

2010 Part D Symposium

Beneficiary Experience in the Coverage Gap
and Catastrophic Phase

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Discussion Topics

- Trends in Part D coverage gap and catastrophic phase experience.
- Utilization and cost of beneficiaries who exceed the initial coverage limit (ICL).
- Characteristics of beneficiaries who exceed the ICL.

Overview

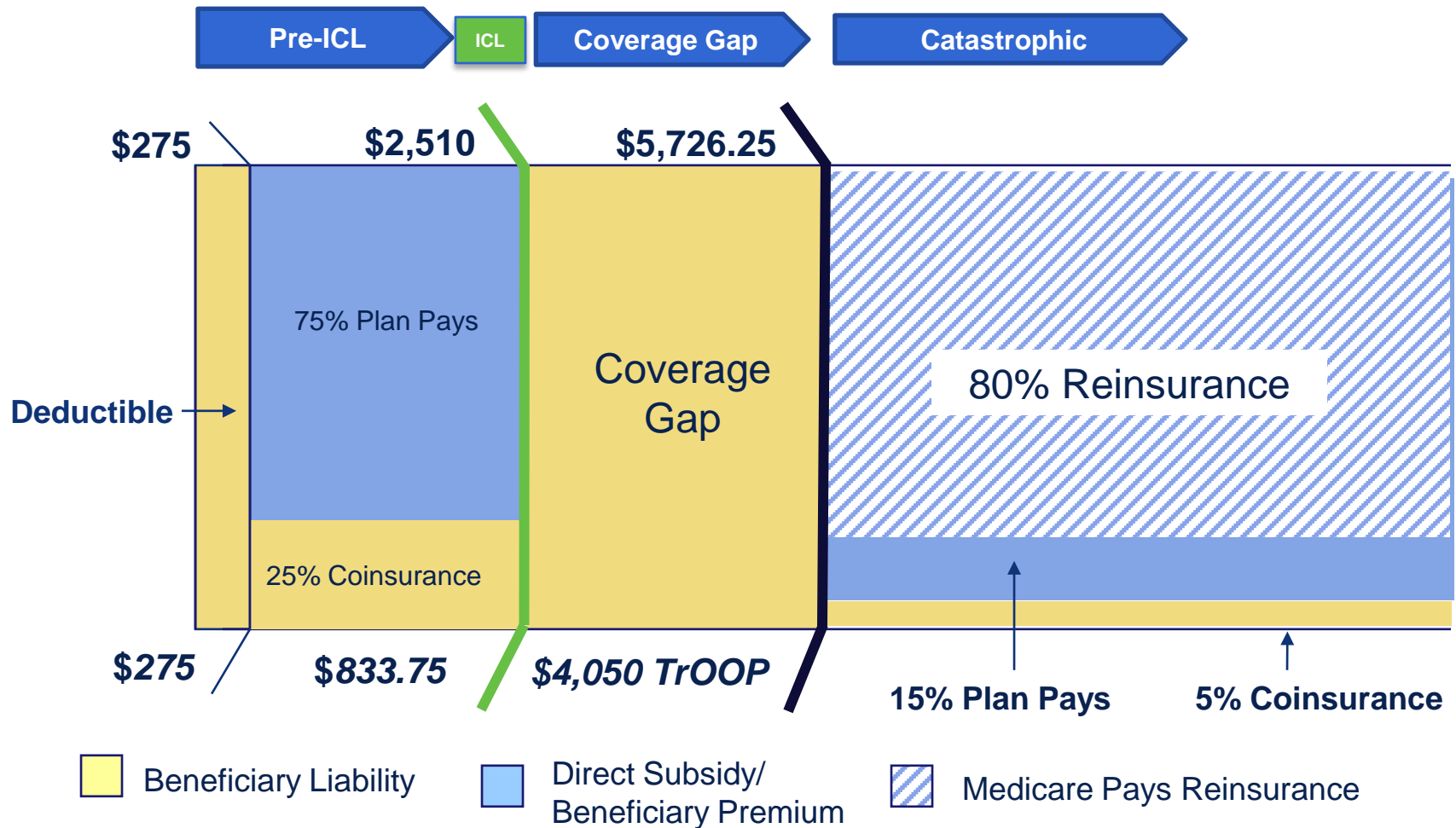
- Overall, a small percentage of Part D beneficiaries were fully exposed to the coverage gap.
- Allowing Part D sponsors to offer different benefit designs reduced the percent of beneficiaries who experienced the coverage gap.
- The share of Part D beneficiaries who reached the ICL and/or the catastrophic coverage phase, and the time to reach these thresholds varied by sub-groups.

Methodology

Data Sources

- 2006-2008 Standard Analytical File of prescription drug event data (PDE).
 - Limited to Part D covered products.
- Common Medicare Environment.
 - Used to identify beneficiary LIS status and other characteristics.
- 2006-2008 Part D Plan Benefit Information.

Standard Benefit 2008



Methodology: Overview

- Coverage Gap
 - Plan Specified ICL.
 - Defined Standard ICL.
- Catastrophic Coverage
 - Catastrophic Coverage Codes.

Methodology: Coverage Gap

Plan Specified ICL

- Gross costs accumulated within the benefit year for each beneficiary by date of service.
 - Gross Cost = sum of ingredient cost, dispensing fee, and sales tax.
- The claim in which the accumulated gross cost exceeded the plan's ICL was identified.

Methodology: Coverage Gap (continued)

