

New Opportunities in Medicare



Overview

- The Medicare Drug Benefit
- The Role of Medicine is Changing
- Medicare's Prevention and Drug Benefits Work Together
- Treating Chronic Diseases Saves Money
- Adherence to Prescribed Medicines Reduces Costs
- Screening, Prevention and Disease Management are Increasingly a Part of the Health Care Solution



The Medicare Prescription Drug Benefit

- Many plans are available nationwide, providing beneficiaries with choice.
- The average premium is 14% lower than expected.
- 42% of beneficiaries have access to a PDP with a premium of less than \$10 and 93% have access to a PDP with a premium of less than \$15.
- 70% of beneficiaries have access to MA-PD providing drug coverage with a 0 premium.
- Many plans have no deductible.



Role of Medicines is Changing

- As the role of medicines expands, new opportunities develop for Medicare
 - Use of medicines
 - ↓
 - Prevent illness and complications
 - Avert surgery and hospitalization
 - ↓
 - Reduce overall health care costs

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Medicare's Prevention and Drug Benefits Can Work Together to Keep Beneficiaries Healthy

- In January 2005, the MMA began covering an initial preventive physical examination for three of the most expensive and preventable conditions: diabetes, hypertension, and high cholesterol. These preventive benefits embody a profound change in Medicare's mission.
- By encouraging preventive check-ups, Medicare will link beneficiaries with advice from health care professionals on diet and exercise. Where necessary, the check-up will work with Part D to ensure that seniors receive the prescription medicines that are the best means for treating their conditions.



Treating Medicare Beneficiaries with Chronic Conditions Helps Patients and Can Reduce Health Care Costs

- An increased emphasis on prevention means more proactive treatment for conditions such as diabetes, hypertension, high cholesterol, and osteoporosis and an improved opportunity to use needed medications to treat and prevent escalation of these conditions.
- These new prevention benefits combined with the new drug benefit will help beneficiaries enjoy a greater quality of life and the system can benefit from cost offsets gained through reduced hospitalizations and long-term care stays.



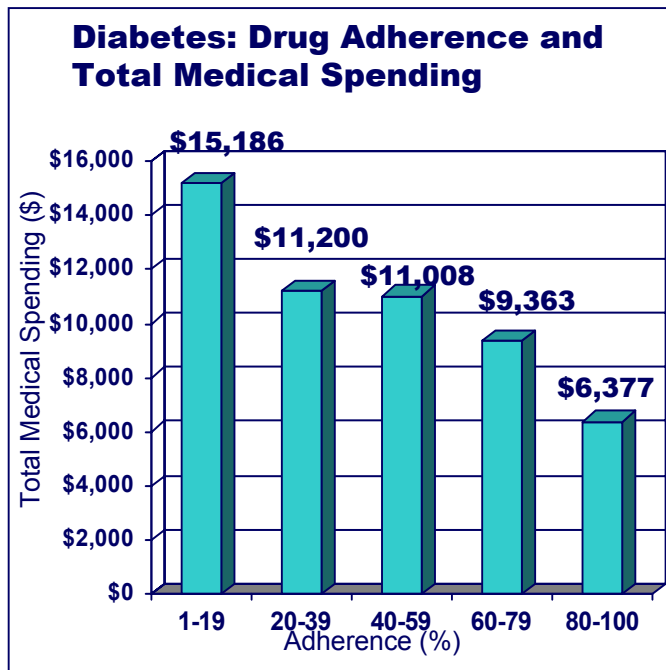
Mounting Evidence Points to Opportunity to Improve Treatment of these Conditions with Prescription Medicines

- According to a May 2004 study, *The Quality of Pharmacologic Care for Vulnerable Older Patients*, “In older patients, failures to prescribe indicated medications, monitor medications appropriately, document necessary information, educate patients, and maintain continuity are more common prescribing problems than is use of inappropriate drugs.”
- According to a study conducted by Milliman Inc. and commissioned by PhRMA, correcting underuse of medicines for treatment of hypertension in the Medicare population, beginning in 2006, would annually avoid 77,000 deaths, 115,000 strokes, 106,000 coronary artery events, 46,000 fewer skilled nursing facility and recovery facility admissions, and 4,000 long term care placements, at no additional overall cost to Medicare (since the savings on Parts A & B offset the cost of treating currently untreated and undertreated hypertension)



Better Adherence to Prescribed Medicines Yields Overall Savings

- Overall health care cost savings for diabetes, hypercholesterolemia, and hypertension with increased adherence (see chart)



- Hospitalization rates down with strong adherence for diabetes, hypercholesterolemia, hypertension, and chronic heart failure

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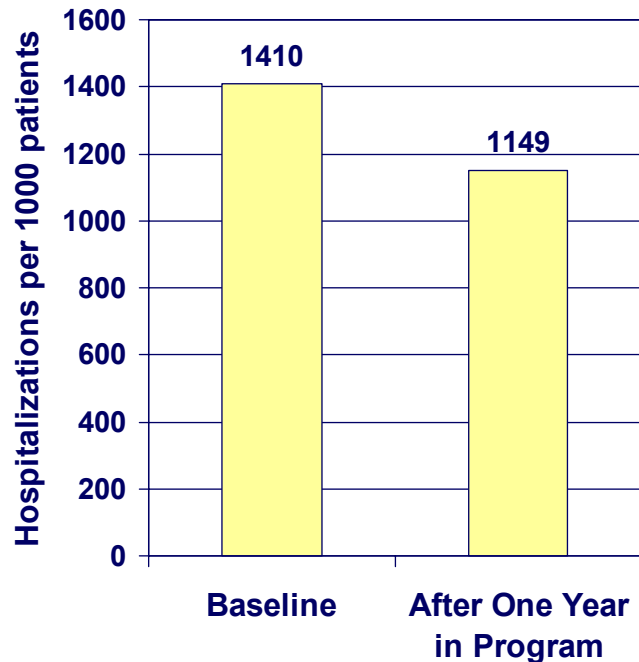
Better Adherence to Prescribed Medicines Yields Overall Savings, Con't.

