Comments on "Sinking, Swimming or Learning to Swim in Medicare Part D"

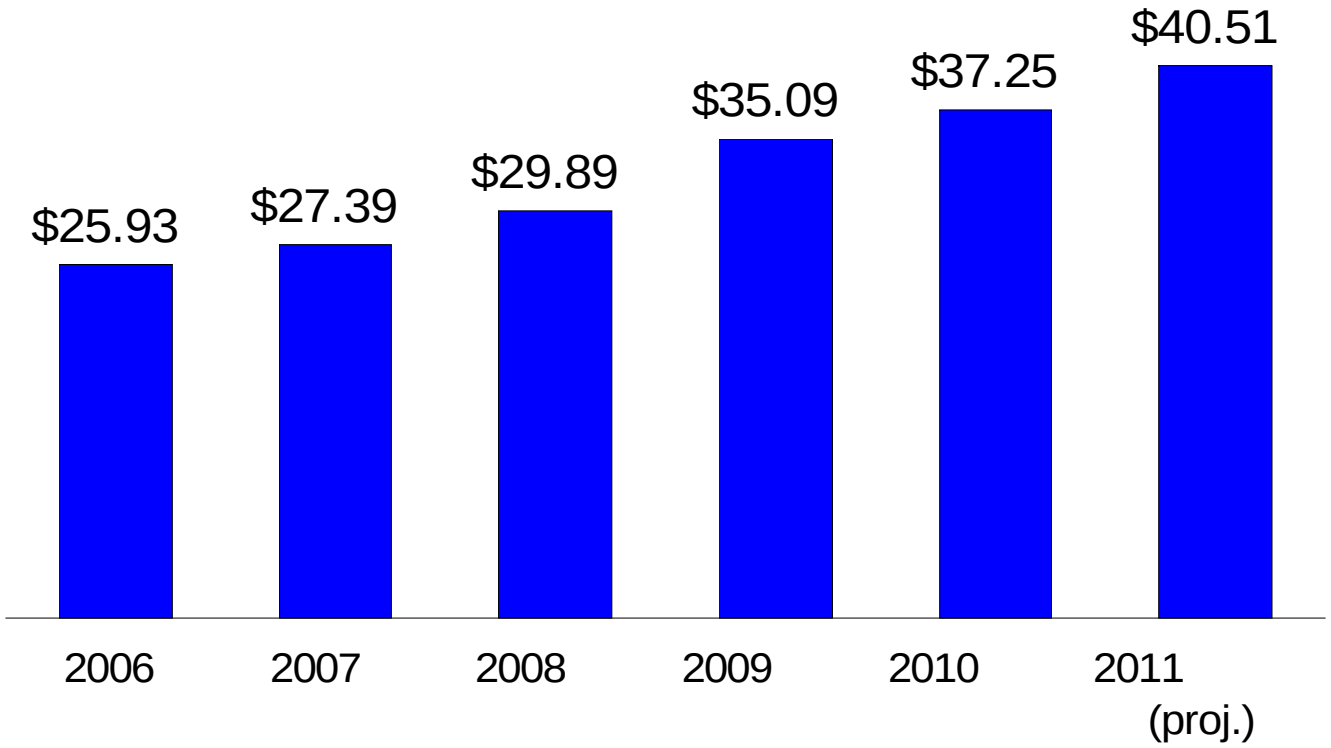
Jack Hoadley, Ph.D.
Health Policy Institute
Georgetown University

Part D: The Big Picture

- Authors suggests that Part D experience is largely positive:

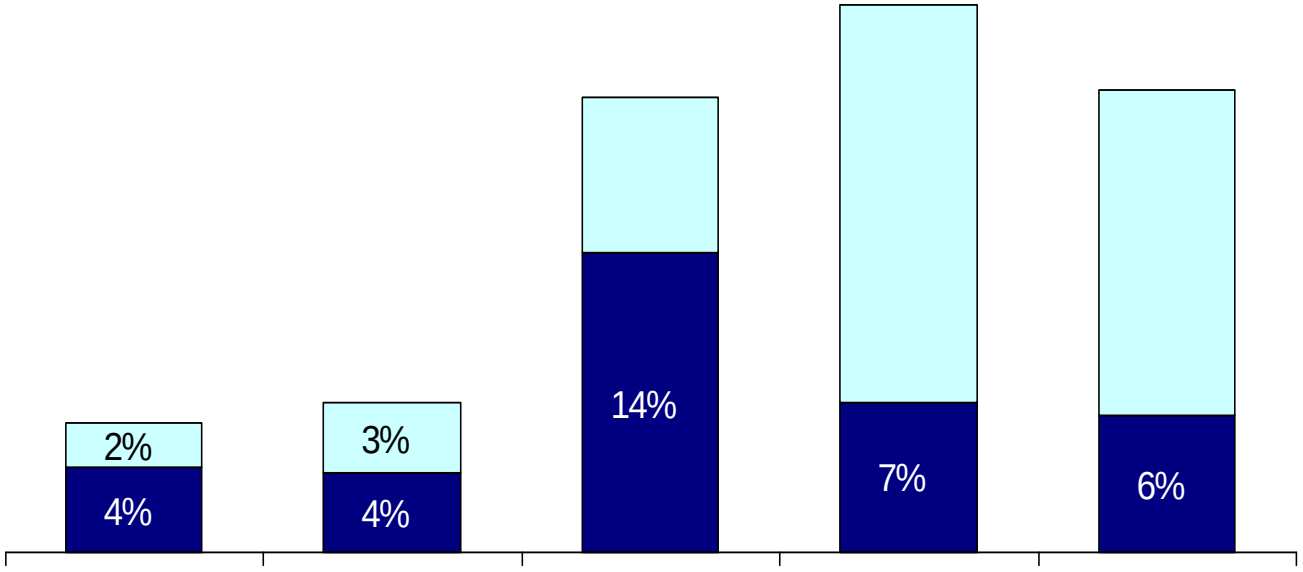
Observation #1

- Beneficiaries seem to stay in plans in the face of significant premium increases.
- Average monthly PDP premiums up 44% for 2006-2010; another 9% projected in 2011



Observation #2

- 1.7 million LIS beneficiaries have stayed in plans where they pay a premium.
- CMS reassigns many to avoid this, but “choosers” are not reassigned