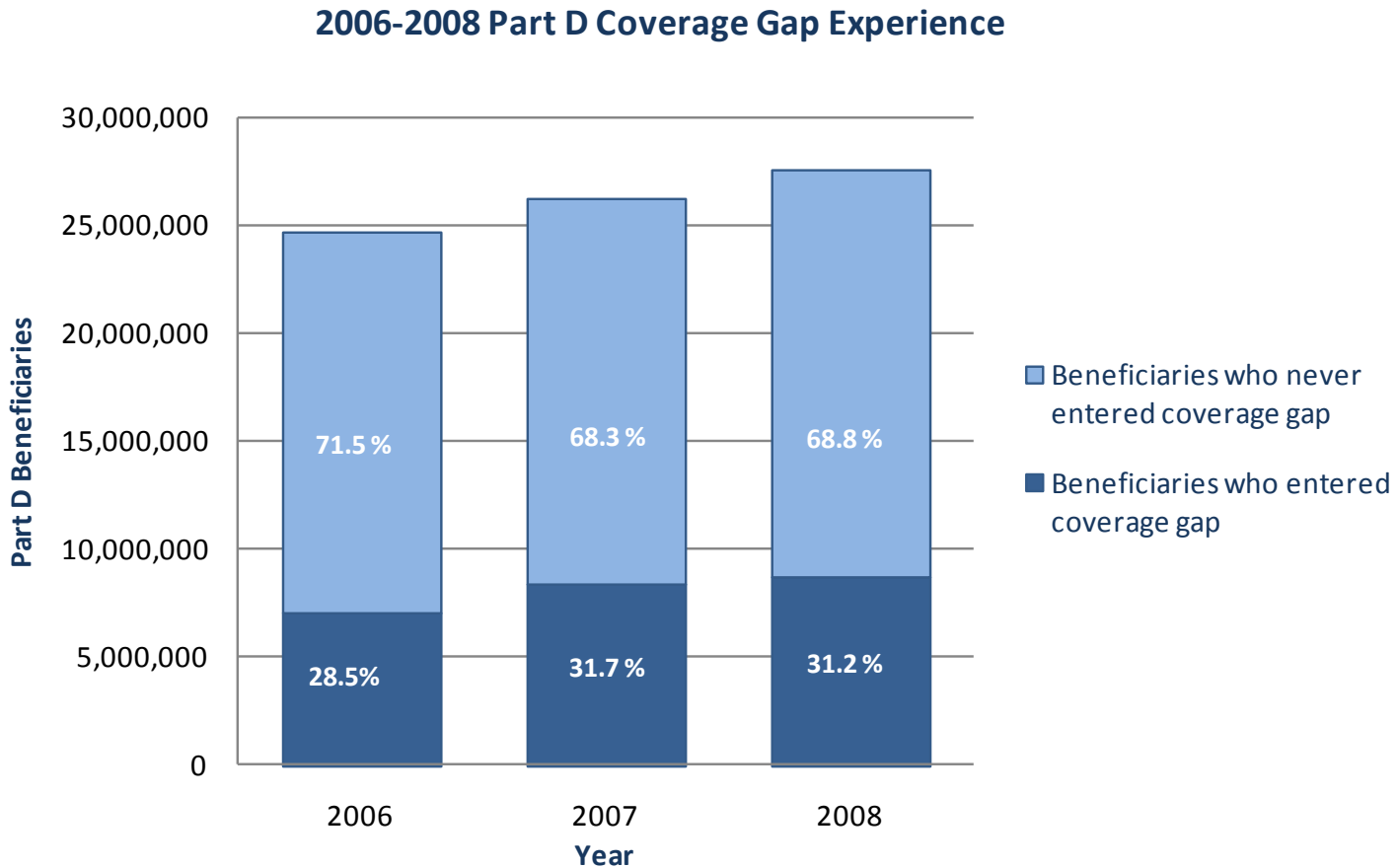
Defined Standard ICL

- Set Defined Standard ICL amount.
 - \$2,250 in 2006.
 - \$2,400 in 2007.
 - \$2,510 in 2008.

2008 Coverage Gap Overview

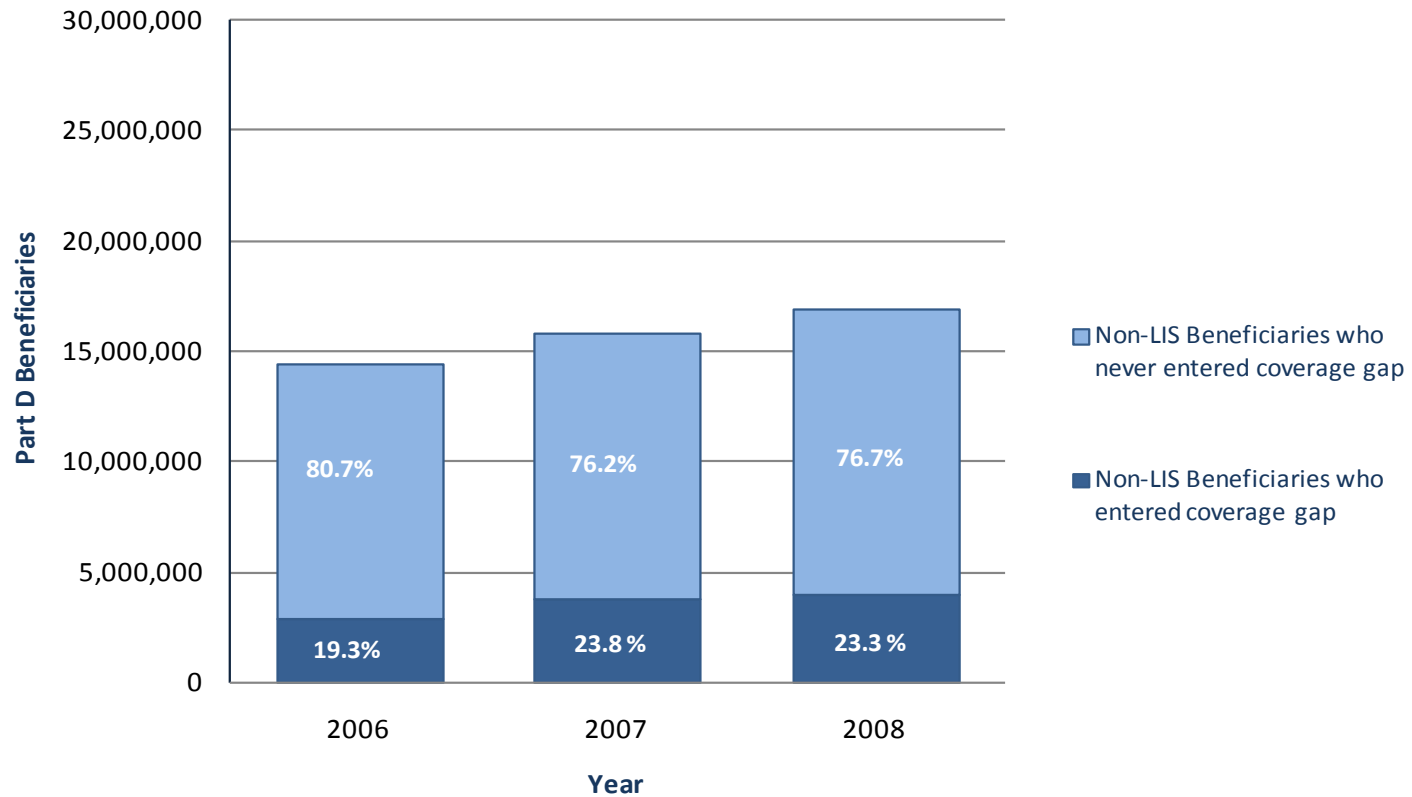
- ◆ Overall, 31.2% (8.6M) of all enrollees reached their ICL in 2008.
- ◆ When limited to non-LIS, 14.2% (3.9M) out of all enrollees reached their ICL.
- ◆ 10.0% (2.8M) of all enrollees were fully exposed to the coverage gap when non-LIS beneficiaries with some type of coverage in the gap were also excluded.

