

National Health Policy Forum



Abby L. Block
Director, Center for Beneficiary Choices
Centers for Medicare & Medicaid Services

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Medicare^{Rx}
Prescription Drug Coverage ^{Rx}

2006 Part D Enrollment

Enrollment Category	#
Stand-Alone Prescription Drug Plan	10.8M
Medicare Advantage with Prescription Drugs	6.2M
Medicare-Medicaid (Automatically Enrolled)	6.1M
Medicare Retiree Drug Subsidy	6.8M
Estimated Federal Retirees (Tricare, FEHB)	3.5M
Additional Sources of Creditable Coverage	5.4M
Total	38.8M

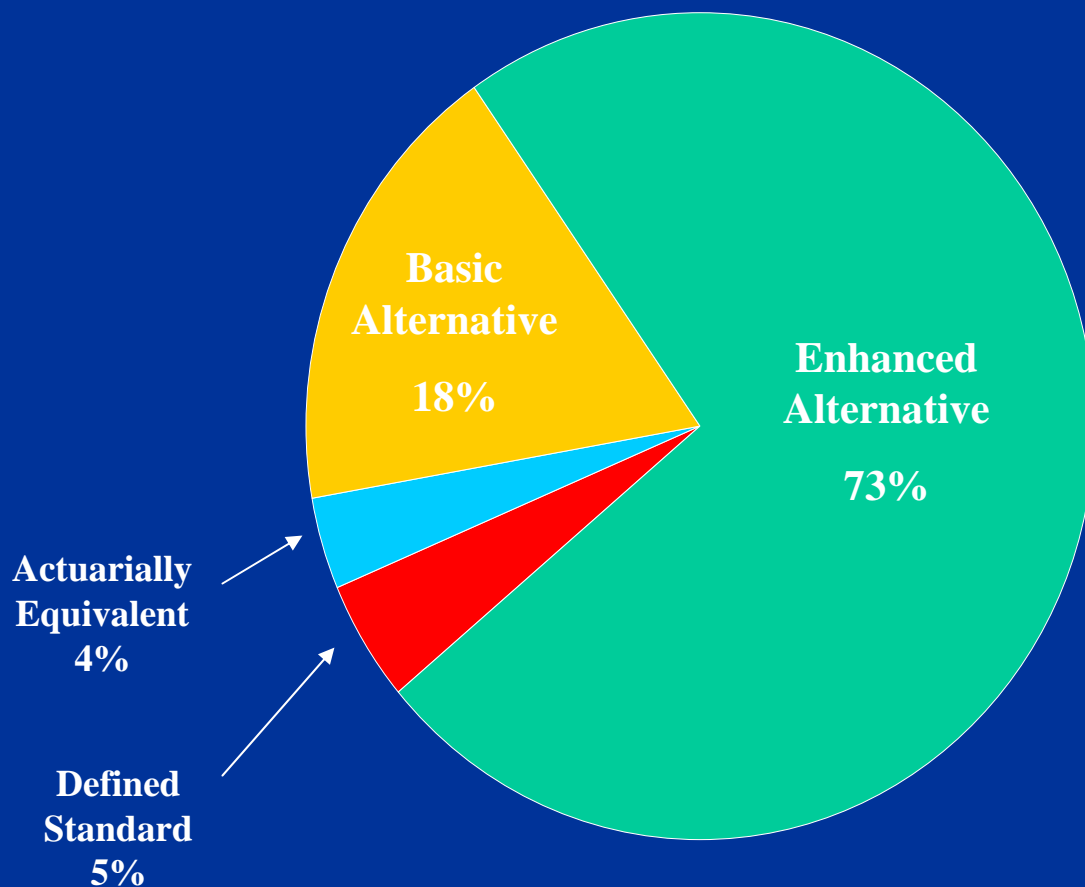
Data as of 10.08.06

Program strategies

- **Government as predictable business partner**
- **Encourage gap coverage in Part D plans**
- **Limit the number of benefit package offerings per Part D sponsor to 2-3. Must be meaningfully different**
- **Maintain formulary stability**

