

# MEDICARE PART D RESEARCH FACTS

Volume 3 Number 5



Cornell University  
College of Human Ecology  
Cornell Cooperative Extension

## CUR<sub>x</sub>ED

Cornell University Resource Education  
for Medicare Part D

### PART D FACT

Of those who used medications and did not qualify for the low income subsidy in 2007, 26% reached the coverage gap and about 4% made it to qualify for catastrophic coverage. The dollar value of the gap is expected to double by 2017.

## FEELING THE SQUEEZE

Part D plans utilize various features of the standard benefit plan design to reduce costs, drive healthy behaviors, and to differentiate themselves from competitors within their markets. Yet as plans have looked to better manage healthcare costs, beneficiaries experience the economic pinch of the cost shifting feature afforded by the donut hole.

Both support and opposition for the donut hole can be justifiably argued from both sides of the table. This unique feature of Part D was built into the legislation for valid reason: to help control costs to the taxpayer while still providing the public with a beneficial healthcare offering.

Having the donut hole forces beneficiaries to assume a stake in their own healthcare, thus driving them to cost-conscious decisions such as increased utilization of less expensive generic medications. Measures such as this help insurers to control the rapidly rising cost of healthcare spending.

For many chronic diseases, however, new therapies that are not available in a generic form may offer a novel therapeutic advantage. Patients needing these drugs face much higher costs, and reach the coverage gap much sooner. Such a prospect creates a large disincentive for adherence to a medication regimen.

In one recent study that examined the impact of the donut hole, 20% of enrollees who reached

the coverage gap altered their medication use. Of these, about three-fourths discontinued their medication. The short term implication is that patients are not able to treat or control the effects of their illnesses. Long term, the implication is unknown but it seems to point towards the potential to increase morbidity, mortality, and total overall healthcare costs.

In another study, a cap was placed on drug benefits at a certain dollar amount. This cap caused a reduction in drug consumption amongst the participants in the study. Non-adherence rates ranged from 15% to as high as 27%, depending on the class of drug prescribed. Overall Pharmacy costs were 28% lower for those with a cap. However, hospital costs were 13% higher and emergency department costs were 9% higher for those with a capped drug benefit. These increased costs negated any financial savings realized from drug costs.

Appropriate medication use and increased adherence to medication regimens should be a major force in our healthcare mission. The donut hole, however, seems to erode that purpose, and after three full years experience with Medicare Part D, it remains a major concern for both beneficiaries and insurers.



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This material is based upon work supported by a grant from the Dean of the College of Human Ecology and Smith Lever funds from the Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.