Slight Decrease in Percent of Beneficiaries in 2008 Coverage Gap

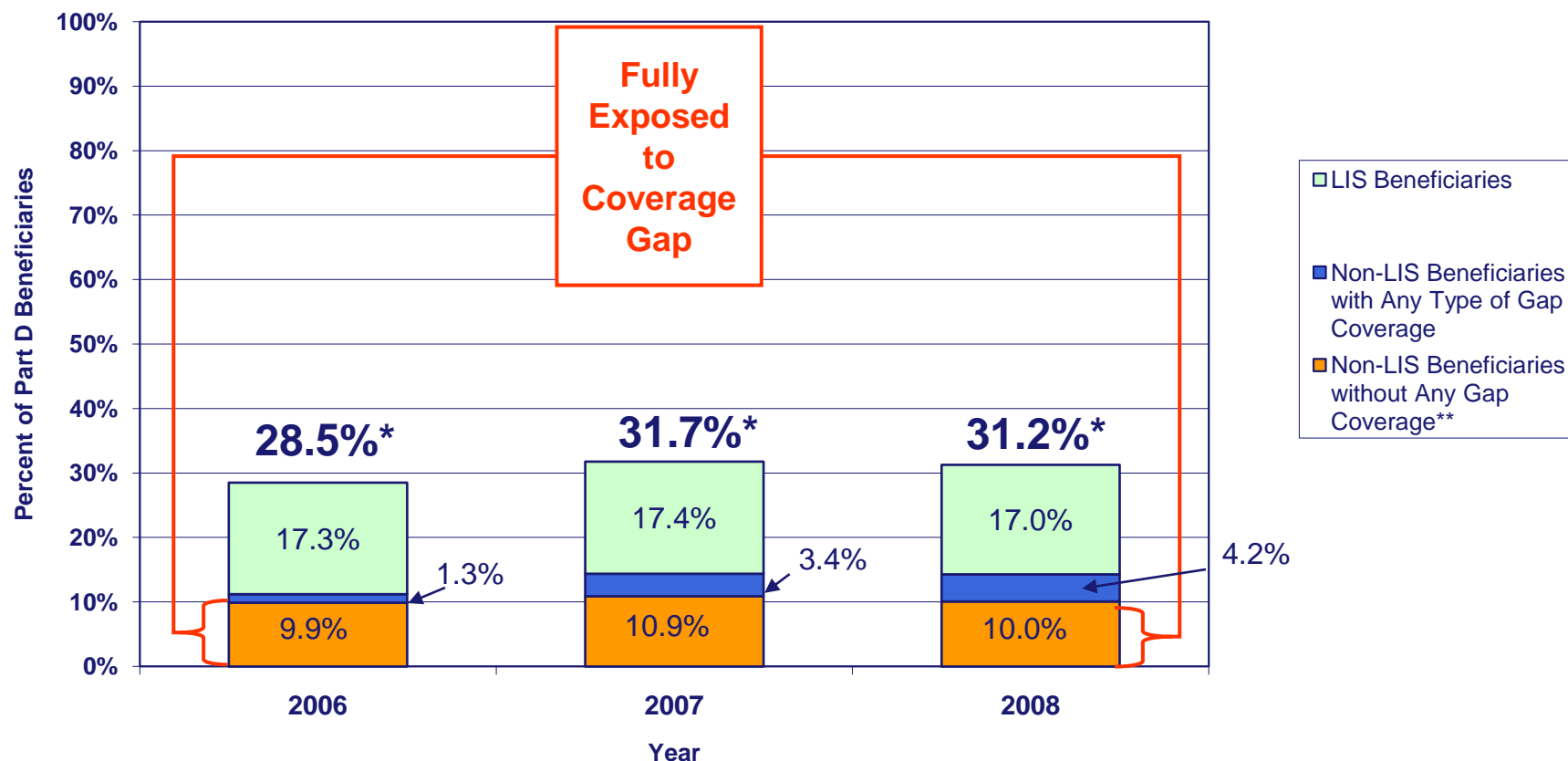


Slight Decrease in Share of Non-LIS Beneficiaries in 2008 Coverage Gap

2006-2008 Part D Coverage Gap Experience for Non-LIS Beneficiaries



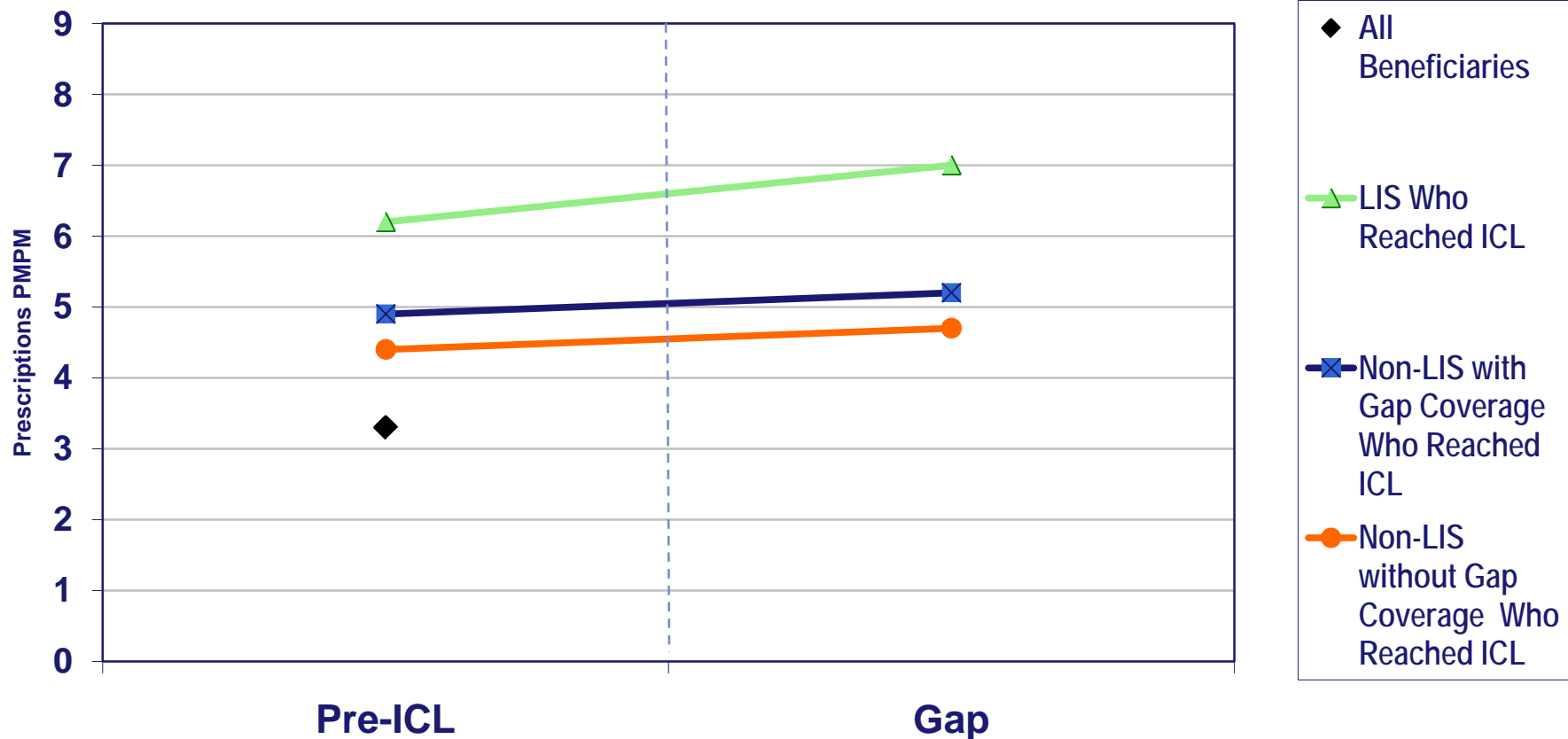
Small Percent of Beneficiaries Fully Exposed to the Coverage Gap



* Overall Percent of Beneficiaries Reaching Their Plan's Initial Coverage Limit.