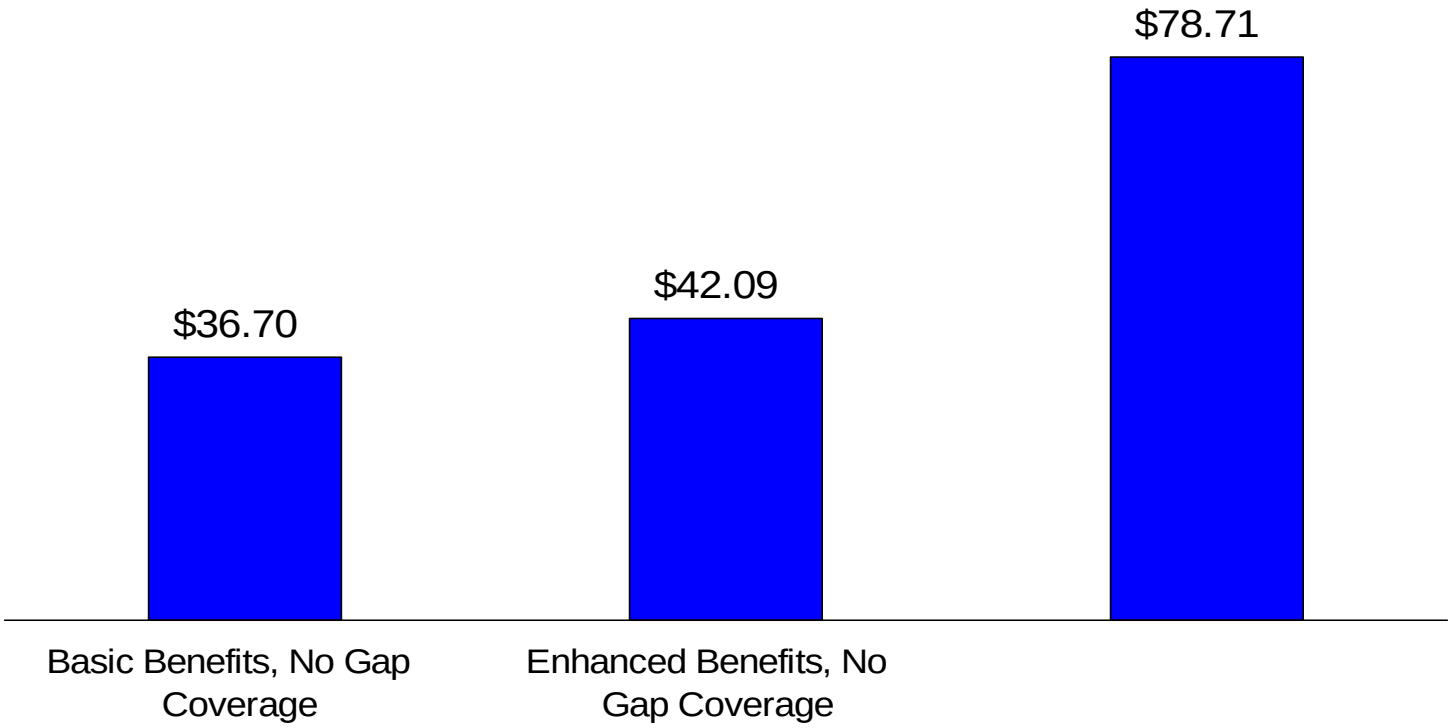


Observation #3

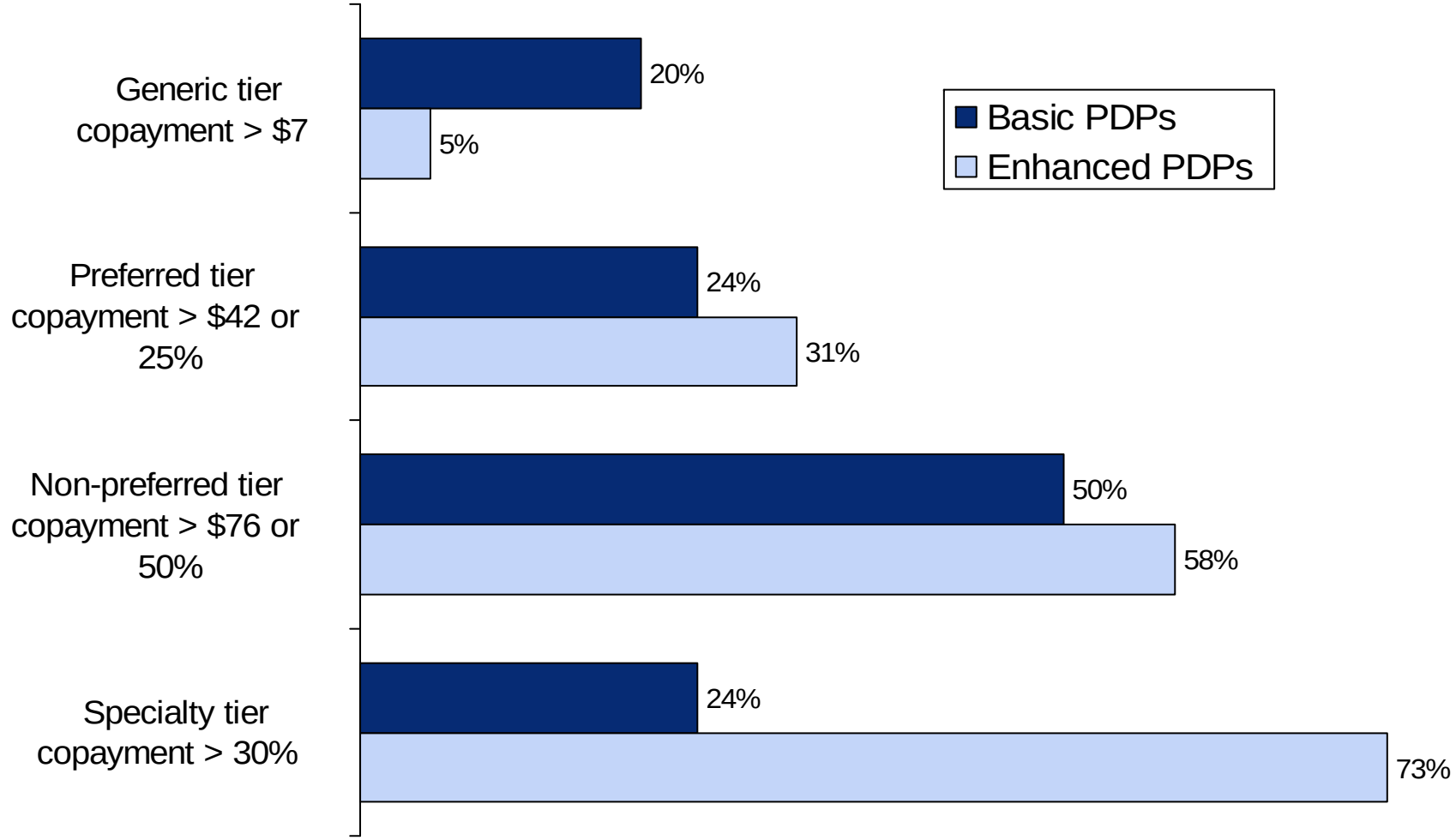
- Beneficiaries in focus groups do not report researching or changing plans.
  - Too confusing
  - Bias toward staying put
- Beneficiaries and physicians in focus

