

# 2010 Part D Symposium

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# Overview of Low-Income Subsidy

- ◆ Part D's low-income subsidy (LIS) covers beneficiaries who also qualify for Medicaid (dual eligibles) and certain others with limited income and assets
- ◆ The LIS is a valuable supplement to Part D's basic benefit
  - Deductible is reduced or eliminated
  - Cost sharing limited to \$2.50 to \$6.30 per prescription for most LIS beneficiaries
  - No coverage gap
  - Premiums covered up to low-income benchmark premium amount
- ◆ CMS currently uses random assignment to select plans for LIS beneficiaries who do not choose their own plan
  - Beneficiaries are assigned only to plans with basic coverage and premiums below low-income benchmark

# Controlling Costs for LIS Beneficiaries

- ◆ Part D plans do not bear financial risk for LIS-covered benefits, but they are at risk for benefits covered by plan bids
- ◆ Plans have limited ability to use differences in cost sharing (formulary tiers) to manage costs and utilization for LIS beneficiaries because the subsidy covers most cost sharing
- ◆ As a result, plans that serve a large proportion of LIS beneficiaries may have stronger incentives to rely on other strategies, like covering fewer drugs and/or relying more heavily on utilization management, to manage costs

# Research Question

- ◆ How do the benefits offered by Part D plans that serve LIS beneficiaries compare to other plans in terms of the number of covered drugs, tier placement, cost sharing, and use of utilization management?

# Data Sources and Methodology

- ◆ We completed this analysis using DataFrame<sup>®</sup>, a proprietary database with Part D plan and formulary data purchased from the CMS website as well as additional proprietary and public data
- ◆ Data for 2010 plan year is from November 2009; data for 2009 plan year is from April 2009; data for 2008 plan year is from November 2007
- ◆ We also used CMS data on the number of LIS beneficiaries enrolled in each plan in March 2009
- ◆ We calculated enrollment-weighted figures as follows:
  - Figures for 2010 are based on October 2009 enrollment
  - Figures for 2009 are based on February 2009 enrollment
  - Figures for 2008 are based on April 2008 enrollment

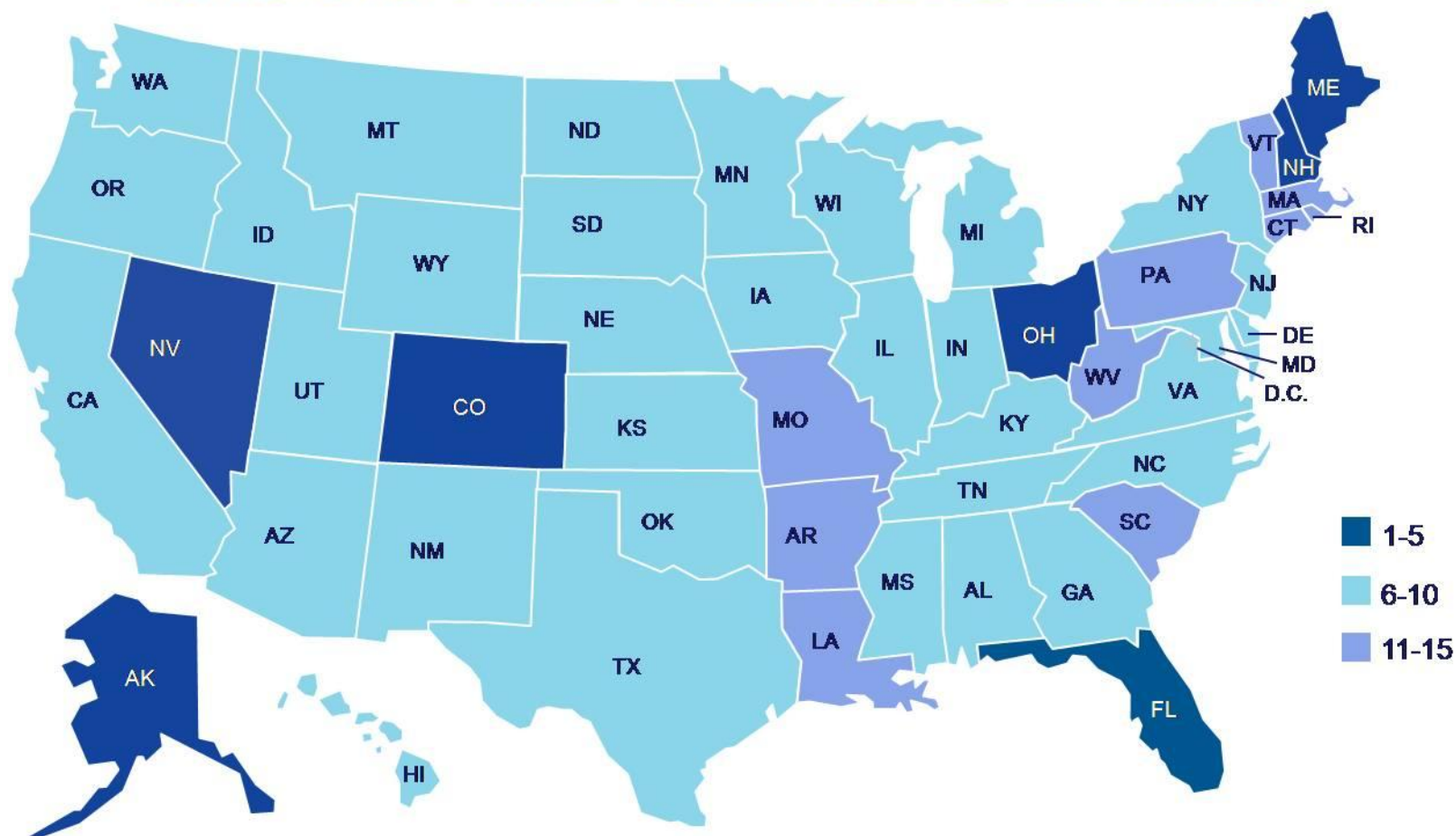
# Key Concepts

- ◆ An “LIS plan” is a stand-alone prescription drug plan (PDP) that is eligible to receive LIS beneficiaries through the random assignment process
- ◆ A “non-LIS plan” is any other PDP
- ◆ We defined a “drug” as each unique drug name and brand indicator combination that appears in the Medi-Span database
  - Original patented version of a medication and all subsequent generic versions treated as two separate drugs
  - A total of 2,363 drugs appear on at least one PDP formulary in 2010; 2,491 drugs in 2009; 2,649 drugs in 2008
- ◆ We considered a drug “covered” if the formulary included at least one dosage form and strength of the drug