** Does not account for other types of coverage provided by other payors, such as State Pharmaceutical Assistance Programs.

2008 Pre and Post ICL Average Prescriptions Per Beneficiary Per Month



2008 Monthly Expenditure and Utilization Pre-ICL for Beneficiaries who Entered the Gap

Benefit Phase	Beneficiaries*	Average Monthly Expenditure (Gross Drug Cost)			Average Number of Fills Per Month		
		Total	Brands	Generics	Total	Brands	Generics
Pre-ICL	LIS	\$ 430.03	\$334.73	\$95.30	6.2	2.1	4.0
	Non-LIS	\$334.71	\$258.46	\$76.25	4.5	1.7	2.9
	Without Gap Coverage	\$331.89	\$260.08	\$71.82	4.4	1.7	2.7
	With Gap Coverage	\$341.60	\$254.51	\$87.09	4.9	1.7	3.2
	TOTAL	\$380.95	\$295.46	\$85.49	5.3	1.9	3.4

* Utilizing beneficiaries

2008 Monthly Expenditure and Utilization in the Coverage Gap

Benefit Phase	Beneficiaries*	Average Monthly Expenditure (Gross Drug Cost)			Average Number of Fills Per Month		
		Total	Brands	Generics	Total	Brands	Generics
Gap	LIS	\$557.54	\$441.14	\$116.40	7.0	2.6	4.4
	Non-LIS	\$398.73	\$309.61	\$89.12	4.9	1.8	3.0
	Without Gap Coverage	\$410.51	\$331.06	\$79.45	4.7	1.9	2.9
	With Gap Coverage	\$371.46	\$259.97	\$111.50	5.2	1.7	3.5
	TOTAL	\$485.51	\$381.48	\$104.02	6.1	2.3	3.8

* Utilizing beneficiaries



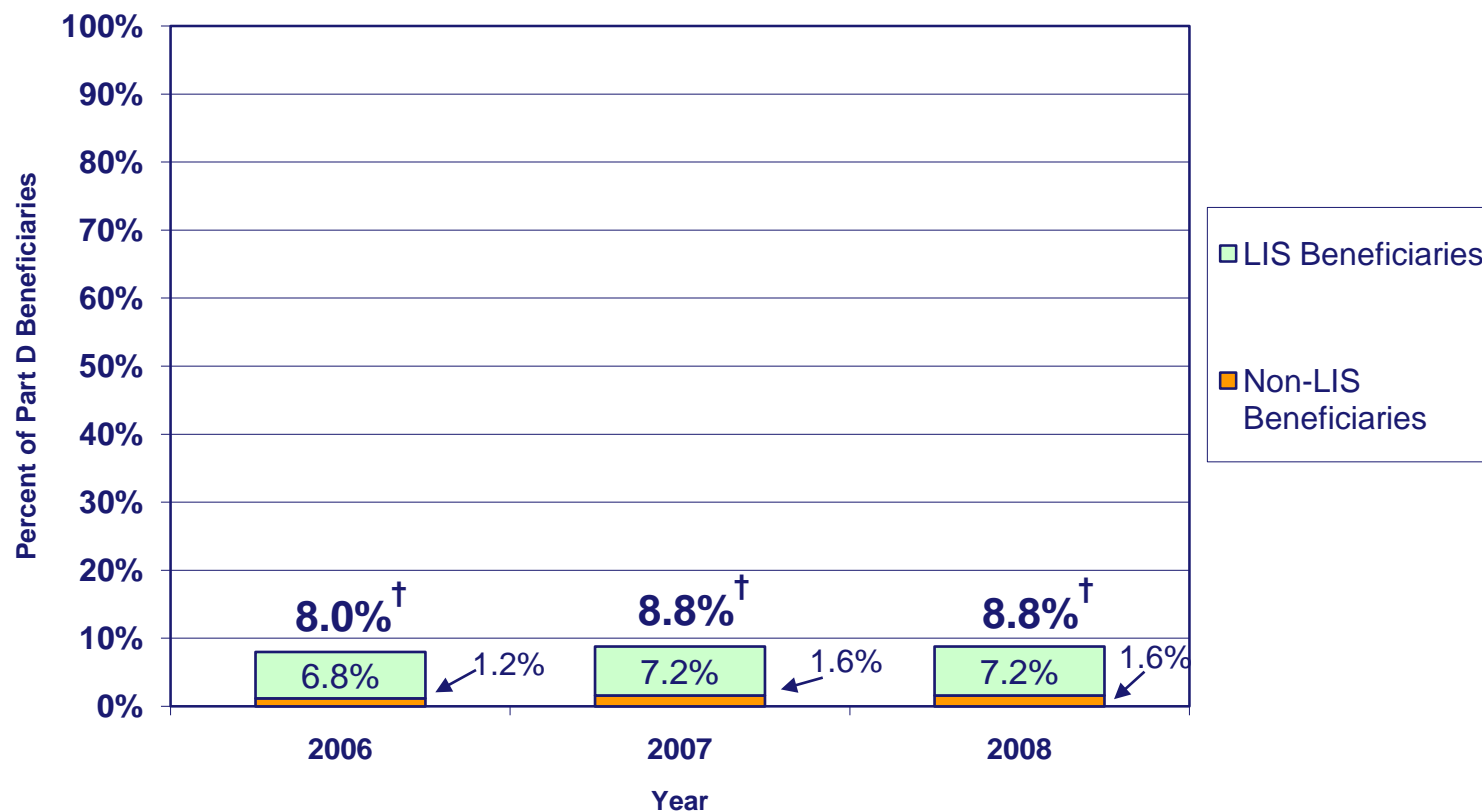
Catastrophic Coverage Phase

Methodology: Catastrophic Coverage

Catastrophic Threshold

- True out-of-pocket costs.
- Catastrophic coverage codes on prescription drug event data.

