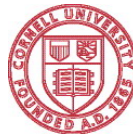


CASE STUDIES IN PART D

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Cornell University
College of Human Ecology
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CUR_xED

Cornell University Resource Education for Medicare Part D

LEVELING THE FIELD

THE CASE

GW is aging into Medicare and has lead a very full, though at times haphazard, lifestyle. He went to college with a student deferment to the war in Vietnam. After injuring his back, he dropped out of school, received a medical deferment to the military and identified himself with the hippies of his generation.

Experimenting with many different social and cultural experiences of the time, GW wandered from one city to the next, never calling any one place home. He relays many stories of the past, including visits to places such as 1968 Democratic National Convention, Woodstock, Haight-Ashbury, and more.

In his past, GW abused many drugs. He tried LSD and other hallucinogens; he regularly used marijuana; and he injected narcotics, including heroin. After years of rehab, he is now free of substance abuse but remains on methadone and in counseling. Through all of his turmoil, GW managed to invent a highly successful gadget used in the computer industry and start a company that has provided quite well for him over that past two decades.

Unfortunately, GW contracted HIV as a result of shared needle use in his younger days. He has kept the virus under control through the use of a complex and expensive regimen of antiretroviral medications.

Additionally, GW takes many other medications to support and assist the body he has abused over the years. He takes an antifungal and an antibiotic to ward off infections that might develop secondary to the HIV. To control bouts of mental illness, he takes expensive, newer antipsychotics, and antidepressants. Many of his medications upset his stomach and so he takes agents to relieve nausea and gastric distress.

GW is aware that he now must select a Medicare Part D plan and is looking forward to the assistance he will get from having prescription drug insurance coverage. He is aware that participation is voluntary but realizes the potential benefit as well as the penalty he will pay if his enrollment is delayed.

GW's biggest concern, however, is for the premium that he will have to pay. He feels that because of his medical history and complex medication regimen, he will be required to pay a higher premium. It has been explained to him that the premium for any given plan is the same for all enrollees of that plan, but he is still hesitant. GW expresses that there must be some "fine print" or other trick that will be employed to get him to pay a greater share of the costs.

Part D Trivia Question

In 2006, prescription drug spending accounted for what proportion of all national healthcare spending?

- A. 9%
- B. 10%
- C. 21%
- D. 31%

WHAT WOULD YOU DO?

THE STUDY

"Adverse selection" is a term used by economists to describe self-selection into programs, such as enrollment by persons with the potential for greater needs into insurance plans that are considered to be more generous. While this benefits the patient, it is not financially advantageous to the insurer. Financially, it is more advantageous for a plan to have beneficiaries with lower drug expenditures than individuals with higher costs.

Because each plan has the same premium for all beneficiaries, regardless of health status, plans may experience adverse selection. This may lead to higher premiums for those plans in later years; for example, increasing premiums for plans that offer coverage in the gap could be a result of adverse selection that they have experienced. Insurers can do things to discourage adverse selection. For example, they could design a formulary that has undesirable provisions for drugs associated with customarily higher costs and discourage those patients from enrolling in that plan. Other strategies might include giving certain types of medications higher co-pays or not including as many medications in a certain therapeutic class on the formulary.

More subtle tactics to discourage adverse selection might involve placing more restrictions on medications within certain therapeutic classes. Such restrictions might include prior authorization or step therapy. Manipulation of multi-tiered formularies to assign certain types of drugs to higher cost tiers can also influence adverse selection.

Patients associated with potentially higher costs can generally be identified by their illnesses and their medication regimens. Targeted groups might include cancer patients, those with AIDS, or even persons with mental illness. Even as plans may find some latitude because CMS does not stipulate every element of plan design, it is important to note that CMS has attempted to prevent discrimination against high cost beneficiaries by ensuring that all plan formularies meet certain minimum requirements.

Part D plans are required to cover at least two drugs in each therapeutic class. Initially, plans were allowed to define their own therapeutic classes. This flexibility left open the opportunity to manipulate the actual drugs that might be available. Recent changes have more thoroughly defined the pharmacopeia to which the plans must refer in characterizing therapeutic classes.

Additionally, CMS directs plans to include all, or substantially all, medications within each of six different therapeutic classes: antidepressants, antipsychotics, anticonvulsant, anticancer, immunosuppressants, and AIDS/HIV drugs. This rule will continue to be in place through 2010 and is being reviewed by CMS to consider if any modifications are needed for subsequent years.

Patients who are already stabilized on these medications before enrollment with a plan will not be subject to step therapy or prior authorization unless the plan can demonstrate extraordinary circumstances. Coverage of drugs in the six protected classes, however, is not intended to include all multi-source forms of the medication, extended release products, or all dosages.

Part D Trivia Answer

In 2006, prescription drug spending accounted for **10%** of all healthcare spending. This compares to 31% for hospitals and 21% for physician services. However, prescription drug spending is one of the fastest growing areas of spending, at 9% in 2006, compared to 7% for hospital care and 6% for physician services.

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