# The LIS Plan Landscape

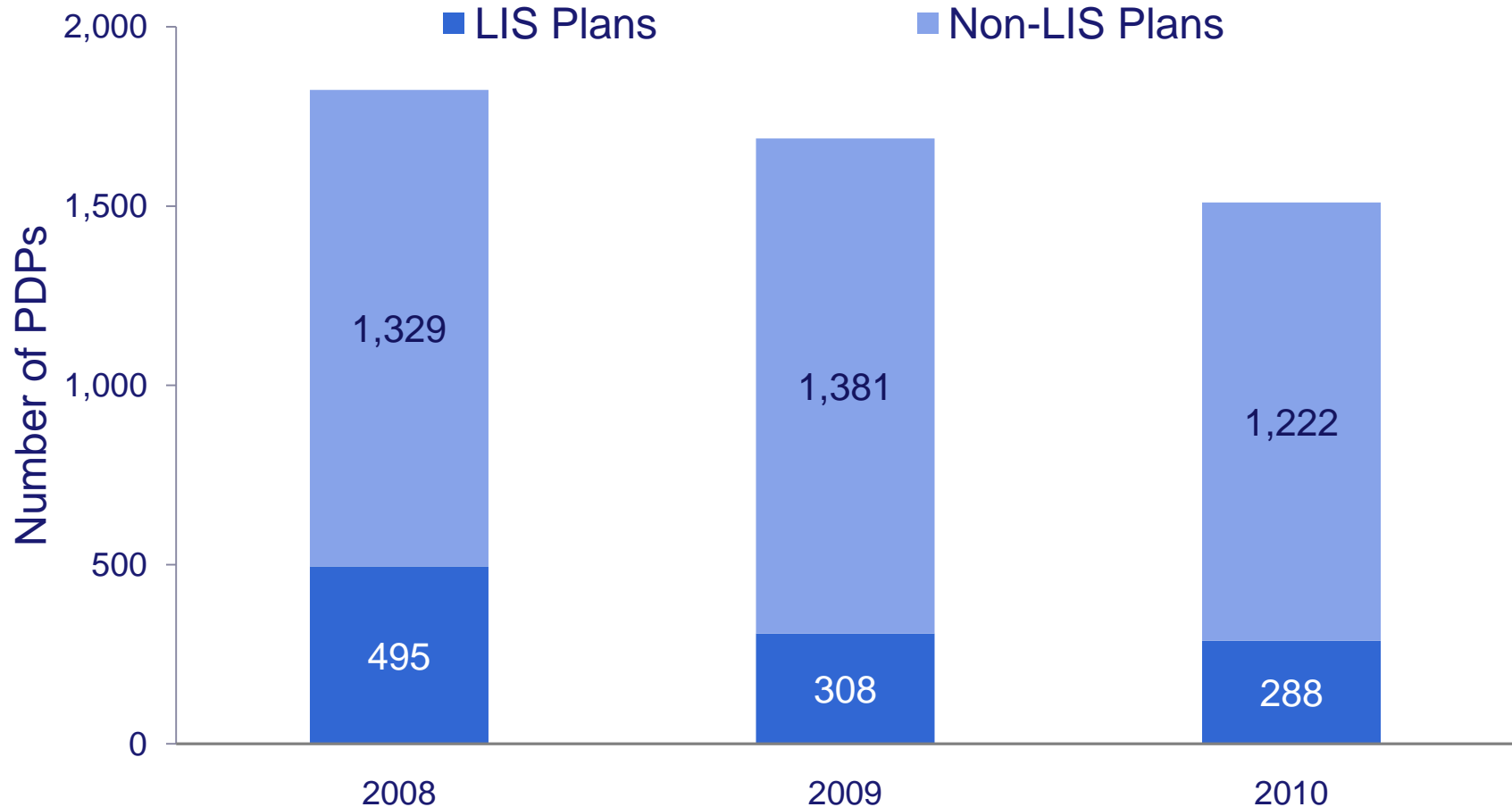
# LIS Beneficiaries in Most States Will Have Between Six and Ten PDP Offerings with \$0 Premiums in 2010