Percent of Beneficiaries Who Reached the Catastrophic Phase Remained Constant from 2007-2008



† Overall Percent of Beneficiaries Reaching the Catastrophic Coverage Phase

2008 Monthly Expenditure and Utilization in the Catastrophic Coverage Phase

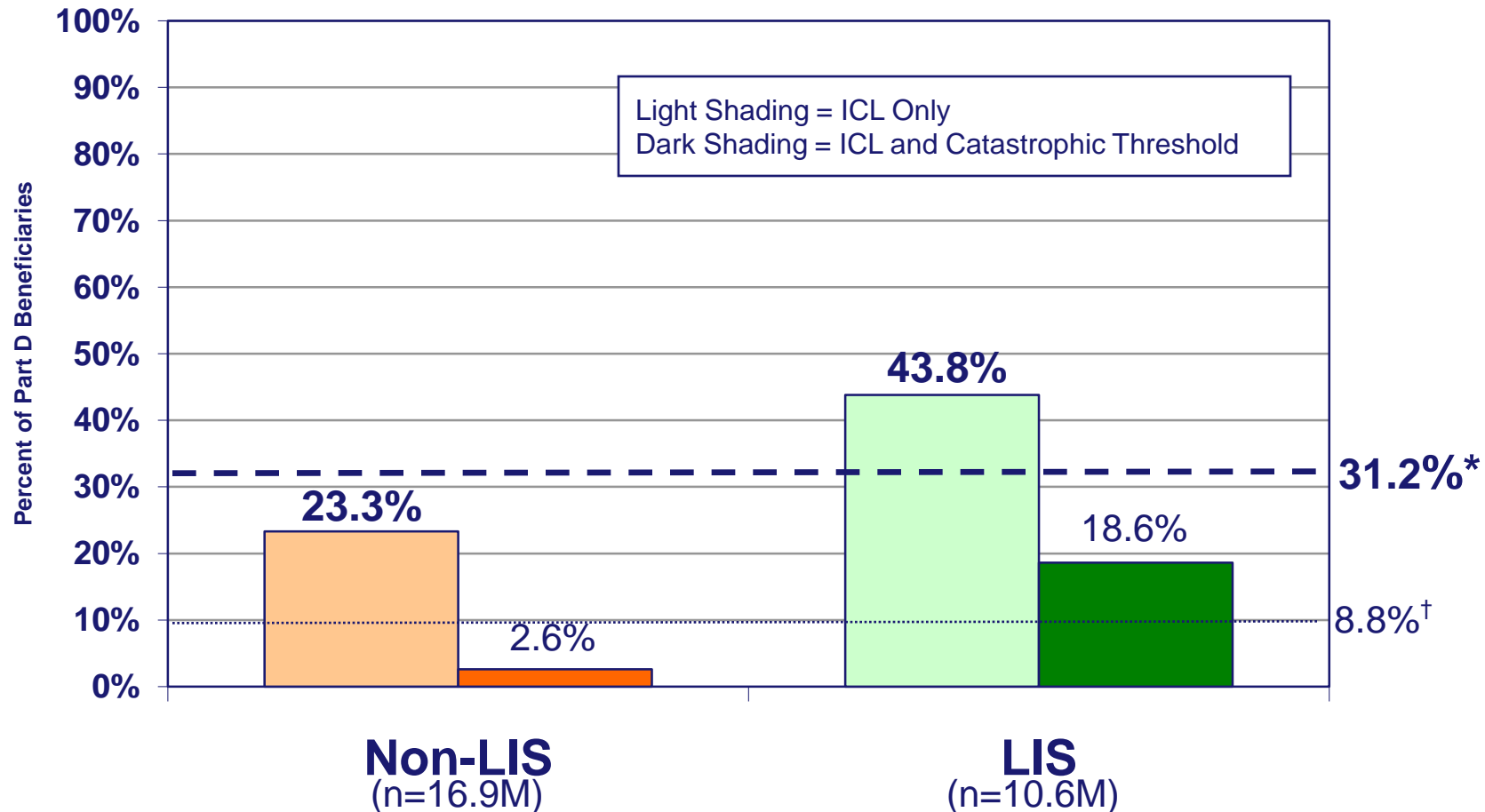
Benefit Phase	Beneficiaries*	Average Monthly Expenditure (Gross Drug Cost)			Average Number of Fills Per Month		
		Total	Brands	Generics	Total	Brands	Generics
Catastrophic	LIS	\$1,227.54	\$1,045.47	\$182.07	9.0	3.9	5.2
	Non-LIS	\$1,421.78	\$1,289.89	\$131.88	7.2	3.4	3.8
	Without Gap Coverage	\$1,365.01	\$1,234.19	\$130.82	7.1	3.4	3.8
	With Gap Coverage	\$1,566.71	\$1,432.11	\$134.60	7.3	3.5	3.8
	TOTAL	\$1,257.79	\$1,083.53	\$174.25	8.8	3.8	5.0

* Utilizing beneficiaries



Gap and Catastrophic Experience by Subgroups

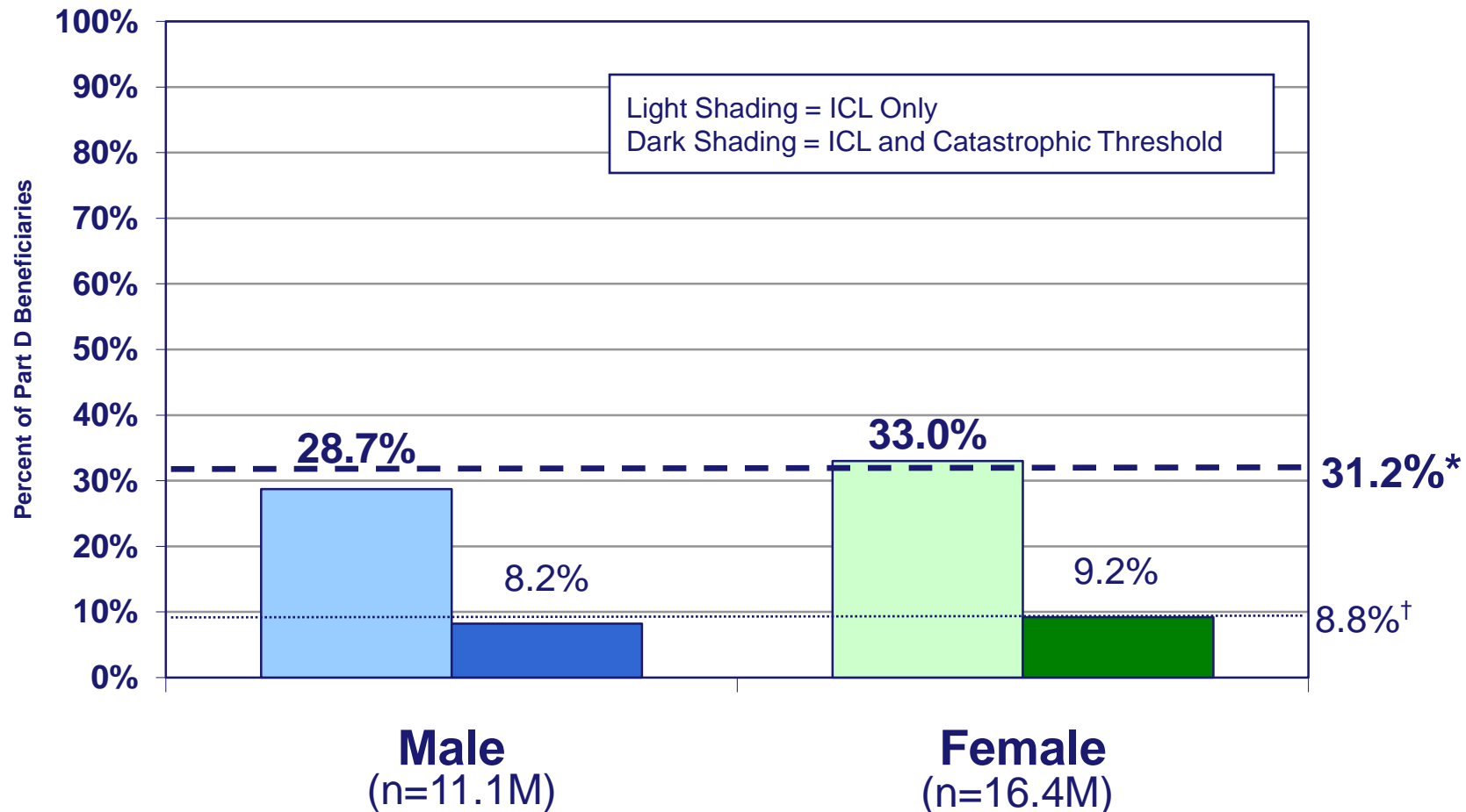
2008 Coverage Gap and Catastrophic Coverage Phase Experience: by LIS Status