Medicare Advantage- Prescription Drug Plans

2006- Percent of MA-PD Enrollment by Benefit Type



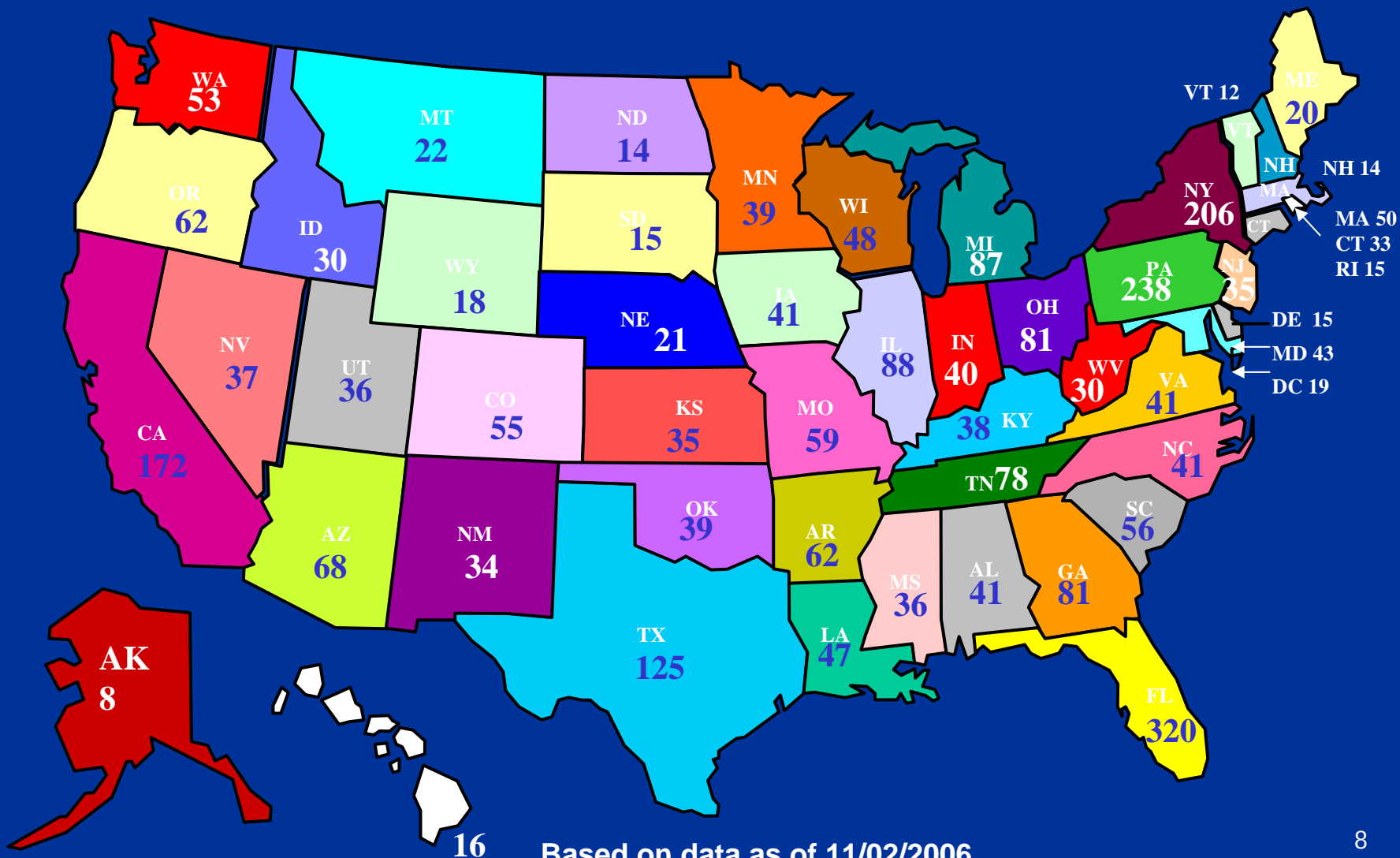
2007 MA-PDs

- **In general, greater access at lower premiums next year**
- **Premiums for drug coverage on average nationally, about \$2 a month lower in 2007 than in 2006 (not weighted by enrollment)**
- **In 2007, 95 \$0 premium Plans with Basic Alt. Part D coverage vs 65 \$0 premium Basic Alt. in 2006. (712 total PD in 2007 vs 549 in 2006)**
 - Most will have access to plans with generic and preferred brand coverage in the gap for \$0 drug premium

MA Plan and Premium Data for 2007 and 2006 (Continued)

- **53% of all MA-PD plans offer a low-cost premium (\$0-\$30) compared with 51% in 2006**
- **86% of beneficiaries have access to a zero premium MA-PD plan compared with 67% in 2006**