Number of PDPs with \$0 Premium for LIS Beneficiaries, 2010

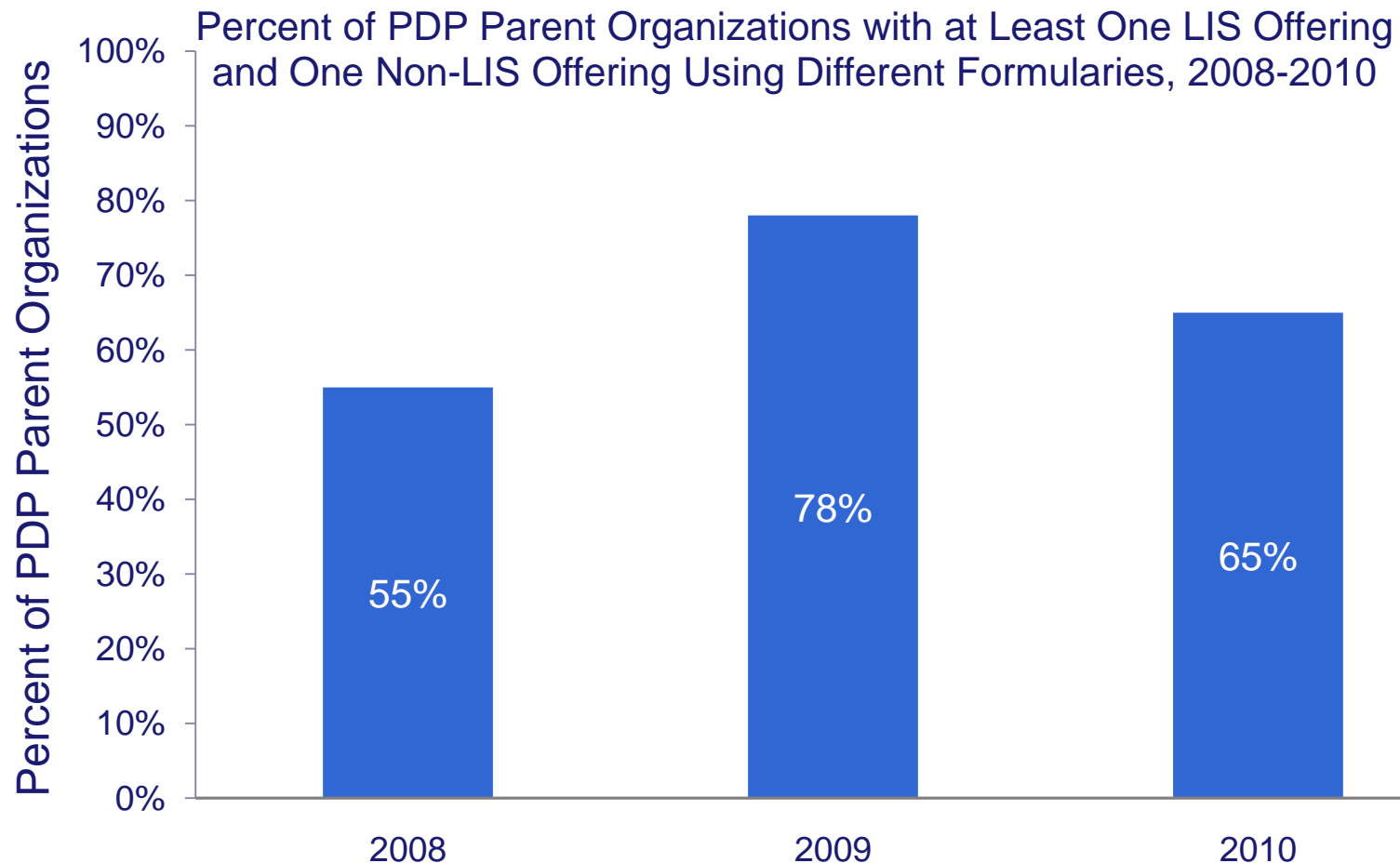




# Number of LIS Plans Has Been Declining



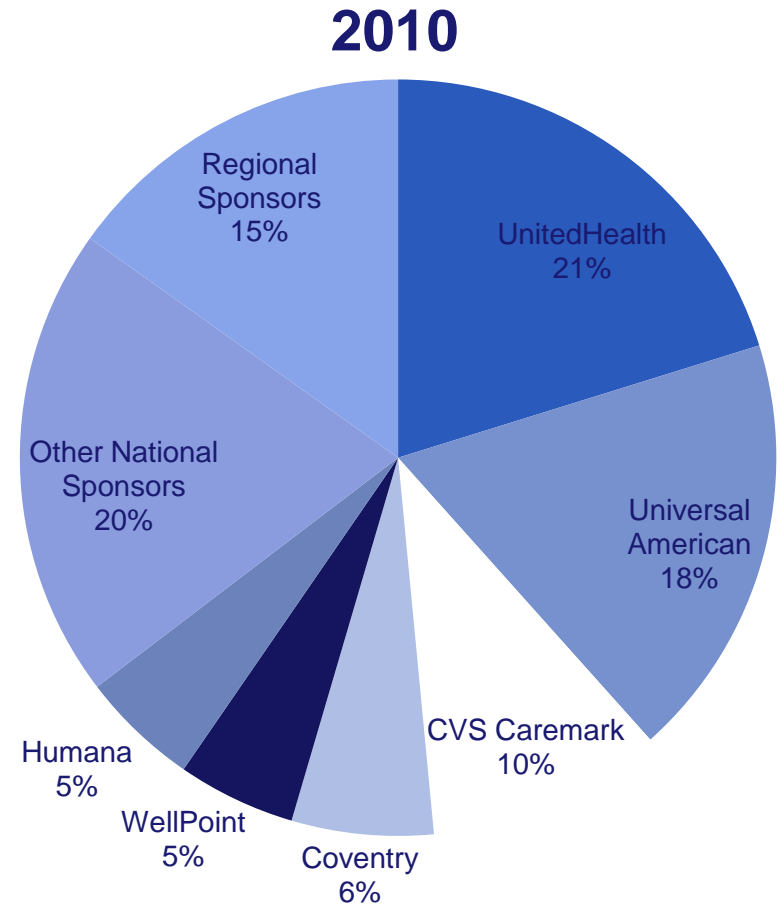
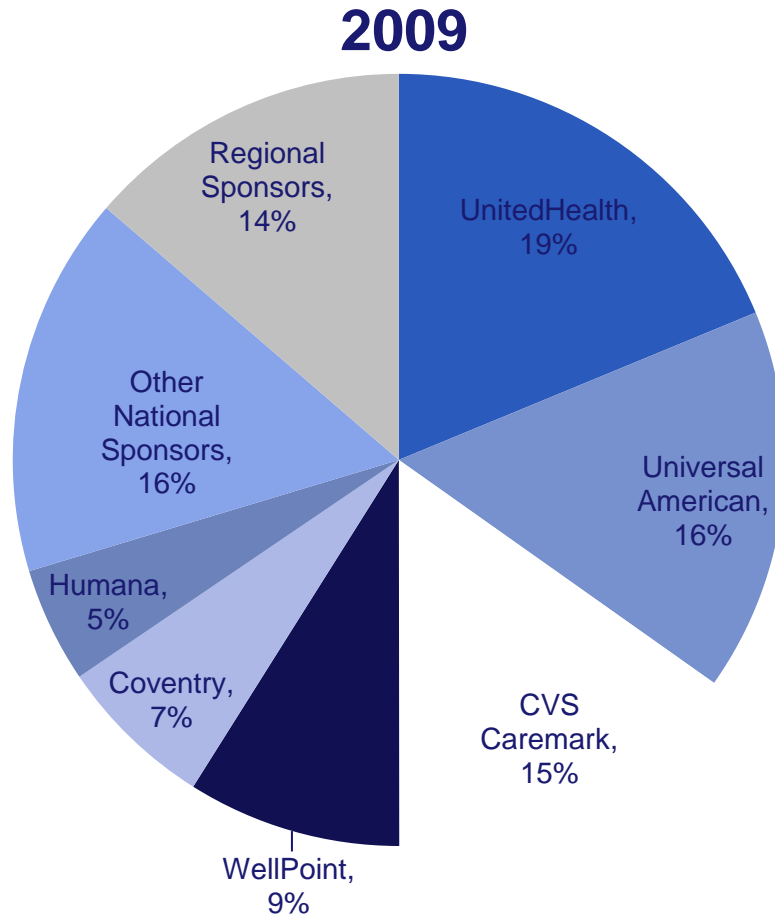
# PDP Sponsors Use Different Formularies for LIS Offerings and Non-LIS Offerings



