

## DEPARTMENT OF HEALTH & HUMAN SERVICES

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## MEDICARE NEWS

**FOR IMMEDIATE RELEASE**

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### **MEDICARE PART D PLAN PREMIUMS FOR 2008 SHOW CONTINUED IMPACT OF STRONG COMPETITION**

Due in large part to strong competitive bidding by health and prescription drug plans and beneficiaries' choices, the Centers for Medicare & Medicaid Services (CMS) anticipates that the actual average premium paid by beneficiaries for standard Part D coverage in 2008 will be roughly \$25. This is nearly 40 percent lower than originally projected when the benefit was established in 2003 and also lower than projected earlier this year.

“Competition and smart choices have been two important factors in holding down the cost of the Medicare drug benefit. The Part D program is serving beneficiaries at a far lower cost than originally expected,” said CMS Acting Deputy Administrator Herb B. Kuhn. “Medicare drug benefit bids continue to be well below projections because of slower than expected growth in prescription drug costs generally, in part because of increased generic usage, effective plan negotiation, and strong competition.”

The estimated actual average premium for 2008 of roughly \$25 for basic coverage is far below the original estimate for 2008 of \$41, and is even below the most recent estimate of \$27 from the 2008 Mid-Session Review. And, while the average expected premium for basic coverage in 2008 is higher than the actual average for 2007 (about \$22), this is due primarily to technical adjustments required by law rather than increased bids. “Average plan bids remain very stable and continue to be lower than our expectations,” said Paul Spitalnic, Director of the Parts C and D Actuarial Group in the Office of the Actuary at CMS.

Approximately 87 percent of beneficiaries enrolled in a stand-alone prescription drug plan (PDP) will have access to Medicare drug plans that cost them the same or less than their coverage in 2007. Thus, the majority of beneficiaries could avoid any premium increase in 2008 by enrolling in a lower-cost stand alone PDP in their region. Moreover, many beneficiaries have access to a Medicare Advantage plan with lower prescription drug premiums. It will be important for beneficiaries to compare their coverage options

for 2008 based on overall cost, coverage, and convenience in order to select the plan that best meets their needs.

MA-PD premiums continue to be lower than PDP premiums. On average, in 2007, the MA-PD premiums prior to rebates are about \$7 lower than those for PDPs. In 2008, they will average \$11 lower. The lower MA-PD bids and premiums reflect the effects of aggressive competition as well as lower costs resulting from better care coordination and drug benefit management techniques. In practice, many MA-PD plans also apply a portion of their rebates from Parts A and B to reduce their Part D premiums, in many cases to zero.

“The fact that premiums are nearly 40 percent below the original projections indicates that we are indeed getting great value out of this program,” added Kuhn. “And, when paired with the many new preventive benefits and this year’s national education tour to let people know about the importance of prevention, people on Medicare are living better, healthier lives, and saving money because of this new prescription drug benefit.” He added that, “the information contained in the new bids for 2008 is likely to further reduce the projected cost of the Part D program beyond 2008.”

Under Part D, beneficiaries with low incomes can receive valuable extra assistance with their drug plan premiums and cost-sharing. Nearly 9.5 million beneficiaries are currently receiving extra help through the Part D program. To avoid a premium for these low income beneficiaries and to avoid any gap in coverage, about 1 in 6 of these beneficiaries will be assigned by CMS to a new plan sponsor in their coverage area on a random basis (effective January 1, 2008). These beneficiaries will be able to switch to another plan if they choose. The average value of the Part D benefit, premium subsidy, and cost-sharing subsidy for low-income enrollees is estimated to be about \$3,660 per year in 2008 (\$3,353 in 2007).

“By any measure, 2007 has been a good year for Medicare’s Part D prescription drug benefit, and 2008 is shaping up to be yet another good year for the program. Millions of Medicare beneficiaries now have coverage through Part D and the vast majority are very satisfied with their benefits. Furthermore, the program is 30 percent less expensive overall for the first 10 years than originally estimated,” said Kuhn. “To build on this success, we will continue to work with beneficiaries through our local grassroots efforts, which include counseling beneficiaries so that they can make informed choices about the plans that will best meet their needs in 2008.”

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In addition to average premiums, CMS has announced: the 2008 national average monthly bid; the base beneficiary premium; the regional low-income subsidy premium amounts for 2008; and the 2008 Medicare Advantage regional PPO benchmarks. These data can be found at:

<http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/RSD/list.asp?listpage=3>