Medicare Advantage for 2007: MA-PD Plan Options



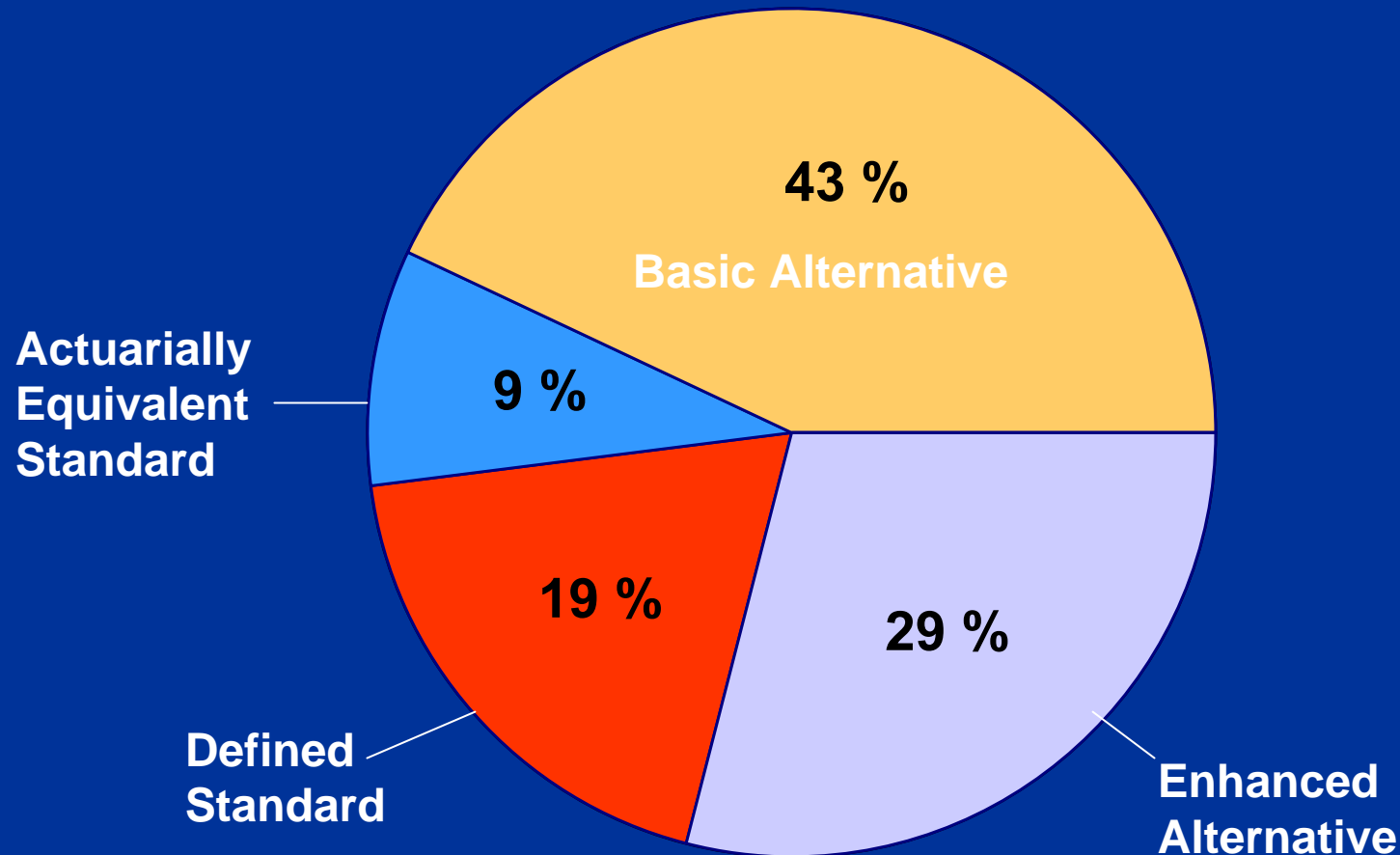
Based on data as of 11/02/2006

Medicare Advantage

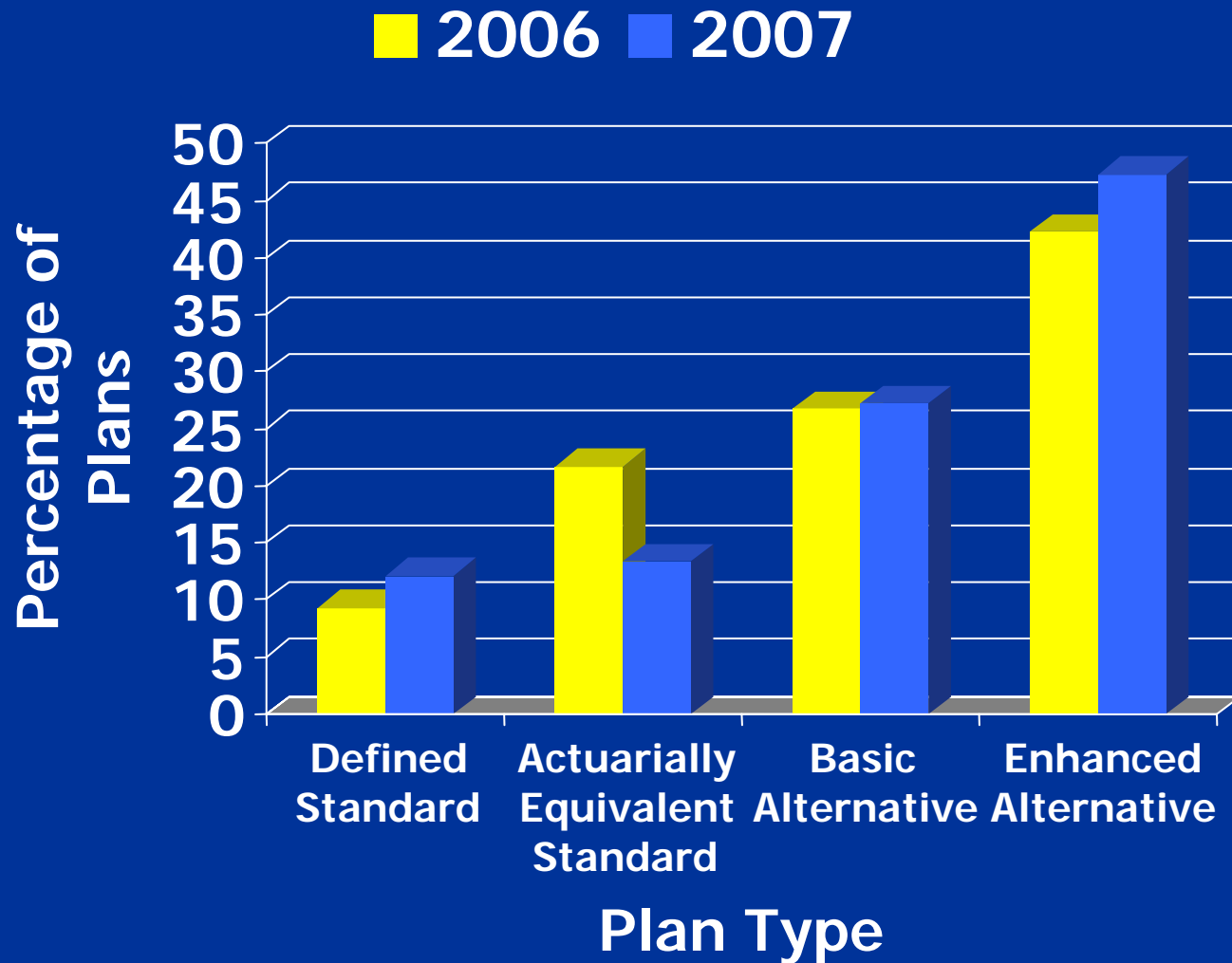
- **Beginning January 2007, all beneficiaries in 50 states, will have access to an MA-PD.**