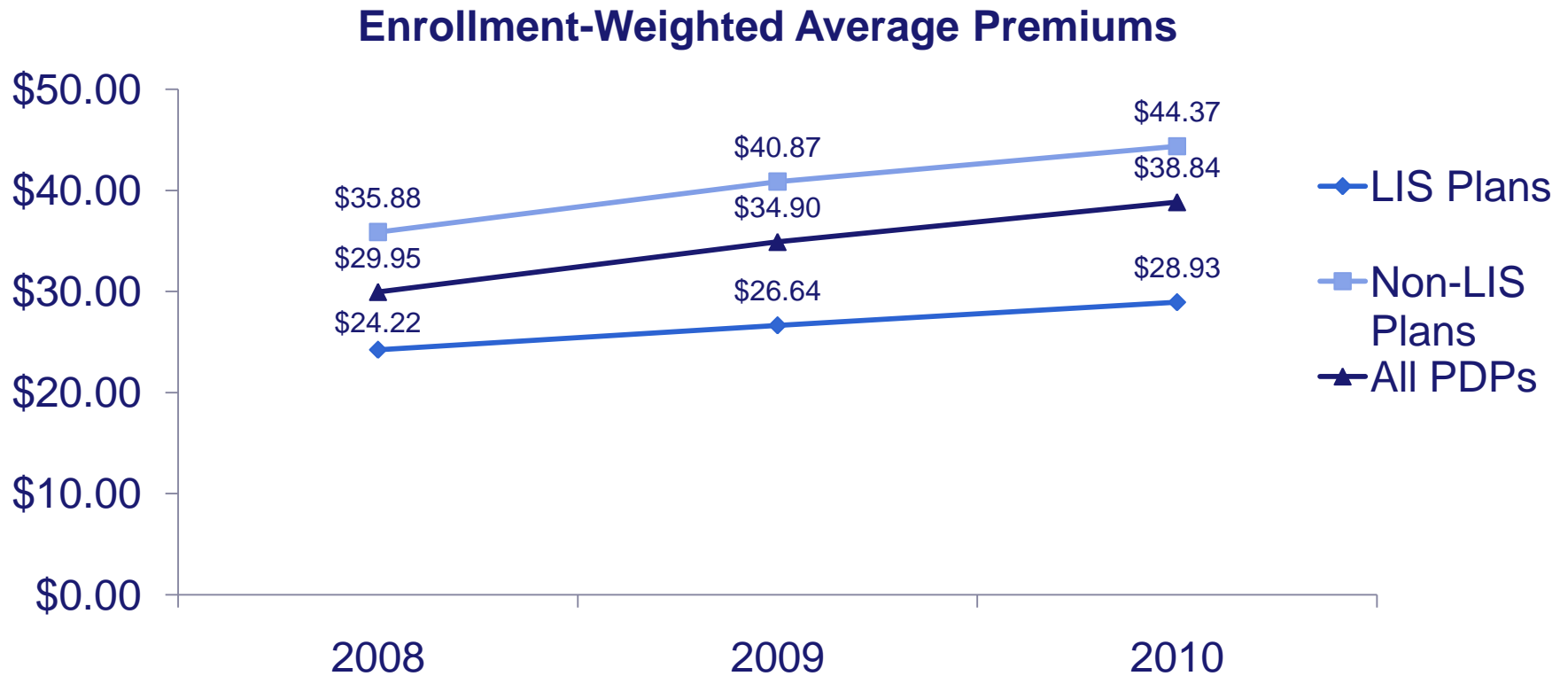
## Change in Number of PDPs with \$0 Premium for LIS Beneficiaries, 2009-2010



