More Medicare Part D Enrollees Are Reaching Catastrophic Coverage

Summary

Patient out-of-pocket costs continue to grow despite policies to increase affordability for beneficiaries.

New analysis from Avalere finds that the number of Medicare prescription drug plan (Part D) beneficiaries who reach the catastrophic coverage phase of the benefit increased by more than 50% from 2013-2016. In 2016, more than 800,000 Medicare Part D enrollees without low-income subsidies (LIS) entered the catastrophic coverage phase, compared to approximately 515,000 in 2013 (Figure 1).

“Beneficiaries who reach the catastrophic coverage phase have spent thousands of dollars out-of-pocket on prescription drugs,” said Dan Mendelson, president of Avalere. “Because Part D has no out-of-pocket maximum, these patients will continue to face additional costs throughout the year.”

This analysis looks only at beneficiaries who do not receive LIS—roughly 72% of enrollees in Part D plans, according to the latest Medicare Trustees Report.

Beneficiaries enter catastrophic coverage when their true out-of-pocket (TrOOP) costs exceed $5,000 in 2018. TrOOP reflects the combination of actual out-of-pockets costs to a beneficiary, payments made by drug manufacturers for the coverage gap discount program, and some
charitable foundation contributions.

Once in catastrophic coverage, beneficiaries pay no more than 5% of the total cost for their drugs, with the federal government paying 80% and the Part D plan paying 15%.

### Closing the Coverage Gap Helps Beneficiary Out-of-Pocket Costs but Out-of-Pocket Costs Are Still Growing

Avalere finds that out-of-pocket costs for beneficiaries grew 13% between 2013 and 2016, while drug spending for these beneficiaries grew almost 45%. Part D enrollee out-of-pocket expenses are growing slower than their total drugs costs largely due to closing of the coverage gap, which includes drug manufacturer contributions under the coverage gap discount program. On average, about 60% of TrOOP costs are actual out-of-pocket costs, about 35% are manufacturer coverage gap discount payments, and 5% is patient assistance from charities (Figure 2).
Avalere experts note that beneficiary out-of-pocket costs have grown more slowly than drug spending because of changes included in the Affordable Care Act (ACA). Specifically, the ACA decreased the amount out-of-pocket beneficiaries pay in the coverage gap in two ways. Drug manufacturers now pay 50% of the cost of brand name drugs in the coverage gap-known as the coverage gap discount program. The ACA also gradually increases the amount plans contribute to the cost of beneficiaries’ drugs during that time. Together, these changes reduce the total amount beneficiaries must spend out-of-pocket to reach the catastrophic coverage phase of Part D.

“The closing of the coverage gap has helped control beneficiary out-of-pocket costs” said Richard Kane, senior director at Avalere. “However, beneficiary costs are expected to continue to grow and further protections may be needed to ensure Part D enrollees can afford their medications.”

“Increases in Part D program costs have been a recent focus of policymakers,” said Kelly Brantley, vice president at Avalere. “Potential changes to the Part D program will likely consider the balance of managing growing federal costs while maintaining benefits for Part D enrollees.”
Methodology

Avalere analyzed prescription drug event (PDE) data from 2013–2016 under a CMS research data use agreement. We analyzed a cohort of patients representing less than 20% of total beneficiaries; this cohort included beneficiaries who reached the catastrophic phase with any drug spending above the out-of-pocket threshold. We excluded from our analysis Part D enrollees who received any low-income subsidies during the year, as well as any PACE or employer-plan enrollees. Our calculations for per-enrollee gross drug costs, patient out-of-pocket costs, manufacturer discounts within the coverage gap, and other TrOOP payments (e.g., patient assistance) are from the PDE data.

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