Medicare Prescription Drug Benefit

2006 - Percent of PDP Enrollment by Benefit Type



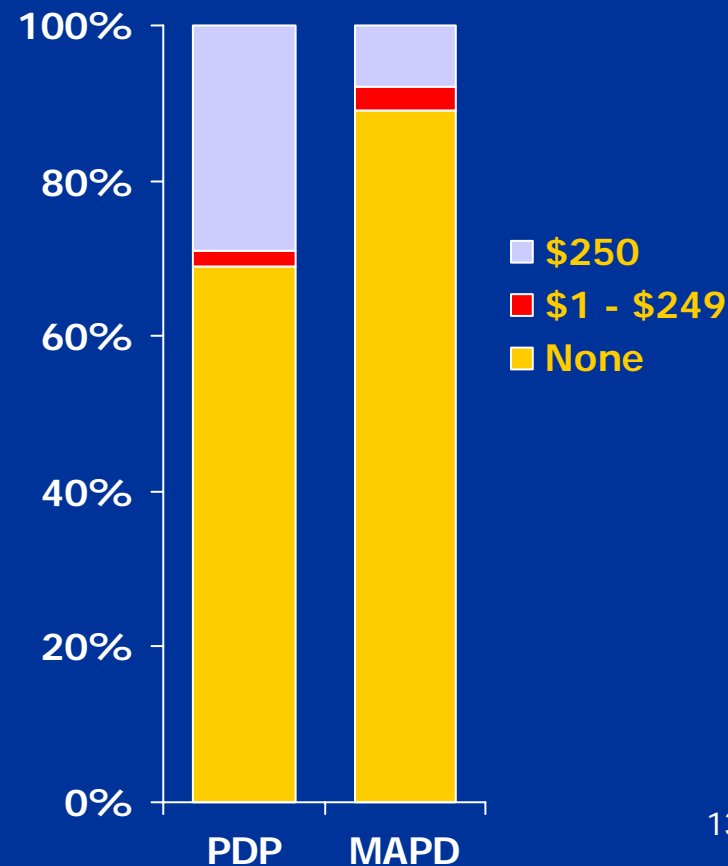
PDP Benefit Type Analysis



2006 - PDP Deductible

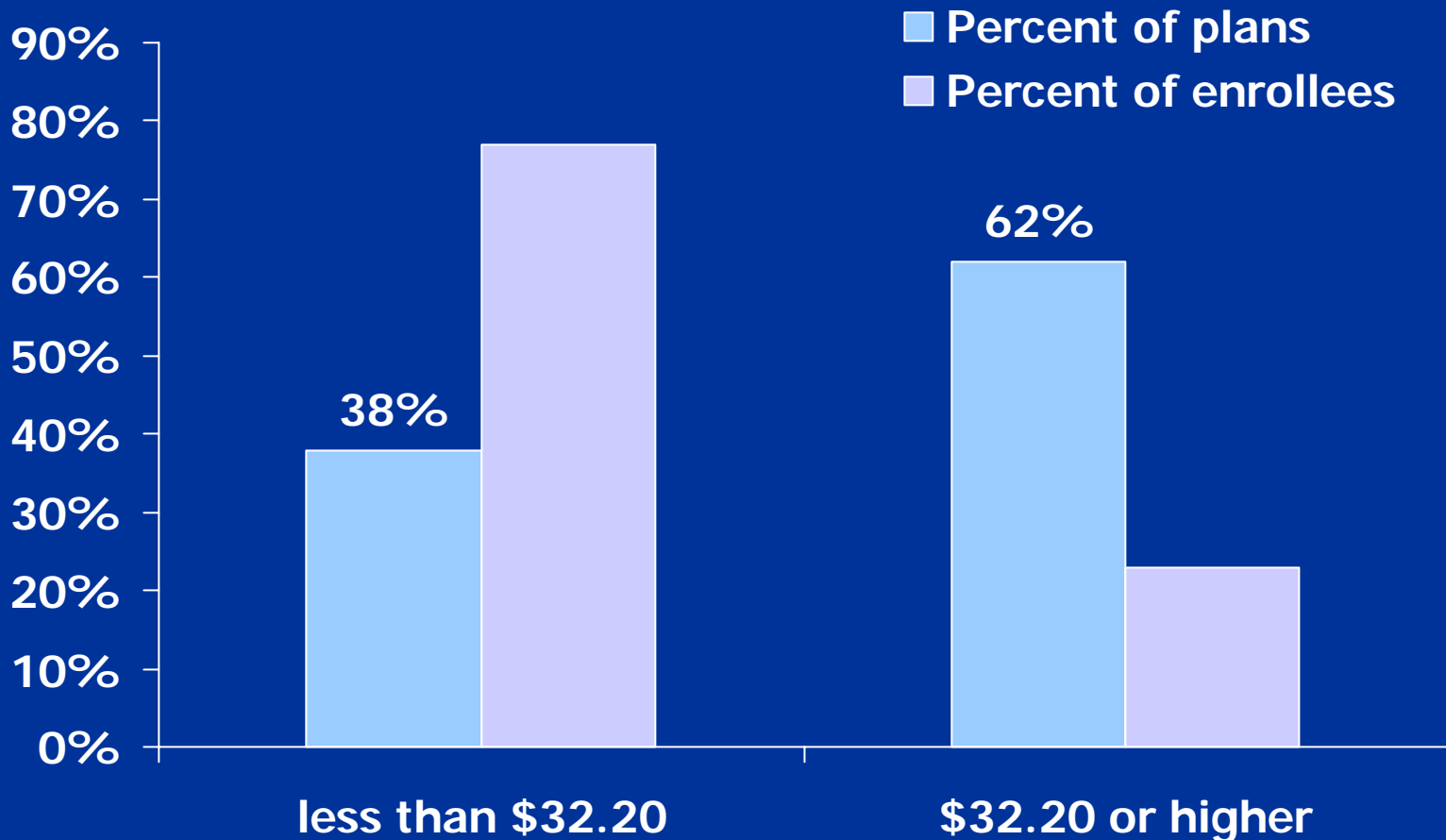
- **Standard Deductible is \$250**
- **Majority of beneficiaries enrolled in PDPs or MA-PDs with no deductible**