# National Sponsors Cover Most LIS Beneficiaries

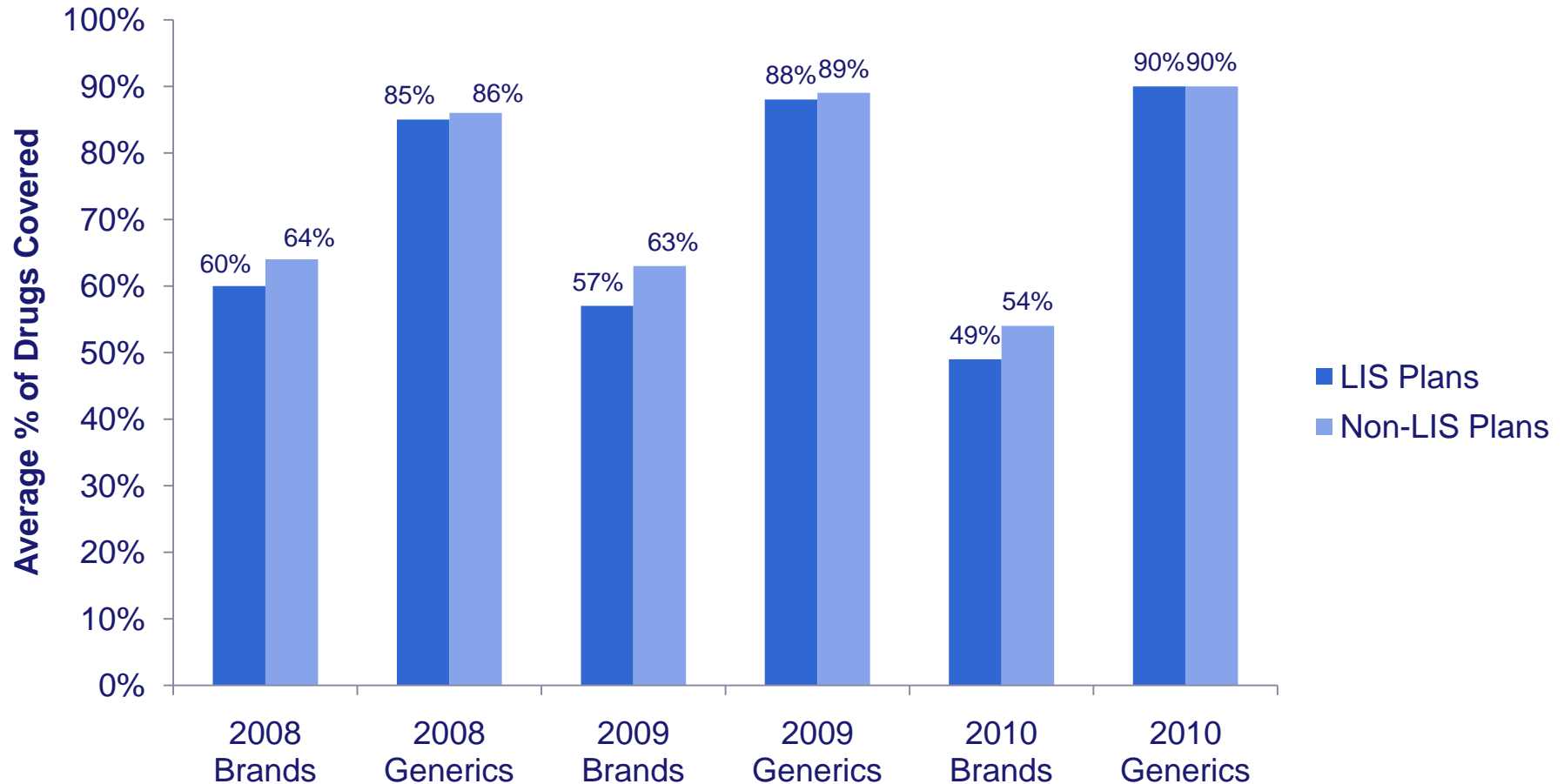


# Premiums for All PDPs Have Risen Steadily

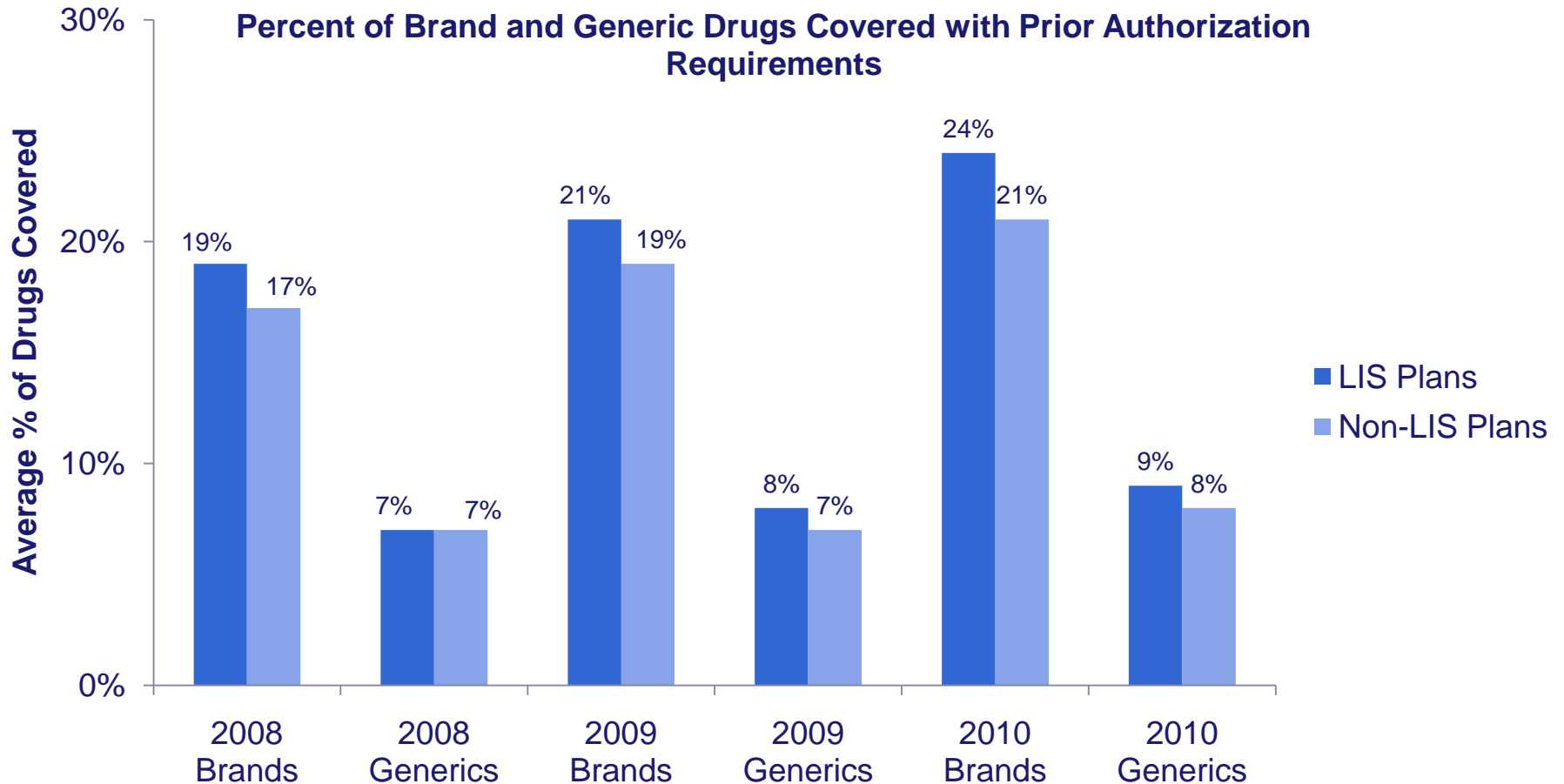


# Comparison of LIS Plans and Non-LIS Plans: Overall Trends

# LIS Plans Cover Fewer Brand Drugs Than Non-LIS Plans; Coverage of Generic Drugs is Similar

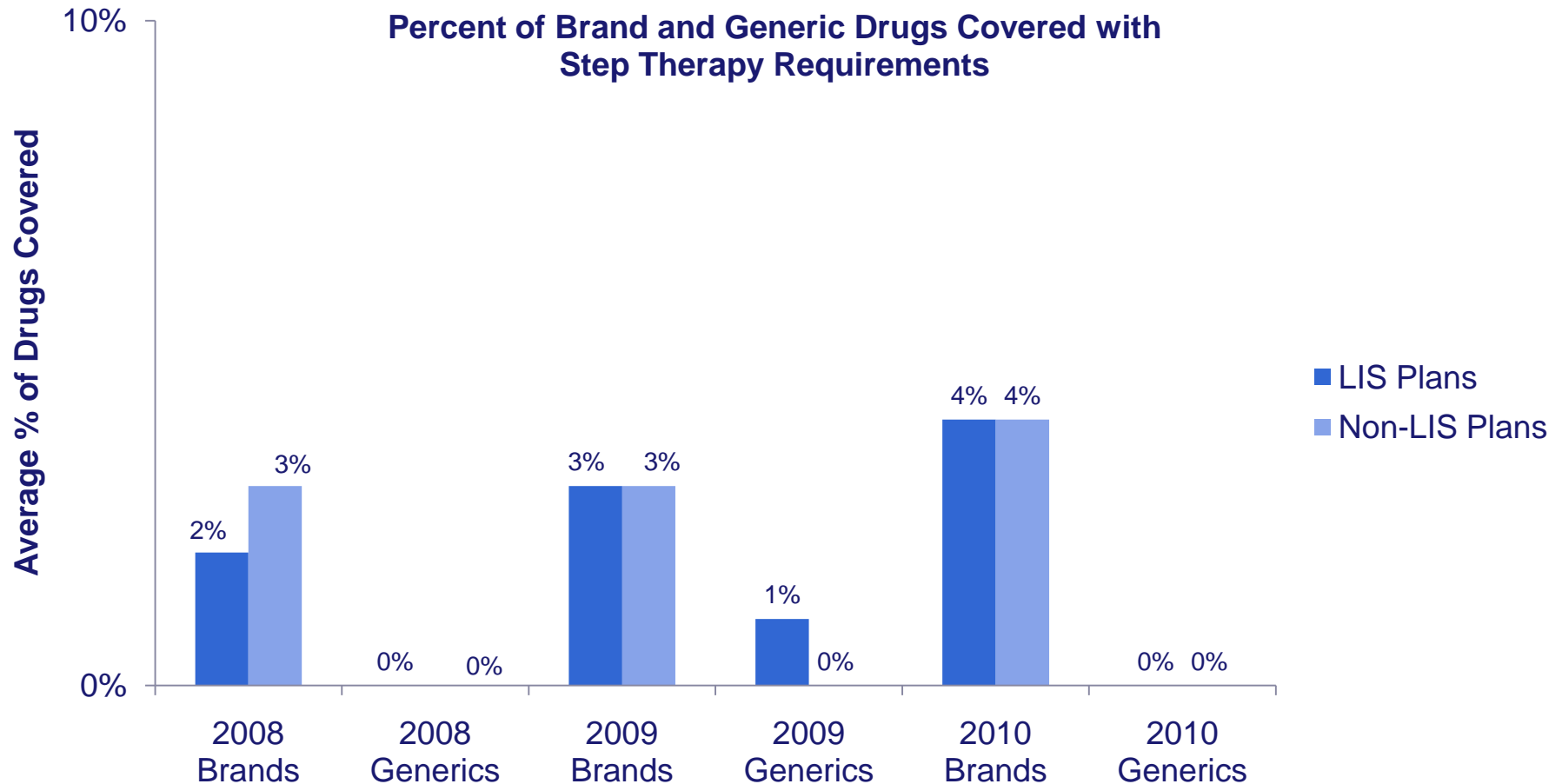