- Estimated return on investment for 20% increased adherence:
 - Diabetes: \$1 spent on medicines, \$7.10 savings
 - High cholesterol: \$1 spent medicines, \$5.10 savings
 - High blood pressure: \$1 spent on medicines, \$4 savings

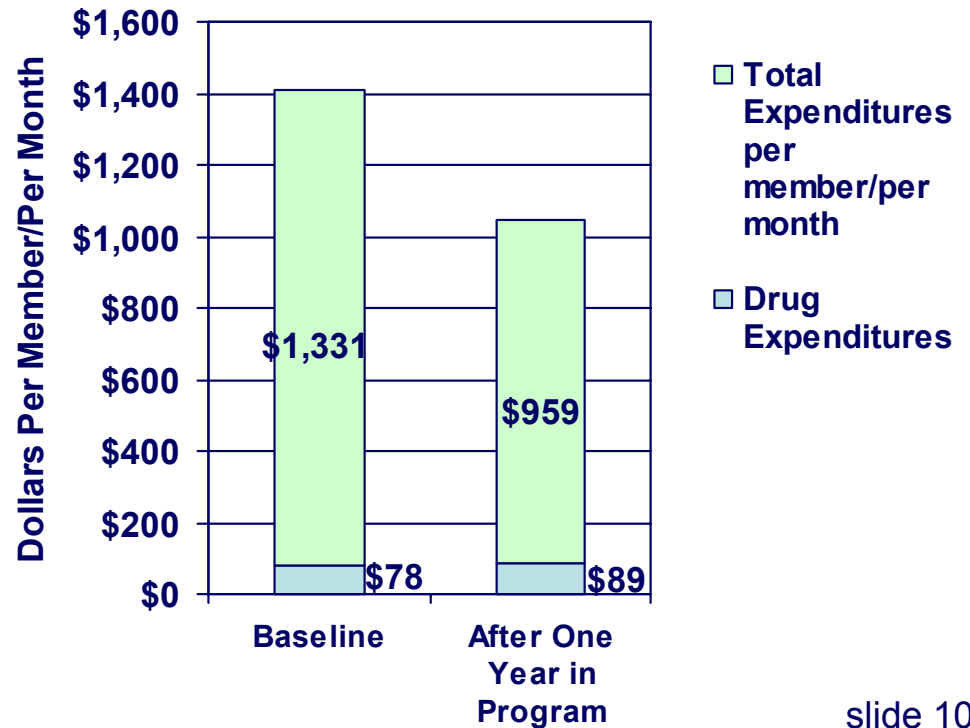


Heart Failure Disease Management (DM) Program Reduces Hospitalizations and Overall Costs

Hospitalizations Down 19% with DM Program



Overall Spending Down 28% with DM Program



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Better Use of Medicines for Chronic Conditions Results in Savings

- To reduce overall health spending Pitney Bowes made drugs for chronic conditions available to employees at lower prices. Use of medicines and compliance went up and costs went down by more than \$1 million per year. Costs fell by 6% for diabetes patients and 15% for those with asthma.
- The City of Asheville, NC implemented a disease management program to increase employee access to and compliance with diabetes medicines. In the first year alone, average insurance claim costs dropped 41% to \$3,596 per patient and in the fifth year the average insurance claim declined to \$1,584 per patient.

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Screening, Prevention, and Disease Management Programs are Increasingly a Part of the Health Care Solution

- “Seniors who embrace prevention can literally add years to their lives.” - *Then Health and Human Services Secretary Tommy Thompson*
- “There is accumulating evidence that much of the morbidity and mortality associated with these chronic diseases may be preventable. These new benefits can be used to screen Medicare beneficiaries for many illnesses and conditions that, if caught early, can be treated and managed, and can result in far fewer serious health consequences.” –*Centers for Medicare & Medicaid Services*

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Centers for Medicare & Medicaid Services, “Medicare’s Proposed Regulation to Implement New Preventive Services Under Medicare Modernization Act,” press release, 27 July 2004, <http://www.cms.hhs.gov/media/press/release.asp?Counter=1135> (accessed 13 April 2005).

J. Abrams, “Feds Tout Medicare's Preventive Benefits,” Miami Herald, 10 January 2005.

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The New Drug Benefit will Improve the Future of Medicare

- Prevention and early treatment are key to reducing health care costs.
- Proper use of prescription drugs can keep beneficiaries healthy and reduce overall Medicare costs.
- Medicare faces significant financial challenges—prevention, disease management, and improved access to prescription drugs can work together to address these challenges.
- Beneficiaries have the most to gain.