Percent of Enrollment by Deductible Amount



2006 - PDP Drug Premiums

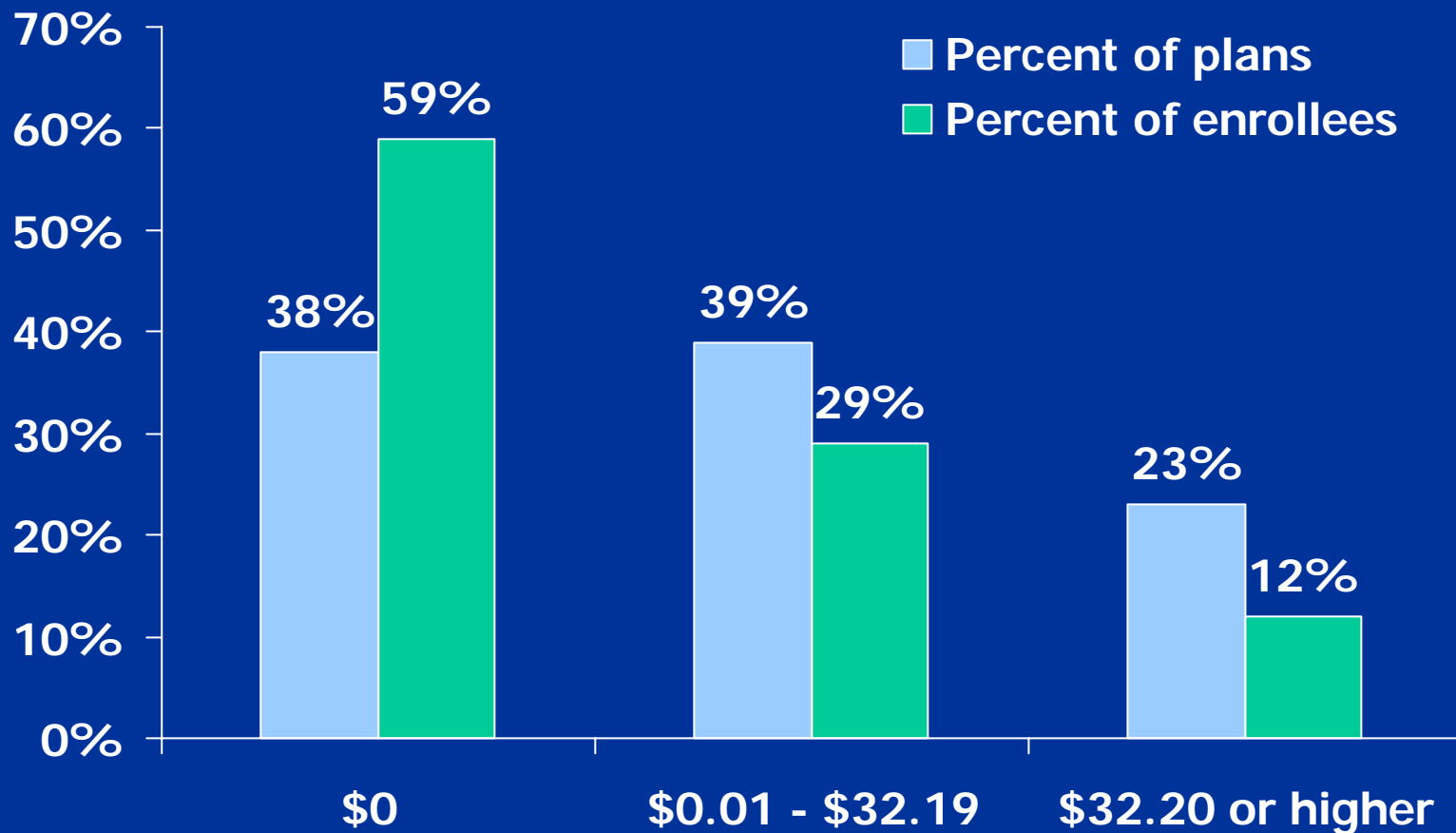
Percent of Plans and Enrollees by Premium



Note: \$32.20 is the 2006 National Average Premium

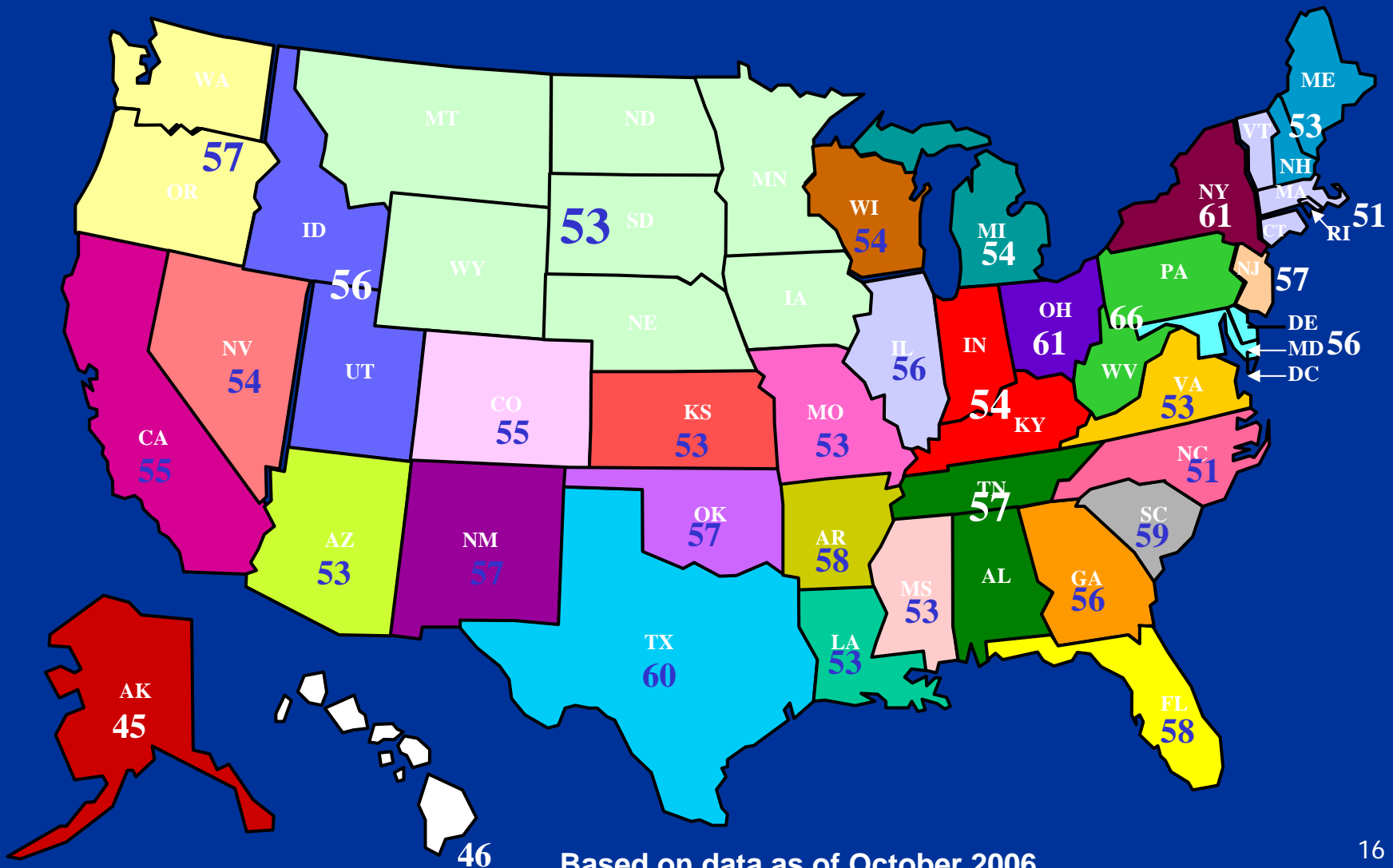
2006 - MA-PD Drug Premiums

Percent of Plans and Enrollees by Premium



Note: premiums shown represent only Medicare Part D Drug Premiums; beneficiaries may be responsible for Part C premiums