* Overall Percent of Beneficiaries Reaching Their 2008 Initial Coverage Limit.

† Overall Percent of Beneficiaries Reaching Their 2008 Catastrophic Coverage Threshold.

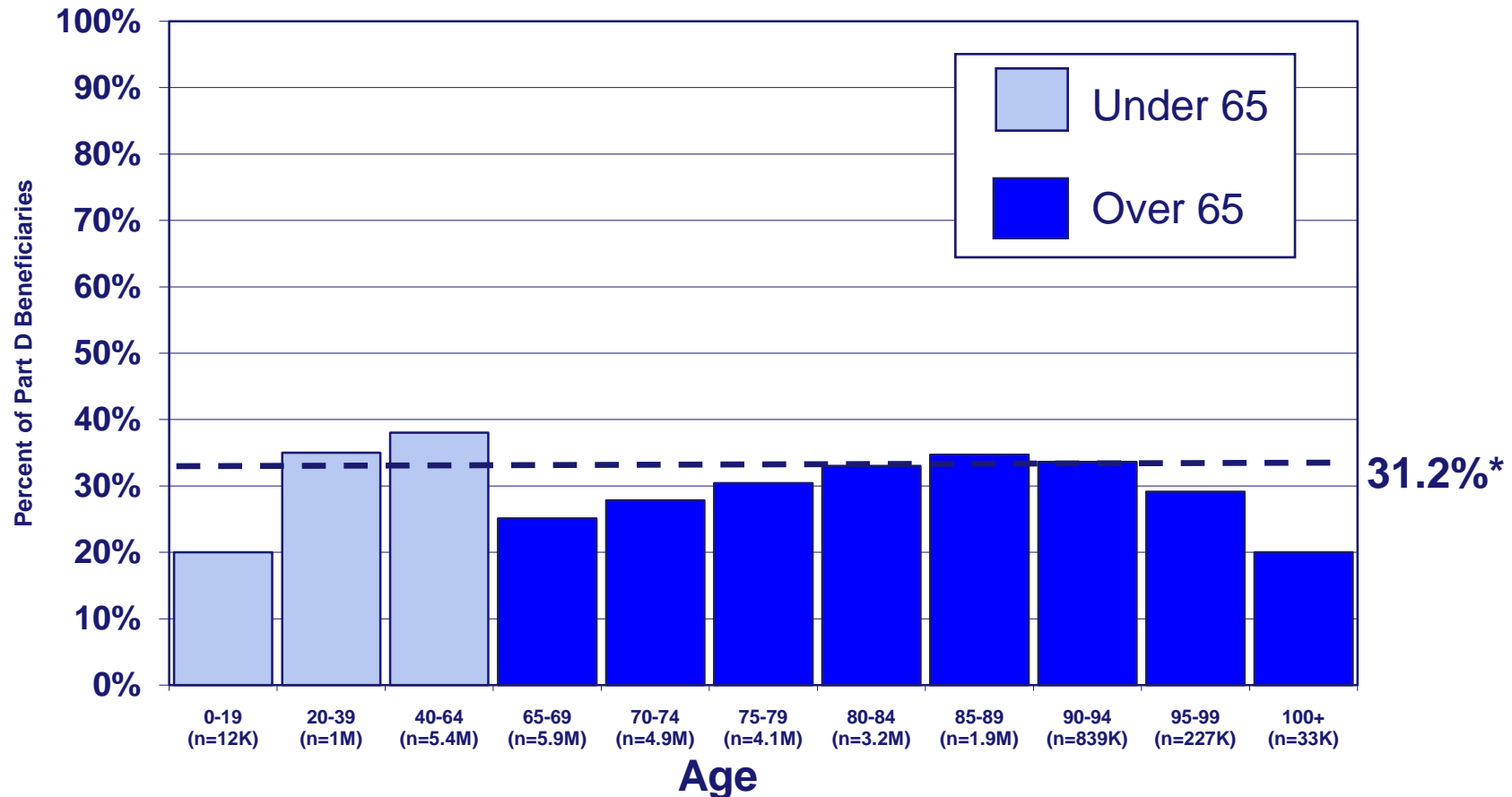
2008 Coverage Gap and Catastrophic Coverage Phase Experience: by Gender



* Overall Percent of Beneficiaries Reaching Their 2008 Initial Coverage Limit.

