Part D Plans and Specialty Products

Presented by Lovisa Gustafsson
Tiered Benefit Structures Are Common in Both Part D and the Commercial Marketplace, But Part D Designs Tend to Have More Tiers

Prevalence of Tiering Structures in Part D in 2006

- One-Tier, 1%
- Two-Tier, 12%
- Three-Tier, 26%
- Four-Tier, 44%
- Five or More Tiers*, 16%

Prevalence of Tiering Structures in Commercial Market in 2005

- One-Tier, 8%
- Two-Tier, 15%
- Three-Tier, 70%
- Four-Tier, 4%
- Other, 2%

Four-tier designs are most common in Part D

Three-tier designs are most common in commercial plans

Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.
# Plans With Specialty Tiers Have Lower Premiums and More Tiers Than Plans Without Them

<table>
<thead>
<tr>
<th></th>
<th>PDP and MA-PD Plans with Specialty Tiers</th>
<th>PDP and MA-PD Plans without Specialty Tiers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>$26.20</td>
<td>$29.50</td>
</tr>
<tr>
<td>Coverage in gap*</td>
<td>19%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Deductible</td>
<td>$44.17</td>
<td>$103.03</td>
</tr>
<tr>
<td>Most frequent # tiers</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Average # tiers</td>
<td>4.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Number of drugs covered</td>
<td>2052</td>
<td>1992</td>
</tr>
<tr>
<td>% of drugs with prior authorization</td>
<td>7.6%</td>
<td>11.1%</td>
</tr>
<tr>
<td>% of drugs with quantity limits</td>
<td>9.0%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

*Includes both coverage of generics only and generics and brands.

Source: Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.
Average Specialty Tier Holds 4-6% of Covered Drugs

- Plans typically place fewer than 200 drugs on specialty tier
  - PDPs place 4% of covered drugs
  - MA-PD plans place 6% of covered drugs
  - But, a few plans place drugs on specialty tier at over twice this rate

Treatment of Drugs on Specialty Tiers

- Average number of drugs on specialty tier = 100
- Drugs on specialty tiers have higher cost-sharing and higher rates of prior authorization relative to the rest of plans’ formularies
- An average of 8 specialty tier drugs are subject to quantity limits on PDP formularies, and 13 on MA-PD plan formularies.

Source: Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.
Part D Plans Are More Likely to Use Both Copays and Coinsurance; Copays Are the Norm in Commercial

Type of Cost-Sharing Used by Part D Plans in 2006
- Both: 61%
- Copays: 29%
- Coinsurance: 10%

Type of Cost-Sharing Employed by Express Scripts Clients in 2003
- Both: 15%
- Copays: 79%
- Coinsurance: 6%

Part D Plans Tend to Have Greater Cost-Sharing Requirements on the Highest Tier than Do Commercial Plans

- **PDPs**
  - Tier 1: $4
  - Tier 2: $20
  - Tier 3: $25%

- **MA-PD Plans**
  - Tier 1: $0
  - Tier 2: $28
  - Tier 3: $58
  - Tier 4: $25%

- **Commercial Plans**
  - Tier 1: $10
  - Tier 2: $22
  - Tier 3: $35

Most common cost-sharing for 3-tier PDPs

Most common cost-sharing for 4-tier MA-PD plans

Average cost-sharing in employer-sponsored plans*

Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.

** BCBS is the national FEHB plan sponsor with the highest enrollment.
Cost-Sharing on Specialty Tiers Typically Is High

Almost all plans use percentage coinsurance on specialty tier

Fewer than 5% of plans use copays

MA-PD plans are more likely to use copays

Most plans without specialty tiers use flat copays on every tier, with highest tier at $25-60

Source: Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.
Medications for Many Debilitating and Life-Threatening Diseases Are Found on Specialty Tiers

Diseases with 3 or More of Top 20 Drugs Found on Specialty Tier:
- Multiple Sclerosis
- Rheumatoid Arthritis
- Cancer
- Hepatitis C
- Psoriasis

Diseases with Key Drug(s) in Top 20 Drugs Found on Specialty Tier:
- Anemia
- Crohn’s Disease
- HIV/AIDS
- Fabry Disease
- Gaucher Disease

Source: Avalere Health analysis using DataFrame™, a proprietary database of Medicare Part D plan features. Data from February 2006.