



Forum Session Meeting Announcement

Friday, November 17, 2006
11:45am — Lunch
12:15pm–2:00pm — Discussion

The Medicare PDP Market: Build It and the Plans Will Come

A Discussion Featuring:

Abby L. Block

Director

Center for Beneficiary Choices
Centers for Medicare & Medicaid Services

John M. Bertko

Vice President and Chief Actuary
Humana, Inc.

Jack Hoadley, PhD

Research Professor
Health Policy Institute
Georgetown University

Marisa Scala-Foley

Associate Director
Access to Benefits Coalition
National Council on Aging

Location

**Reserve Officers Association
of the United States**
One Constitution Avenue, NE
Congressional Hall of Honor
Fifth Floor
*(Across from the Dirksen Senate
Office Building)*

Registration Required

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The Medicare PDP Market: Build It and the Plans Will Come

OVERVIEW

Medicare's second annual beneficiary enrollment period for prescription drug plans (PDPs) starts on November 15, 2006. This Forum session will examine 2007 plan offerings and how they differ from 2006 offerings. The speakers will explore the business strategies of PDPs and the factors that may shape this market in the years to come. The use of formularies and cost management tools by these plans will be explored. Efforts to reach and enroll low-income beneficiaries in Medicare Part D will be a specific focus.

For more information – See two NHPF issue briefs by Mary Ellen Stahlman: a forthcoming paper on Medicare PDPs is scheduled for release in early November, and “A Closer Look at the Medicare Low-Income Benchmark Premium: How Low Can It Go?” (IB 813, August 2, 2006) is available at www.nhpf.org/pdfs_ib/IB813_LowIncomeBenchmark_08-02-06.pdf. ■

SESSION

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 established a voluntary outpatient prescription drug benefit for Medicare beneficiaries starting January 1, 2006. The drug benefit is administered through private entities called (i) prescription drug plans (PDPs) for beneficiaries in fee-for-service (traditional) Medicare, or (ii) Medicare Advantage prescription drug (MA-PD) plans for beneficiaries in Medicare managed care. This Forum session will focus on PDPs.

What makes these drug plans distinctive in the health insurance market is that they provide “stand-alone” prescription drug insurance that complements fee-for-service Medicare. The majority of PDPs are sponsored by large health insurance companies with experience providing drug benefits in the context of other health benefits, but not as a stand-alone benefit for the Medicare population.

At least 16.5 million Medicare beneficiaries receive drug coverage through PDPs. About half of these—8.3 million—are low-income beneficiaries who receive added help with monthly beneficiary premiums and cost sharing.¹ Nationally, enrollment in PDPs varies substantially, from less than 10 beneficiaries in one PDP to over 3.4 million in another.² Enrollment is also highly concentrated in plans offered by a relatively small number of companies: 45 percent of enrollees are in PDPs offered by two large insurance companies.³

In most areas of the country for 2007, Medicare beneficiaries can choose among over 50 PDPs, with a high of 66 plans available (in Pennsylvania

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2131 K Street NW, Suite 500
Washington, DC 20037

202/872-1390
202/862-9837 [fax]
nhpf@gwu.edu [e-mail]
www.nhpf.org [web]

Judith Miller Jones
Director

Sally Coberly
Deputy Director

Monique Martineau
Publications Director

Forum Session Manager
Mary Ellen Stahlman
Senior Research Associate

and West Virginia) to a low of 45 (in Alaska). PDPs compete for beneficiary enrollment by offering drug plans they believe will attract beneficiaries. Key features of PDPs include:

- **Premiums**, which range nationally from a low of \$9.50 to a high of \$135.70 for 2007
- **The number and type of drugs on a formulary**—an average of 81 percent of brand name and generic drugs most commonly used by Medicare beneficiaries were included on formularies in 2006⁴
- **Annual deductibles**, which are zero for most plans in both 2006 and 2007 (but roughly one-third offer a deductible at or above \$250)
- **Co-payments or coinsurance levels**
- **Utilization management tools**, such as prior authorization

This Forum session will highlight these and other PDP features and focus on notable differences between 2006 and 2007. It will also explore the business strategies PDPs use to compete for beneficiary enrollment and consider which plans have been more successful in the competition for beneficiaries than others. The speakers will also discuss problems encountered by beneficiaries, particularly low-income beneficiaries, in enrolling in PDPs.

KEY QUESTIONS

- How do the features of PDPs for 2007 differ from those for 2006? Which PDPs secured the most enrollment in 2006, and why? Which PDPs are likely to be successful over the long term? Why are there so many more PDPs in 2007 than in 2006?
- The Centers for Medicare & Medicaid Services announced in August that average beneficiary premiums for 2007 would remain about the same as the average in 2006. Is this true? Two related Medicare demonstration programs resulted in beneficiary prescription drug premiums being lower for 2007 than they otherwise would be. What is the future of these demonstrations?
- How have PDPs' business strategies changed between 2006 and 2007, if at all? Where is the PDP market headed for 2008 and beyond?
- Are PDP formularies broad enough to ensure access to needed drugs? Are some PDPs experiencing selection issues because of their formulary design? Are PDPs avoiding enrollees with certain health conditions by offering formularies that limit certain drugs or types of drugs?
- How well are low-income beneficiaries navigating the PDP choices available to them? How do these beneficiaries fit into PDP business strategies? How can low-income beneficiaries who may be eligible for additional benefits under Part D be reached most effectively?

SPEAKERS

Abby L. Block is director of the Center for Beneficiary Choices at the Centers for Medicare & Medicaid Services. She will provide an overview of 2007 PDP offerings including premiums, number of local and national plans, changes in the mix of plan types, and the level of drug discounts available to beneficiaries in PDPs. Ms. Block will also discuss major policy changes between 2006 and 2007, including the premium and low-income subsidy demonstration programs and how these demonstrations might unfold over the next few years.

John M. Bertko is vice president and chief actuary for Humana, Inc., and a commissioner on the Medicare Payment Advisory Commission. He will offer insights into both PDP business strategies for 2006 and 2007, and where the market is headed for 2008 and beyond. Mr. Bertko will discuss which PDPs secured the most enrollment in 2006 and why those PDPs were successful. He will also touch on the factors that influence PDP bid amounts.

Jack Hoadley, PhD, is a research professor at Georgetown University's Health Policy Institute. He will present findings from his research on PDP formularies, including why PDPs use formularies and the number and types of drugs included on PDP formularies in 2006. Dr. Hoadley will also discuss his findings on cost-sharing levels and drug utilization management tools.

Marisa Scala-Foley is associate director of the Access to Benefits Coalition at the National Council on Aging. She will discuss how Medicare beneficiaries make sense of all the choices available through Part D and the role of local Coalition members in educating beneficiaries. Ms. Scala-Foley also will examine the lingering problems faced by low-income beneficiaries in accessing Part D benefits and how best to reach out to beneficiaries who were not automatically enrolled in a PDP.

ENDNOTES

1. U.S. Department of Health and Human Services, "Over 38 Million People With Medicare Now Receiving Prescription Drug Coverage," news release, June 14, 2006; available at <http://hhs.gov/news/press/2006pres/20060614.html>.
2. Centers for Medicare & Medicaid Services (CMS), "Medicare Advantage, Cost, PACE, Demo and Prescription Drug Plan Organizations – Monthly Report by Contract," September 2006; available at www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp.
3. CMS, "Top PDP Plans by Number Enrolled," April 27, 2006; available at www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp.
4. Jack Hoadley *et al.*, "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans," Kaiser Family Foundation, April 2006; available at www.kff.org/medicare/upload/7489.pdf.



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