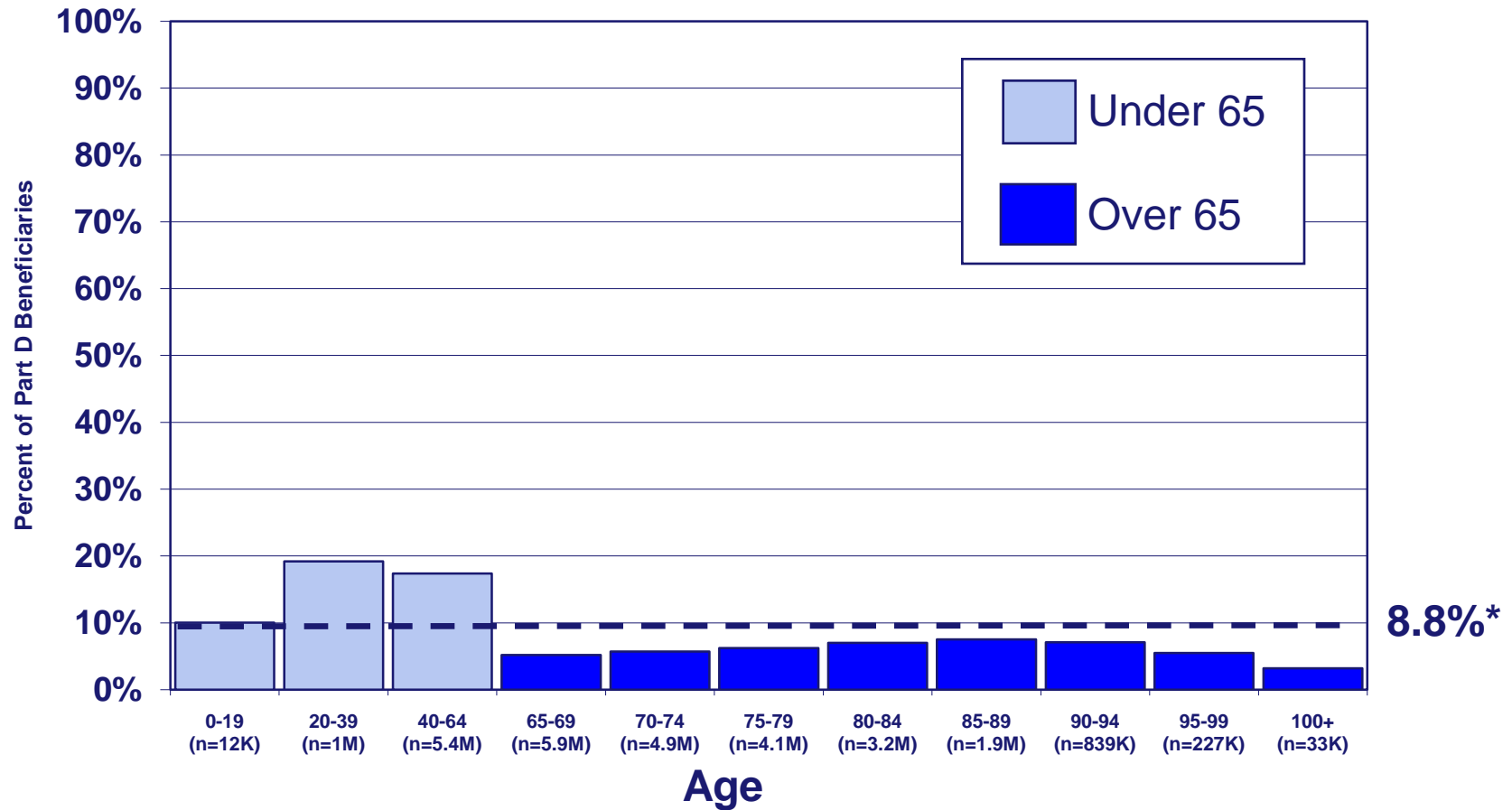
† Overall Percent of Beneficiaries Reaching Their 2008 Catastrophic Coverage Threshold.

2008 Beneficiary Coverage Gap Experience: *by Age*



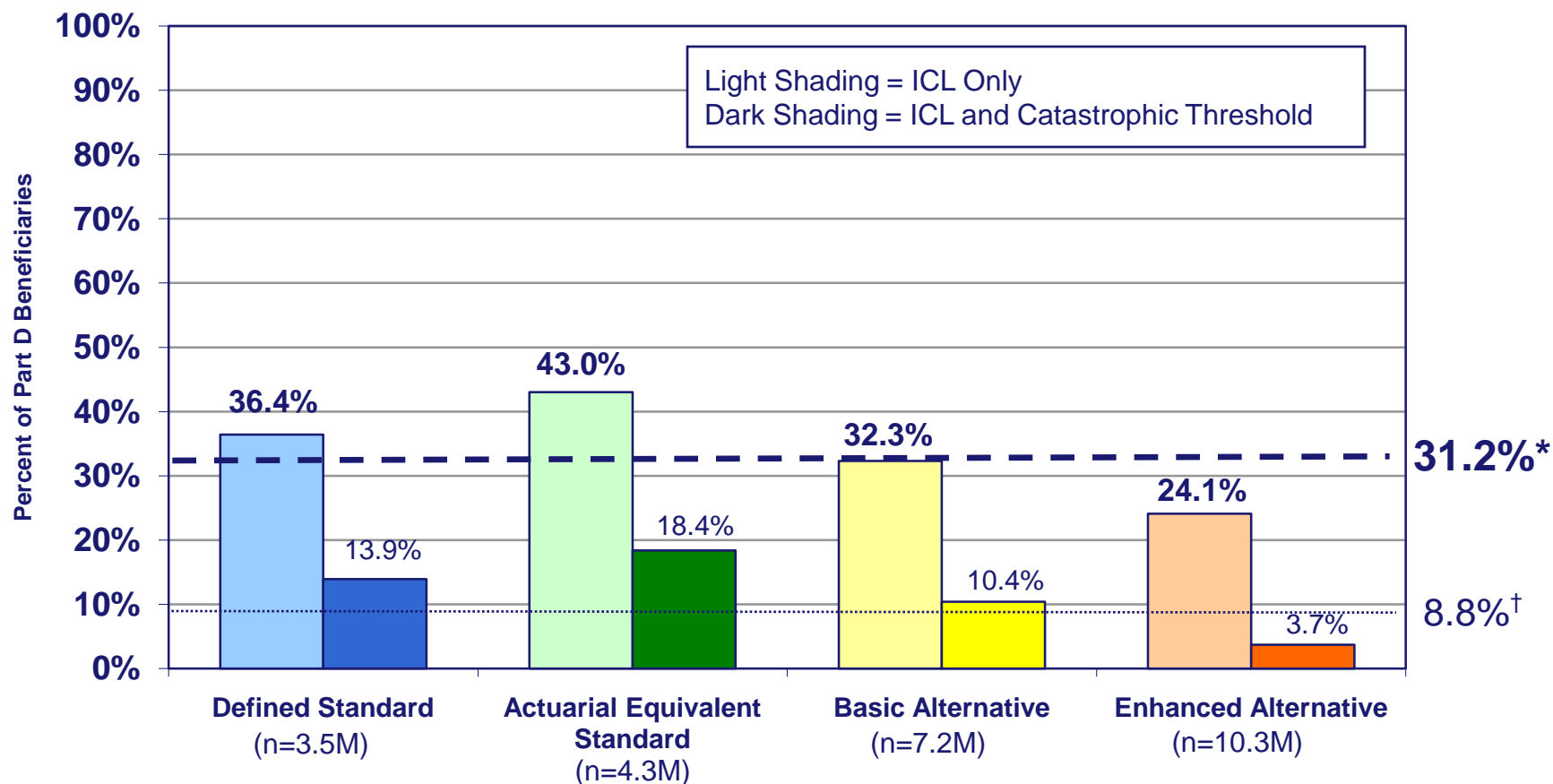
* Overall Percent of Beneficiaries who reached the coverage gap in 2008.

2008 Beneficiary Catastrophic Coverage Experience : *by Age*



* Overall Percent of Beneficiaries Reaching Their 2008 Initial Coverage Limit.