Medicare Prescription Drug Benefit: 2007 PDP Options



Based on data as of October 2006

2007 Plan Options

- **PDP and MA-PD summary information for each state are available on www.medicare.gov**
 - www.medicare.gov/medicarerereform/local-plans-2007.asp
- **The list of national PDPs for 2007 is also available on the web site**

Medicare Prescription Drug Benefit: 2007 National PDPs

- Aetna Medicare
- Silverscript
- CIGNA HealthCare
- Coventry AdvantraRX, First Health Part D
- EnvisionRx Plus
- SAMAscript
- Health Net
- Humana Insurance Company, Humana Insurance Company of NY
- RxAmerica
- Medco YOURx Plan
- Memberhealth
- Healthspring Prescription Drug Plan
- NMHC Group Solutions
- First United American Life Insurance Company, United American Insurance Company
- UnitedHealthcare
- WellCare
- Unicare, Anthem BC/BS, BC/BS of RI, BC/BS of MA, BC/BS of VT, BC/BS of CO, BC/BS of GA, BC/BS of MO, BC/BS of NV, BC/BS of WI, BC/BS of CA

Medicare Prescription Drug Benefit- 2006 vs 2007

- **The number of PDP sponsors ranges from 20 to 29 per state and this represents an increase over 2006 of between 4 to 9 sponsors per state.**

Medicare Prescription Drug Benefit- 2006 vs 2007 (cont'd)

- **In general, the largest increase is in plans offering enhanced coverage**
- **In 2007, there are between 4 and 12 additional enhanced plans in each state**
- **Enhanced plans represent between 44% to 50% of plans offered in each state**

Medicare Prescription Drug Benefit: Landscape of Local Plans- 2007

- Every state has at least one plan option with a premium less than \$20 per month; at least one plan available with no deductible; and several plans are available with coverage of generic formulary drugs in the coverage gap.
- On average, premiums increased less than \$8 over 2006 and in several states the average premiums decreased.

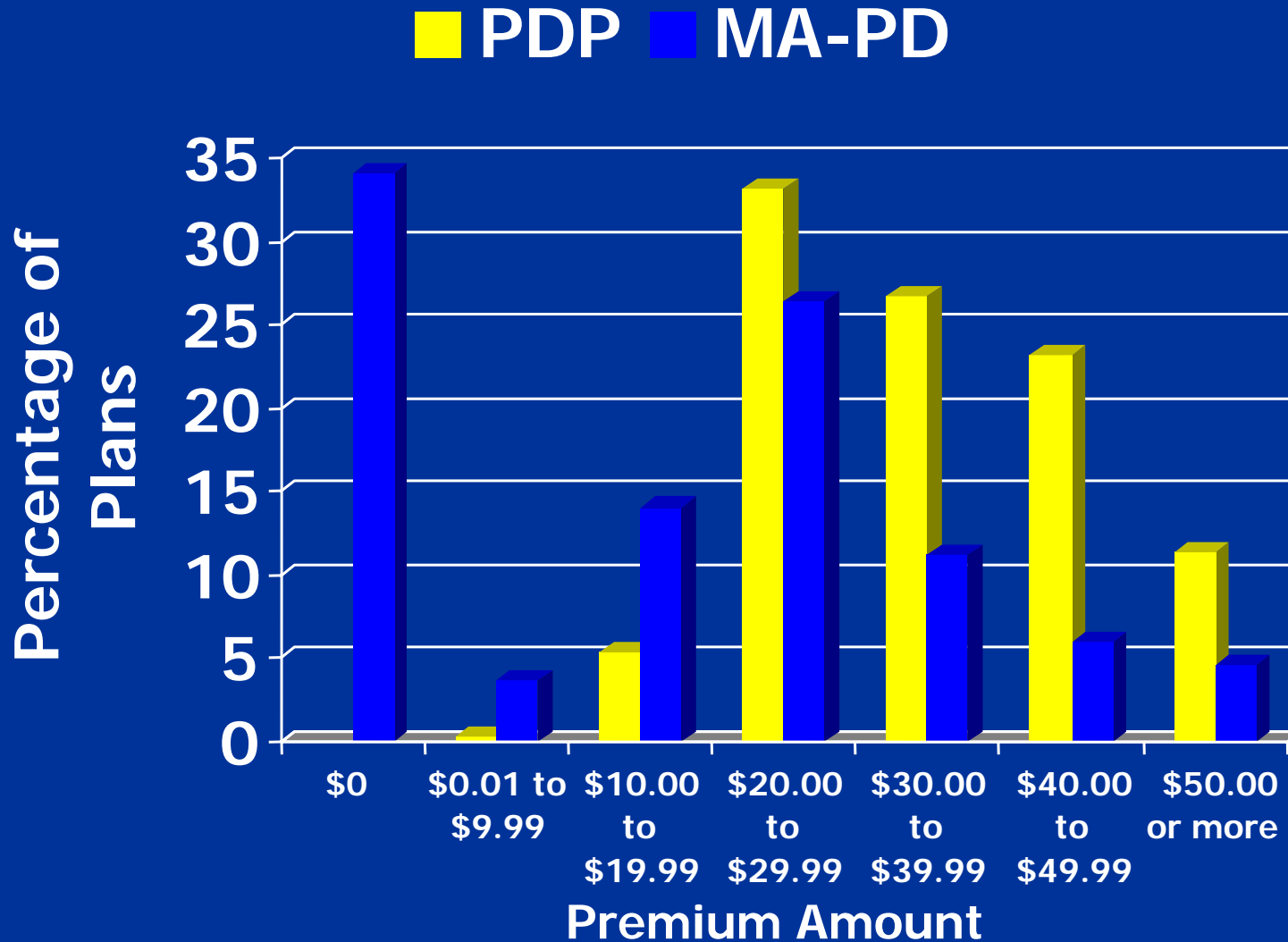
Medicare Prescription Drug Benefit: Landscape of Local Plans- 2007 (cont'd)

- Beneficiaries will have access to between 27 and 41 plans with no deductibles in 2007 (an increase of 3 to 13 plans per state from 2006).
- In every state, the majority of plans offer mail-order pharmacy services.

