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Cornell University Resource Education for Medicare Part D

A (NOT SO) SPECIAL DEAL

THE CASE

RD is a 78 year old male who has enjoyed relatively good health for most of his life. He has a Medicare Part D prescription drug plan and takes advantage of the benefit on the few occasions when his physician prescribes medication for his periodic illnesses. He has been on no long term maintenance medications and had selected a low premium plan to minimize costs.

About 6 months ago, RD began to complain of a persistent cough, shortness of breath, and chest discomfort. He attempted to treat this as a cold but was unsuccessful. After a full medical work-up RD was, unfortunately, diagnosed with lung cancer. His physician immediately started him on a treatment regimen.

RD has now been prescribed a new medication to treat the lung cancer that is in a pill form. He needs to take a 150mg capsule once a day. He also takes, as needed, some medications used occasionally to treat episodic pain, cough, and other symptoms.

At the Pharmacy counter, RD learns that his new medication will cost \$886 under the coverage provisions of his Part D plan. The medication has been placed in a specialty tier by his plan and this payment represents a coinsurance of 25% of the full cost, which is \$3546.

Despite the offers of financial assistance from his children, RD is hesitant to purchase the medication to start on this new regimen. He has limited resources and is concerned about how his children would be able to continue to pay this amount of money every month.

RD would like to request an exception from his Part D insurance plan to get coverage for this medication. He has heard from some friends that a plan will often provide coverage for medications at a lower tier if there is written support from the prescriber. His doctor tells him that this medication is medically necessary as it is the only option at this stage of his illness.

WHAT WOULD YOU DO?

Part D Trivia Question

Of the 47 national plans in 2008, how many offered a specialty tier with a coinsurance of 33%?

- A. 4
- B. 13
- C. 18
- D. 21

THE STUDY

Under CMS regulation, there are specific rules for medications which are placed in the specialty tier. Plans may include a specialty tier in their formularies for very high cost medications.

The cost sharing for specialty tier drugs is generally limited to a 25% coinsurance of the full cost of the drug. A higher cost sharing is allowed only if it is offset by a lower deductible within the design of the plan. It is not unusual to see cost sharing of 33% for specialty tier drugs.

Drugs may be placed in a specialty tier by a plan only if the total monthly cost exceeds \$600. Utilization of specialty tiers by plans helps to limit their liability for expensive medications.

While a beneficiary may request an exception for drugs placed on a higher cost sharing tier, this does not apply to drugs on the specialty tier. Plans are not required to grant such requests and beneficiaries must pay the full share for these more expensive medications.

Paying high co-insurance rates on specialty tier drugs translates to high out of pocket (OOP) costs for Medicare beneficiaries. Individuals who are started on such a medication mid-year and are not allowed to switch plans might be particularly impacted. However, if an enrollee is able to meet the excessive costs upfront, and quickly meet the OOP threshold, one would realize the benefit of catastrophic coverage.

For now, unless RD's physician changes to a different medication, it seems as if he will need to burden the high cost of his 25% co-insurance. Upon reaching \$4050 in total out of pocket costs, not including premium, his monthly cost will decrease to 5%, or about \$177.

RD might wish to inquire about assistance from a State Prescription Assistance Program. There may also be local community charity programs available.

A Pharmaceutical Assistance Program, sponsored by the manufacturer of the medication is also an option to explore. Such programs reduce the cost of a medication for certain patients, although the amount covered by the program would not count towards meeting the OOP limit.

When looking at options for next year's prescription drug coverage, RD will need to carefully scrutinize the coverage options of the different plans for the more expensive medications.

Part D Trivia Answer

In 2008, there are **21** national plans that provided a specialty tier with a 33% coinsurance compared to only 4 plans in 2006. There were 13 national plans in 2006 and 18 national plans in 2008 providing a specialty tier with a 25% coinsurance.

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