

# The Affordability of the Medicare Drug Benefit

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# Affordability of Medicare Rx – Four Ways to View

- Value of the benefit
- Cash flow issues
- Relationship to income and assets
- Availability of financial assistance



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# Value of the Benefit

**Value =**

**(coverage + avoidance of future penalty)**

**minus**

**(premium + co-payments)**



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# Value of the Benefit

- Coverage against catastrophic need for high-cost drugs
- % of coverage varies by amount of drug expenses
  - **For \$1000 of drugs — 21% coverage**
  - **For \$2,250 — 50%**
  - **For \$5,100 — 22%**
  - **For \$16,000 MS drug — 72%**
- % of coverage varies by plan and drugs used



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# Cash Flow Issues

- Largely function of drug costs and how fast one enters donut hole
- Example of \$24,000 for MS therapies
  - Reach donut hole (\$2,250) in February
  - Then paying full cost of drugs into March, until drug costs reach \$5,100
  - Big outflow of cash (\$3,600 in co-pays) early in the year before reaching catastrophic coverage



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# Relationship to Income and Assets

- If consider Medicare Rx good value and can afford — easy decision
- If can't afford, then must navigate confusing mélange of assistance



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# Availability of Financial Assistance

- LIS in program

- Low income/assets; co-pays difficult for some
- Two levels
  - Co-pays difficult for some
  - Partial LIS often not enough for those 135-150% FPL
  - Still no help for near poor
- Cumbersome application process through SSA
  - Requalify each year?



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# Availability of Financial Assistance

- **State Presc. Assistance Programs (SPAPS)**
  - Not in every state
  - Inconsistent benefit
  - Inconsistent eligibility requirements
  - Not always available for beneficiaries under 65
  - Different application process in each state



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# Availability of Financial Assistance

- **Patient Assistance from the Pharmaceutical Companies**
  - Usually for higher priced drugs/biologicals
  - Difficult and confusing for beneficiaries
  - Not great for pharmaceuticals either



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# Availability of Financial Assistance

- **Patient Assistance from the Pharmaceutical Companies**
  - Variable in terms of:
    - **Availability — not all companies provide assistance**
    - **Benefit and eligibility requirements**
    - **Mechanism: \$ from 501(c)(3) or free drug from company**
    - **Application process**



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# Recommendations

- **Cash Flow Problem**

- Some plans in '07 will eliminate the donut hole
  - Affordable?
  - Good value?
  - Broad formulary?
- Allow individual to designate monthly deduction from SS check to even out donut hole payments



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# Recommendations

- **SPAPS**

- Lobby all states to provide uniform program
- Make available to those over and under 65
- Standard application process, perhaps use LIS application



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# Recommendations

- **Pharmaceutical Rx Assistance**

- OIG approval for new, centralized mechanism that allows value of free drug provided to beneficiary to count against TROOP
- Pay or play — if no assistance program, pay into a pool



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# Recommendations

- **Pharmaceutical Rx Assistance**
  - Standard application form, perhaps LIS
  - Still unresolved: assistance for near poor who take moderately priced drugs



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