



CUR_xED

Cornell University Resource Education for Medicare Part D

AFTER FURTHER REVIEW

THE CASE

GH receives prescription drug benefits through a stand alone Medicare Part D plan. He is retired college professor who has carefully documented and kept records of everything in his life over the years. Details of his health and medical history are particularly well maintained.

During the annual open enrollment period, GH finds it is quite easy to select a prescription drug plan simply by referring to his medical documentation. He is able to enter his medication list into the plan finder on medicare.gov and then determine the plan most suitable to him. With this, he can also determine his annual medication costs so that he can allow for that in his budget planning.

GH takes six different medications which are used to treat his diabetes, high cholesterol, and high blood pressure. His annual costs including premium, according to the plan finder when he entered his medications last November, were calculated to be \$1768.

Now that it is getting near to the end of the year, GH's records indicate that he has so far spent \$2076, which is \$308 more than expected. And, he still has about one more month of expenses to go.

Going back through his old records, GH notices that this same phenomenon occurred in the prior two years that he was enrolled in a Part D plan. In 2006 and in 2007, his actual expenses also exceeded his projected expenses as calculated by the plan finder tool.

GH is concerned about this repeated inconsistency and would like to better identify why this is occurring. Checking his statements from over the past year, shows no changes in the prices he is paying for any of his medications.

WHAT WOULD YOU DO?

Part D Trivia Question

In 2007, what was the average amount of total drug spending for each Medicare Part D beneficiary?

- A. \$461 (\$38 per month)
- B. \$1661 (\$138 per month)
- C. \$2146 (\$179 per month)
- D. \$2486 (\$207 per month)

THE STUDY

Implicit with the web-based plan finder tool is the suggestion that the current cost of the medications in a patient's current drug list is the primary factor for determining a prescription drug insurance plan. The relative overall predictability of drug expenditures is stable for large population groups but unrecognized changes may be substantial for certain individuals.

Simply predicting expenditures of drug products does not necessarily mean that individuals will use those products over the course of a year. Medication lists change over time and this variability can have important implications for selecting a Part D plan.

Market changes may also occur over the course of a year due to product recalls, safety alerts, efficacy reports, or the introduction of new generic and brand name drugs. Or, physicians may implement medication changes over the course of a year because of a change in the patient's condition. GH had a new medication added during the year in favor of an older product due to newly discovered safety concerns.

New drugs may be added temporarily for the short term treatment of an acute illness, infection, or other similar medical occurrence. Limited to a short period of time, these events are readily forgotten. A dental abscess required GH to use prescription pain killers and some expensive antibiotics back at the beginning of the year.

The actual extent to which medication lists vary over time is unknown. In one study, 43% of beneficiaries, after selecting a drug plan at the beginning of the year, experienced an increase in expenses over the course of the year. The average loss was \$238, and it is estimated that the loss would have been about \$556 if it had occurred immediately at the start of the plan year. For some individuals, this loss could exceed as much as \$4100. Diabetics in the study, like GH, experienced the highest losses. This effect may impact as many as 7 million beneficiaries.

Improvement in the plan selection process might be realized through utilizing some alternative strategies. The global generosity of each plan might be determined by looking at the number of more popular drugs on a plan's formulary. Considerations might also be given to the extension of the restrictions placed within the plan formularies. Lastly, a consumer might want to consider the reputation of the plan, name recognition, performance ratings, customer service satisfaction reports, and personal experiences, as well as the Pharmacy network and convenience of the plan carrier.

While the web-based plan finder tool on medicare.gov might be a useful tool for calculating expected costs based on a given medication regimen, GH would be wise to keep in mind that medical conditions most likely will change over the course of a year. Utilizing insurance strictly from a subsidization perspective can undermine its purpose to reduce the risk of loss from uncertainty.

Part D Trivia Answer

Total drug spending for all Part D enrollees averaged **\$2146** in 2007, or about **\$179 per month**. This amounted to an average out of pocket spending of about \$461 on drugs. LIS beneficiary total drug spending in 2007 was higher, at \$2486, versus \$1661 for beneficiaries not receiving the subsidy.

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