# LIS Plans Are More Likely to Require Prior Authorization for Brand Drugs





# LIS Plans and Non-LIS Plans Rarely Use Step Therapy

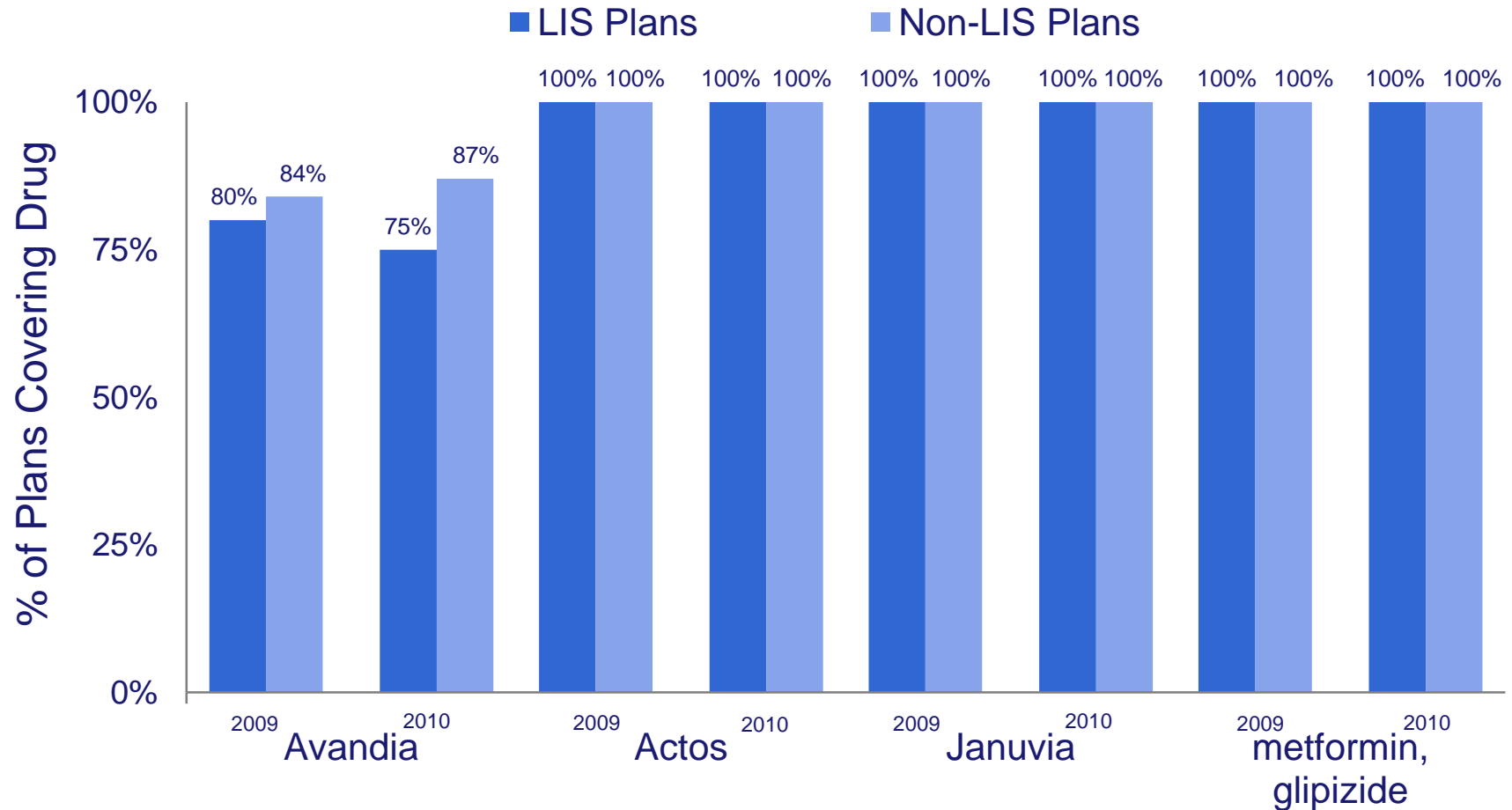


# Comparison of LIS Plans and Non-LIS Plans: Some Specific Examples

## Avalere Examined Coverage of Two Therapeutic Classes: Diabetes and Rheumatoid Arthritis

	Diabetes	Rheumatoid Arthritis (RA)
Brand Drugs	Actos ® Avandia ® Januvia ®	Cimzia ® Enbrel ® Humira ®
Generic Drugs	metformin glipizide	none