2007 Plan Premiums

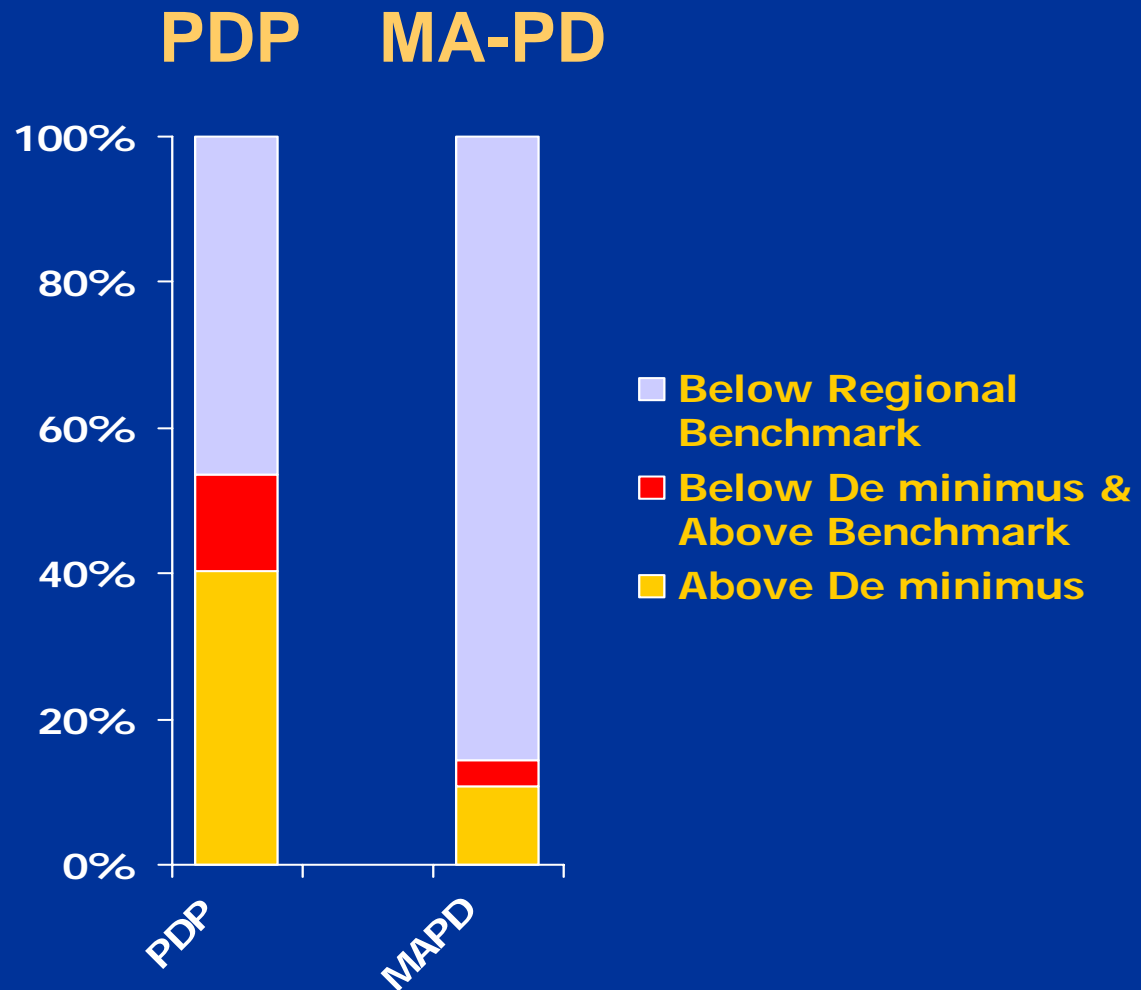
- Nationally, 83 percent of beneficiaries will have access to plans with premiums lower than they were paying this year
- And all beneficiaries will have access to plans with premiums of less than \$20
- The lowest premiums for basic plans will range from under \$10 to just over \$10 in the Upper Midwest, \$11 in TX, and in all cases under \$20 again this year
- Last year it was projected that the average cost would be about \$40 for 2007, and in fact if people stay in their same plans, it will again be about \$24