Observation #4

- Plan differences seem unaligned with premiums
- Enhanced & basic benefits hard to differentiate
- Plan names not always meaningful

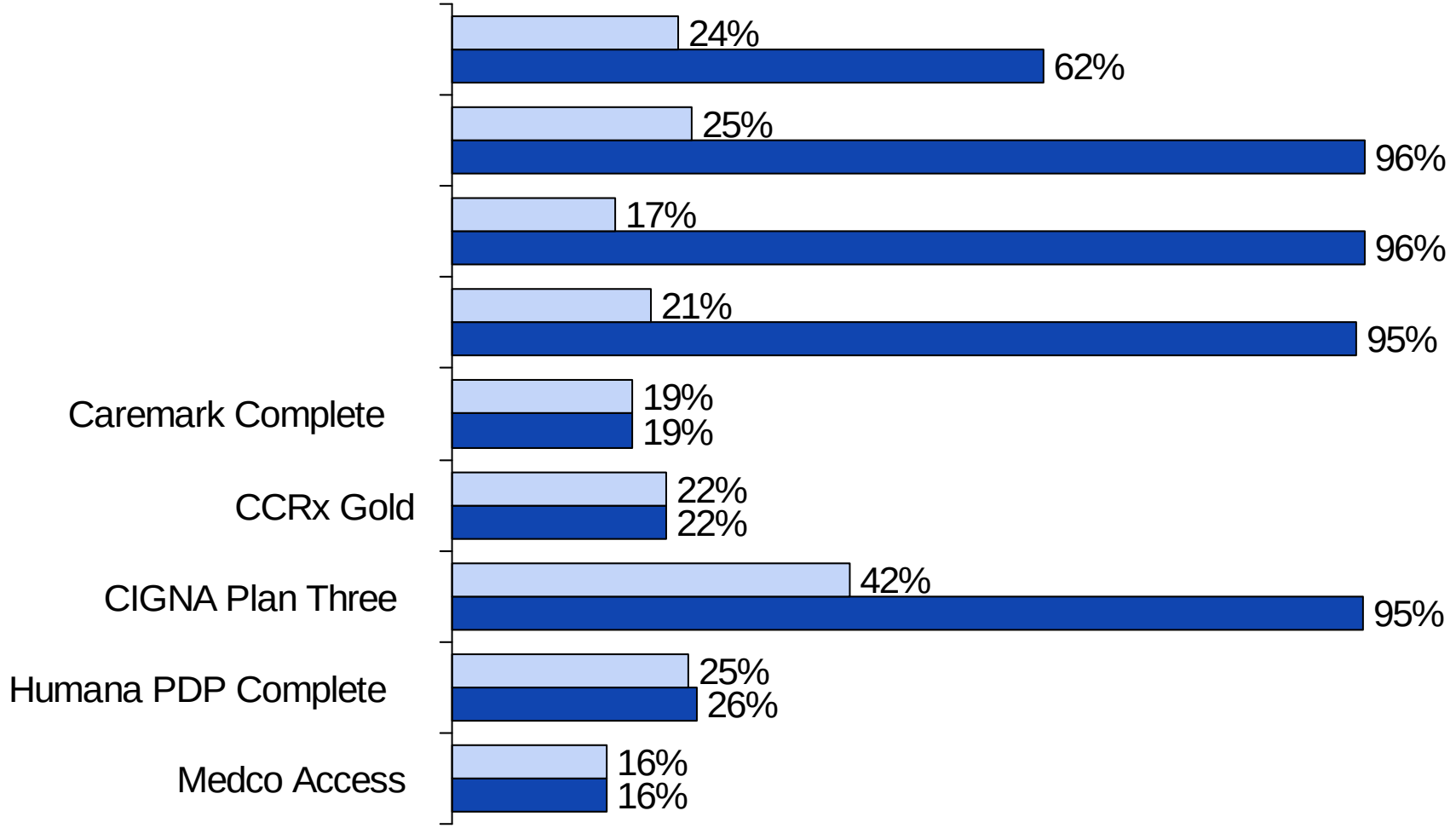


Share of Basic and Enhanced PDPs with Tiered Cost Sharing Above Median Amounts, 2010



SOURCE: Georgetown/NORC analysis of CMS PDP Landscape Source Files, 2010, for the Kaiser Family Foundation.

Share of Costs Paid Out of Pocket by Part D Enrollees in National PDPs Offering Gap Coverage, 2009



Observation #5

- How many beneficiaries switch plans overall?
  - CMS report for 2006:
    - 1.1 million or 7% of all non-LIS beneficiaries
  - CMS report for 2007:
    - 1.0 million or 6% of all non-LIS beneficiaries
  - No reports for later years

Paper: Reduced Overspending

- Paper reports reduction by $296 from 2006-07
  - From 36% of total OOP costs in 2006
  - To 21% of total OOP costs in 2007
- But does that reflect beneficiary decisions to choose new plans OR changes in both available plan options?
- Switchers reduced overspending by $436
- Non-switchers by $233
- For non-switchers, plan change is a major factor

Concerns with Paper's Sample

- Includes only one PBM
  - PDPs as sponsor and as claims administrator
  - Small subset of overall PDP offerings (7% in 2006 and 14% in 2007)
  - Creates constrained (unrepresentative?) option set
- Do beneficiaries look differently at plan switches among one sponsor's options?
- What is the impact of adding of "new" 2007 plans to the sample?
- Are enrollees in employer-only plans excluded?

Caremark Silverscript Plans, 2006-2007

Plan	Non-LIS Enroll-ment	Weighted Average Premium	Gap Coverage	Deduct-ible	Cost Sharing: Generics	Cost Sharing: Brands	Cost Sharing: Specialty
Silverscript 2006	32,422	$27.34	None	$250	$9	25%	25%
Silverscript Plus 2006	10,960	$56.54	None	$100	$7	$25 preferred $60 non-pref.	25%
Silverscript 2007	35,544	$26.49	None	$265	$5	37%	25%
Silverscript Plus 2007	8,941	$36.73	None	$0	$10	$25 preferred $70 non-pref.	33%
Silverscript Complete 2007	8,220	$42.25	Generics only	$0	$5	40%	33%

Explaining the Results

- How to sort out different behaviors:
  - Conscious decisions to switch plans
    - Within versus across sponsors
  - Drug use changes as result of formulary design
  - Plan changes that may be passively accepted
- Are results unique to 2006-2007?
  - Plans were still making market adjustments
  - Beneficiaries working from <1 year experience
- Would results vary by sponsor?