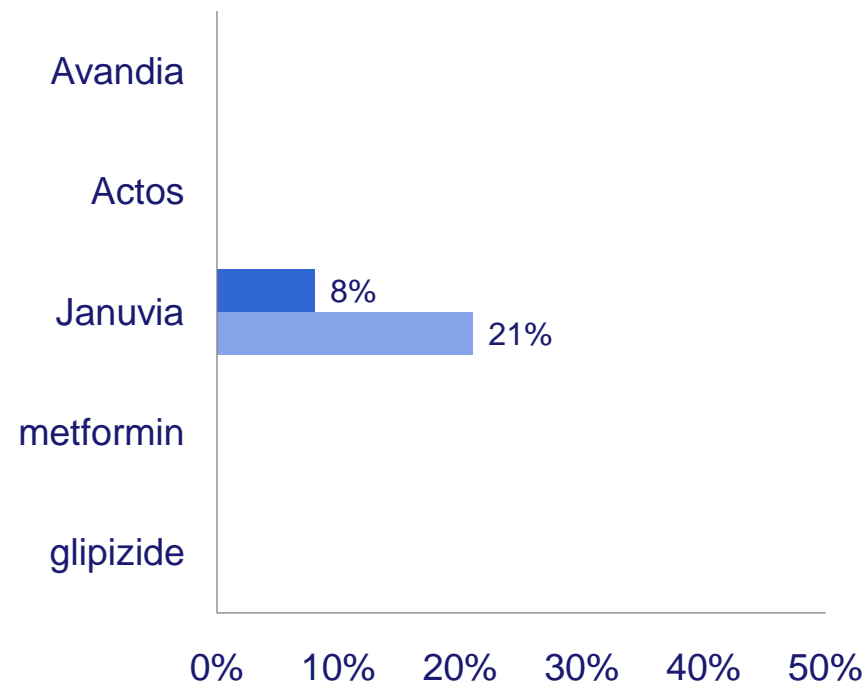
# LIS Plans Less Likely to Cover Avandia; Both Types of Plans Cover All Other Diabetes Medications



# Plans Tend to Use Step Therapy to Manage Utilization of Brand Diabetes Drugs

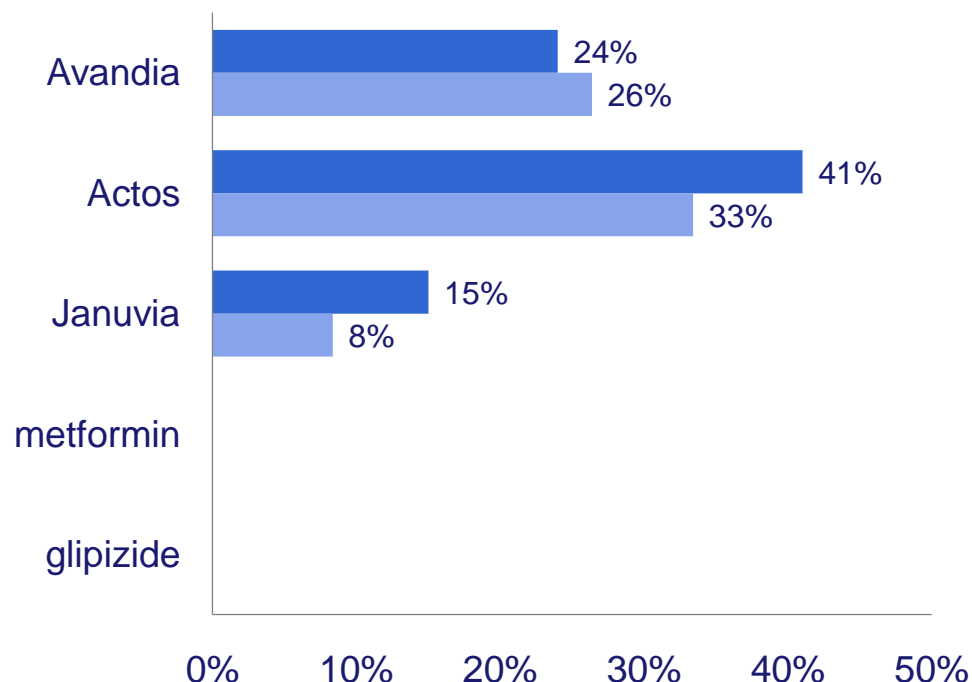
Percent of Plans Requiring Prior Authorization, 2010