2008 Coverage Gap and Catastrophic Coverage Phase Experience: by Benefit Type

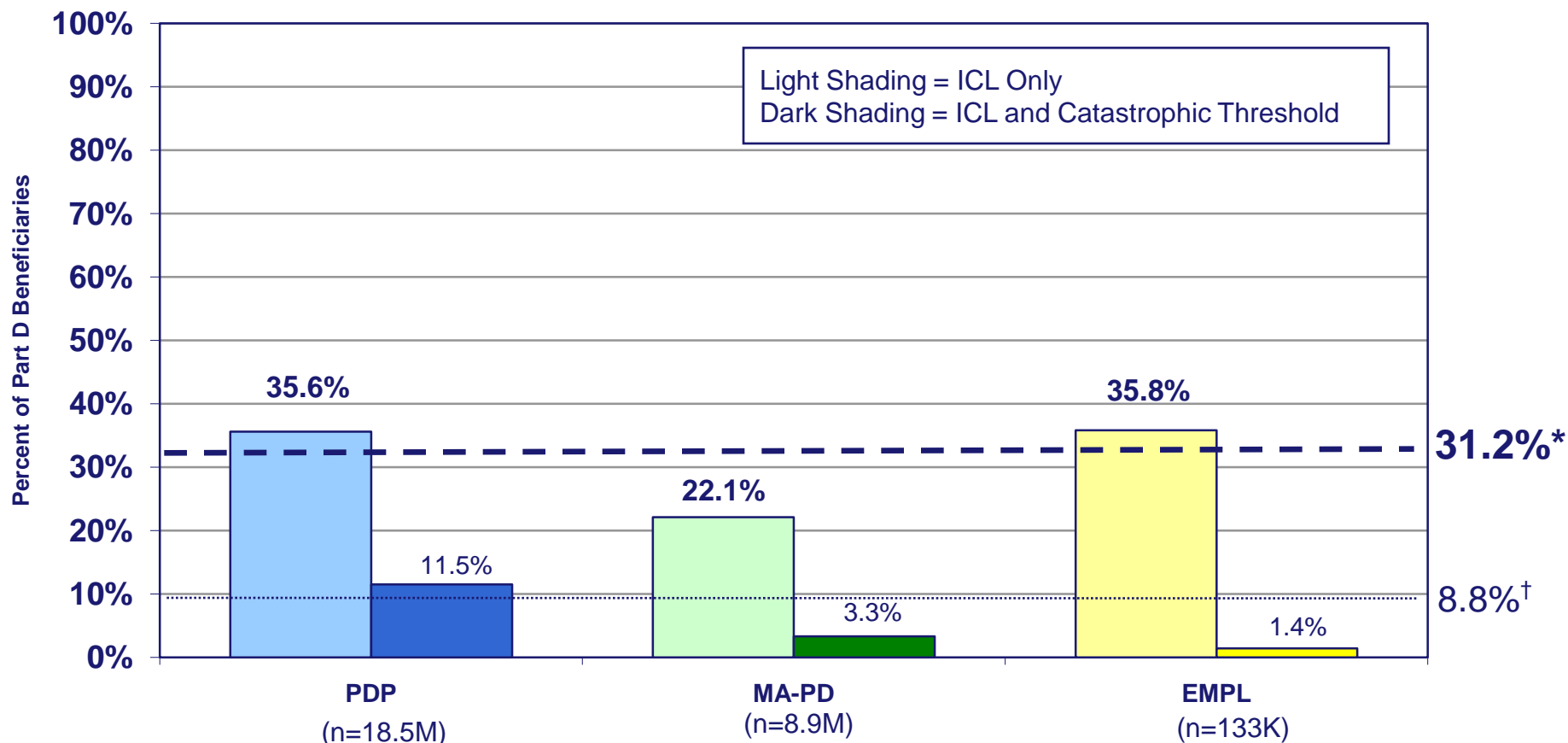


* Overall Percent of Beneficiaries Reaching Their 2008 Initial Coverage Limit.

† Overall Percent of Beneficiaries Reaching Their 2008 Catastrophic Coverage Threshold.

• 2.2M beneficiaries were grouped in plan benefit type unknown, of these beneficiaries 30.2% entered the gap and 0.7% entered catastrophic coverage.

2008 Coverage Gap and Catastrophic Coverage Phase Experience: *by Organization Type*



* Overall Percent of Beneficiaries Reaching Their 2008 Initial Coverage Limit.

† Overall Percent of Beneficiaries Reaching Their 2008 Catastrophic Coverage Threshold.

PDP=Prescription Drug Plan; MA-PD=Medicare Advantage Prescription Drug Plan; EMPL=Employer Plan.

Plan Specified ICL vs. Defined Standard ICL

Percent of Beneficiaries who Reached Coverage Gap Very Similar for Plan Specified ICL and Defined Standard ICL in 2008



DS=Defined Standard ICL
PS=Plan Specified ICL

Time in Coverage Gap and Catastrophic Coverage

How Long Do Beneficiaries Spend in Each Phase of the Benefit?

- In 2008, 68.8% of enrollees (18.9M) never reach the ICL.
 - 31.2% of enrollees (8.6M) reach the ICL.
 - Mean time to reach coverage gap= 6.7 months.
 - Mean time spent after reaching coverage gap to end of enrollment or catastrophic coverage = 3.9 months.
 - 8.8% of enrollees (2.4M) reach the catastrophic coverage phase.
 - Mean time spent in catastrophic phase =4.3 months.

On Average Similar Trends for Time Spent in Pre-ICL, Gap and Catastrophic Phase from 2006-2008 Overall



*Average time spent in each phase for Part D beneficiaries that experienced phase for given year.

Time in Part D Benefit Phases Varied by Beneficiary Subgroups

Group	Average months spent in 2008: Pre-ICL	Average months spent in 2008: Coverage Gap	Average months spent in 2008: Catastrophic Coverage
Overall	6.7	3.9	4.3
Gender			
Males	6.6	3.9	4.6
Females	6.8	4.0	4.2
LIS Status			
LIS	6.0	4.0	4.5
Non-LIS	7.6	3.9	3.8
Part D Plan Benefit Type			
Defined Standard	6.3	3.8	4.5
Actuarial Equivalent Standard	6.0	3.9	4.4
Basic Alternative	6.6	3.8	4.3
Enhanced Alternative	7.4	3.9	4.1
Part D Plan Type			
PDP	6.5	3.9	4.4
MA-PD Plans	7.3	3.9	4.2
Employer Plans	7.2	4.6	3.5

Summary

- Trends in utilization, cost, and percent of beneficiaries that entered Part D coverage gap and catastrophic phase were similar for 2007 and 2008.
- Approximately one-third of all beneficiaries in each year from 2006-2008 exceeded their ICL.
 - However, this was meaningful to only about one-tenth of all enrollees in any year.
- Enrollees who were LIS, under 65, or female exceed the ICL more than other populations from 2006-2008.
- Time spent in the coverage gap and the catastrophic coverage phase varied little from year to year on average, however differences were seen with beneficiary subgroups and different plan designs.