2007 Premium Analysis



Based on data as of Oct06

2007 - PDP Premium Analysis

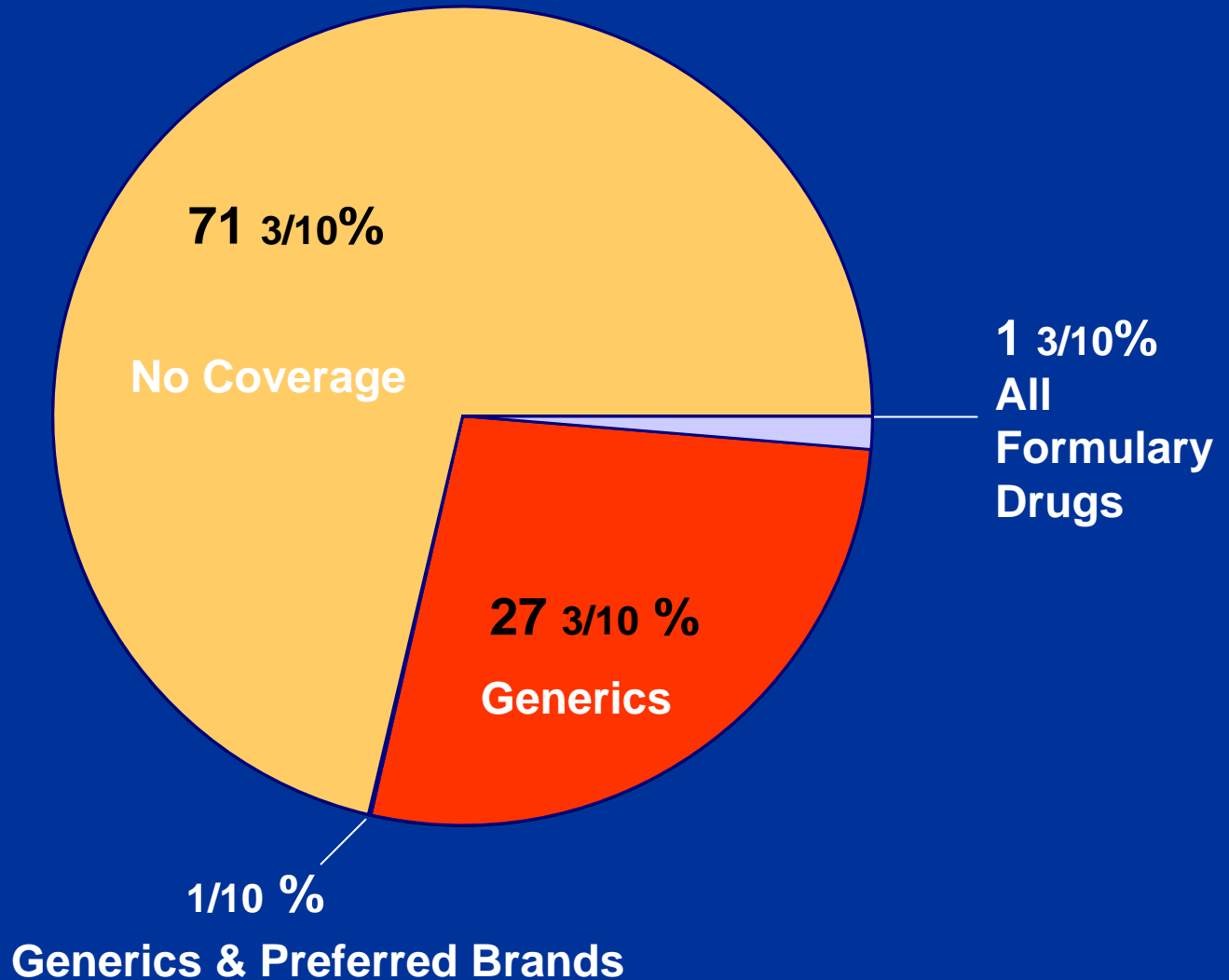


% of Plans by Premium Level

2007 Plans with Coverage in the Gap

- **One option that we expect to be popular is coverage for generic drugs through the coverage gap**
 - This coverage is available for as low as \$25.60
 - The average premium for a plan with generic coverage in the gap is about \$50, and this type of plan is available in every State
 - That's not much different than the cost that had been projected a year ago for just the basic coverage

2007 Gap Coverage Analysis



2007 Plan Formularies

- **Plans are covering more drugs than ever before**
 - Nationwide, the average number of items included on a plan formulary increased (by at least 13 percent)
 - And plans are using utilization management tools at a slightly lower rate
 - Once again, CMS has performed an extremely rigorous formulary review to ensure appropriate access to drugs and to avoid discrimination against beneficiaries with certain conditions

Demonstration to Transition Enrollment of LIS Beneficiaries

- **Part D market more competitive than expected**
- **CMS implemented demonstration to create more stability in LIS enrollee options for fully subsidized beneficiaries**
- **2 provisions:**
 - **Calculation of Regional LIS benchmarks:** Transition to weighting using actual PDP enrollment for the low-income benchmark premium amounts
 - **De Minimis Premium Policy:**
Eliminates need to move LIS beneficiaries to new plans because their current plan's premium exceeds the regional LIS benchmark by \$2 or less

PDPs Below the \$2 Di Minimis

- **PDP may only charge full subsidy beneficiaries an amount equal to low-income premium subsidy amount to ensure no premium liability for those above the benchmark, but below the de minimis amount**
- **PDPs above the benchmark, but below the di minimis will not qualify for auto/facilitated enrollment in 2007**

LIS Beneficiary Re-Assignment

- **Approximately 247,000 beneficiaries re-assigned randomly to new PDP Sponsor because of premium increase**
- **2 beneficiaries re-assigned because of PDP termination**
- **Letters being mailed on blue paper starting November 6**

2007 Special Enrollment Periods (SEP)

2007 Specific SEPs

- LIS re-determination beneficiaries
- All LIS

On-going SEPs

- Change in residence
- Dual-eligibles
- Contract violations
- Non-renewals or terminations
- Involuntary loss of creditable coverage
- Not adequately informed about creditable prescription drug coverage
- Enroll in or maintain other creditable coverage
- Error by a Federal employee
- Employer Group Health Plan
- CMS sanction
- Cost plan
- PACE
- Institutionalized individuals
- Medicare entitlement determination is made retroactively
- Individuals who enroll in Part B during the Part B General Enrollment Period (GEP)
- New LIS
- SPAP
- Full-benefit dual eligibles with retroactive uncovered months
- MA coordinating SEPs
- Individuals impacted by Hurricanes Katrina, Wilma, and Rita

2008 Timeline

- **Notices of Intent to Apply Due – Dec. 1st**
- **Advance Notice of Methodological Changes for Calendar Year 2008 for Medicare Advantage (MA) Capitation Rates and Part D Payment- February 16, 2007**
- **Applications Due - March 2007**
- **Call Letter Published – March 2007**
- **Formularies Due – April 2007**
- **Publish the Announcement of Calendar Year (CY) 2008 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies- April 2, 2007**
- **Bids Due – June 4, 2007**