blood clots

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$2,730	\$2,280	\$1,835
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	<i>-\$450</i>	<i>-\$895</i>

Ellen's Month-to-Month OOP Costs (History of Hypertension/ Recurrent Persistent Atrial Fibrillation)



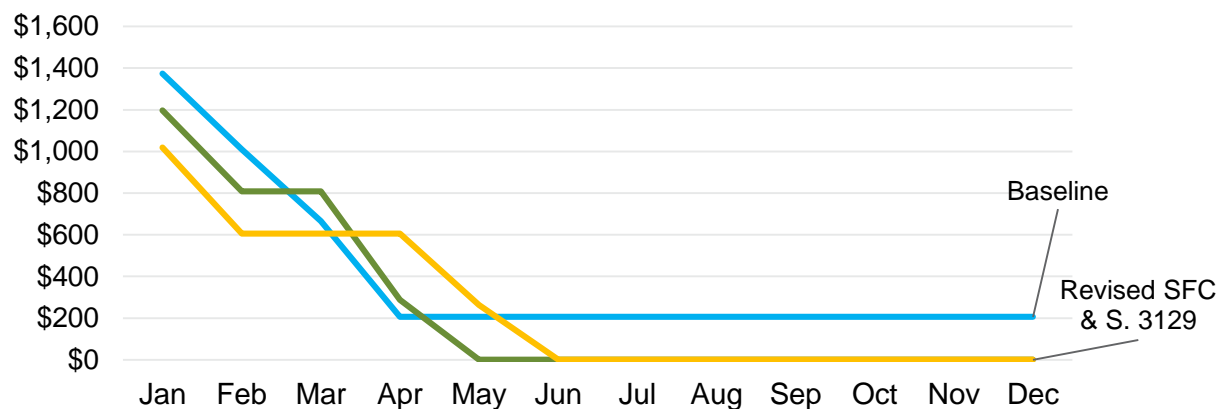
Human Immunodeficiency Virus (HIV)

Patient	Larry, age 67 from Louisville, Kentucky
Disease Profile	Larry is largely adherent to medications for his HIV, which he acquired during his 50s
Medications	<ul style="list-style-type: none"> • Branded products for HIV infection • Generic product for HIV treatment-related dyslipidemia from prior protease inhibitor regimen

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$4,905	\$3,100	\$3,100
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	<i>-\$1,805</i>	<i>-\$1,805</i>

Larry's Month-to-Month OOP Costs (HIV)



Note: Month-to-Month does not reflect potential of beneficiary choice to "smooth" (spread out payments over remainder of year)

Green indicates OOP cap hit

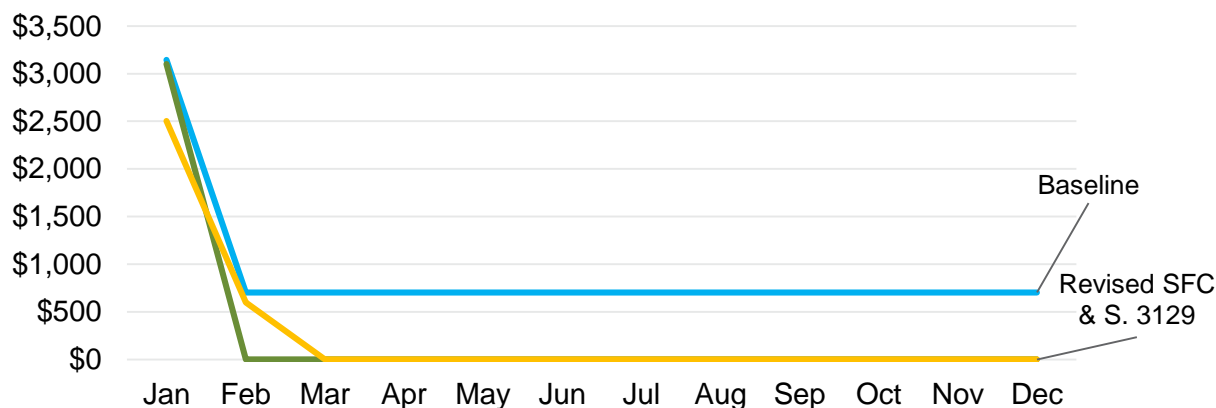
Metastatic Breast Cancer

Patient	Denise, age 66 from Basking Ridge, New Jersey
Disease Profile	Denise has hormone receptor-positive metastatic breast cancer (MBC), which progressed after she initially received treatment at age 62 for stage 3 disease. In addition to MBC, Denise has osteopenia and high blood pressure but is otherwise healthy
Medications	<ul style="list-style-type: none"> • Branded product for MBC • Generic products MBC and high blood pressure

Estimated Total Patient Out-of-Pocket Costs for 2022

Baseline 2022	Revised SFC	S. 3129
\$10,890	\$3,100	\$3,100
<i>Cost Savings Compared to Baseline</i>		
<i>Baseline</i>	<i>-\$7,790</i>	<i>-\$7,790</i>

Denise's Month-to-Month OOP Costs (Metastatic Breast Cancer)



Note: Month-to-Month does not reflect potential of beneficiary choice to "smooth" (spread out payments over remainder of year)

Green indicates OOP cap hit

Thank you

This work was done on behalf of the Council for Affordable Health Coverage. Editorial control was maintained by Xcenda.



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HEALTH COVERAGE