■ LIS Plans ■ Non-LIS Plans

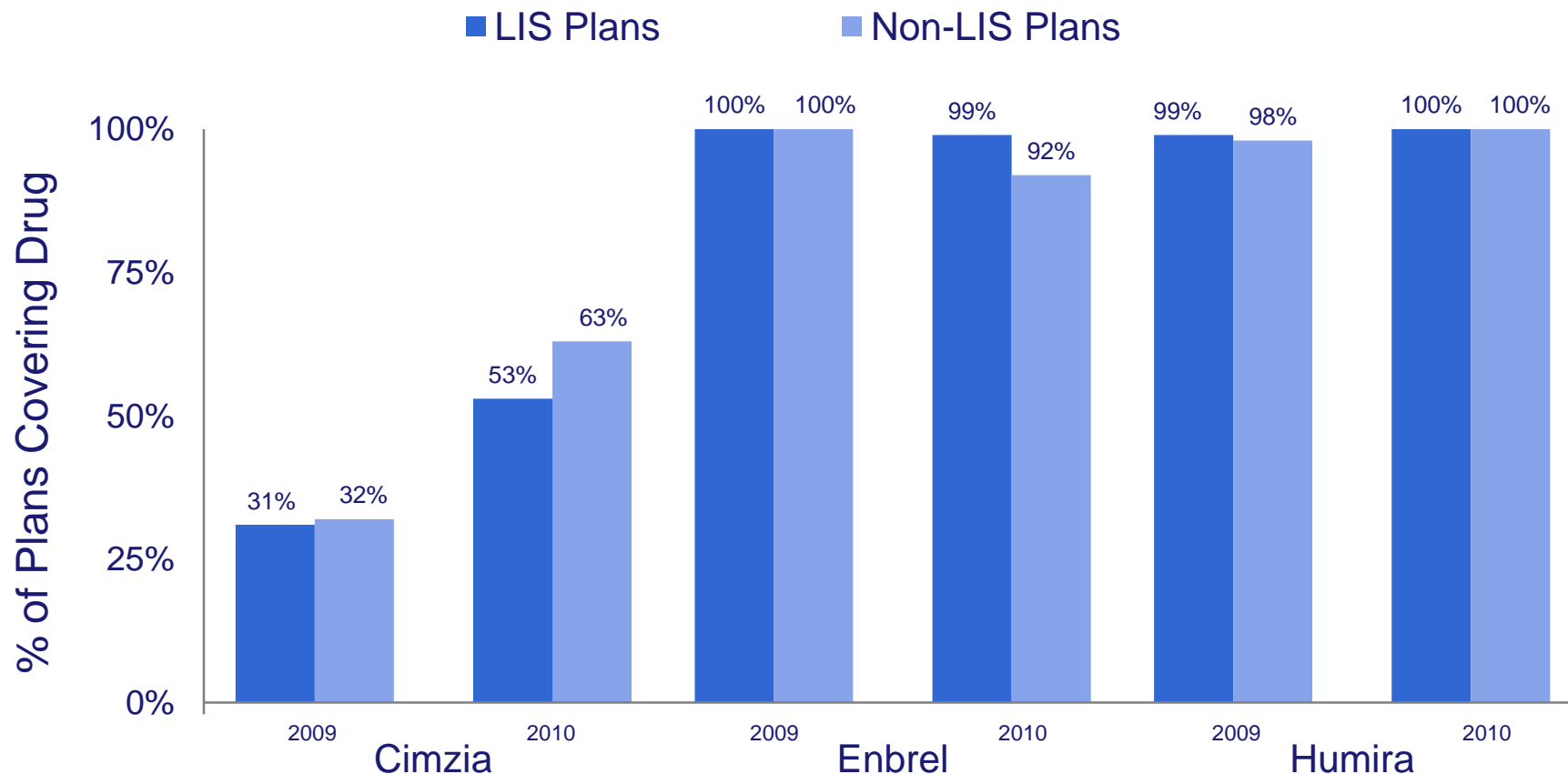


Percent of Plans Requiring Step Therapy, 2010

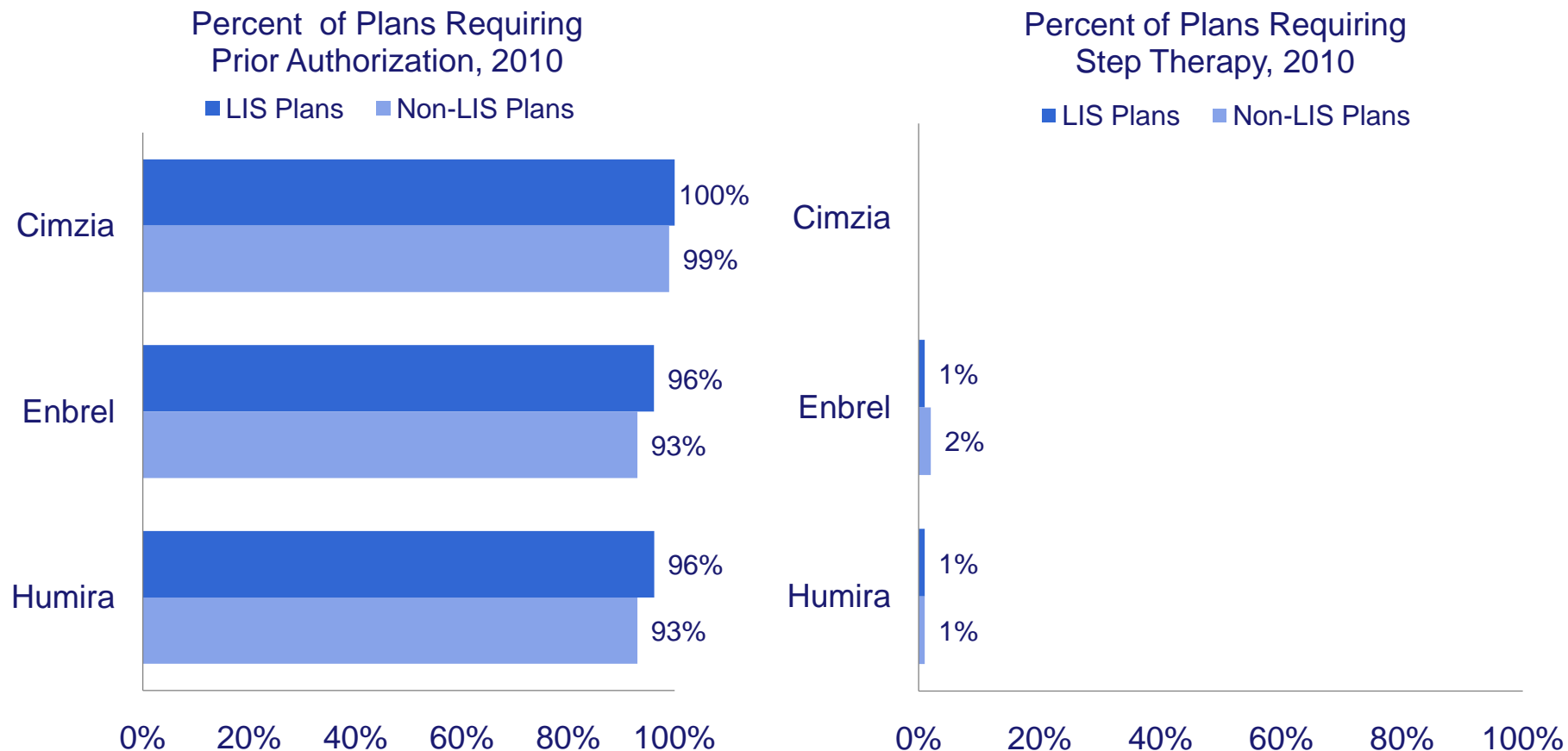
■ LIS Plans ■ Non-LIS Plans



# LIS Plans Less Likely to Cover Cimzia; Almost All Plans Cover Other RA Drugs



# Both LIS and Non-LIS Plans Require Prior Authorization for RA Drugs



# Summary

- ◆ While LIS plans cover slightly fewer drugs overall, LIS beneficiaries have access to many branded drugs
- ◆ With the decrease in the number of auto-enrollment eligible plans, CMS should continue to ensure LIS formularies offer access to commonly prescribed medications
- ◆ CMS should encourage PDPs to make use of industry accepted methods such as generic substitution and UM to better control cost and utilization



## Areas for Further Research

- ◆ Which brand drugs are LIS plans more likely to leave off their formulary?
- ◆ LIS plans cover most generic drugs, but is there anything interesting about the ones that they don't cover?
- ◆ Which drugs are LIS plans more likely to make subject to prior authorization?
- ◆ Do LIS beneficiaries use more brand or generic drugs than non-LIS beneficiaries?

# Significant Policy Changes Ahead

- ◆ CMS's November 2009 proposed rule indicated interest in reducing duplicative plan offerings
  - Will those efforts sharpen or blur differences between LIS plans and non-LIS plans?
- ◆ CMS has recalibrated its Part D risk adjustment model for 2011
  - More accurate model could make LIS beneficiaries more attractive to plans, leading to greater plan availability
- ◆ Selecting plans for LIS beneficiaries based on past medication history (intelligent assignment)

# Questions?

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