



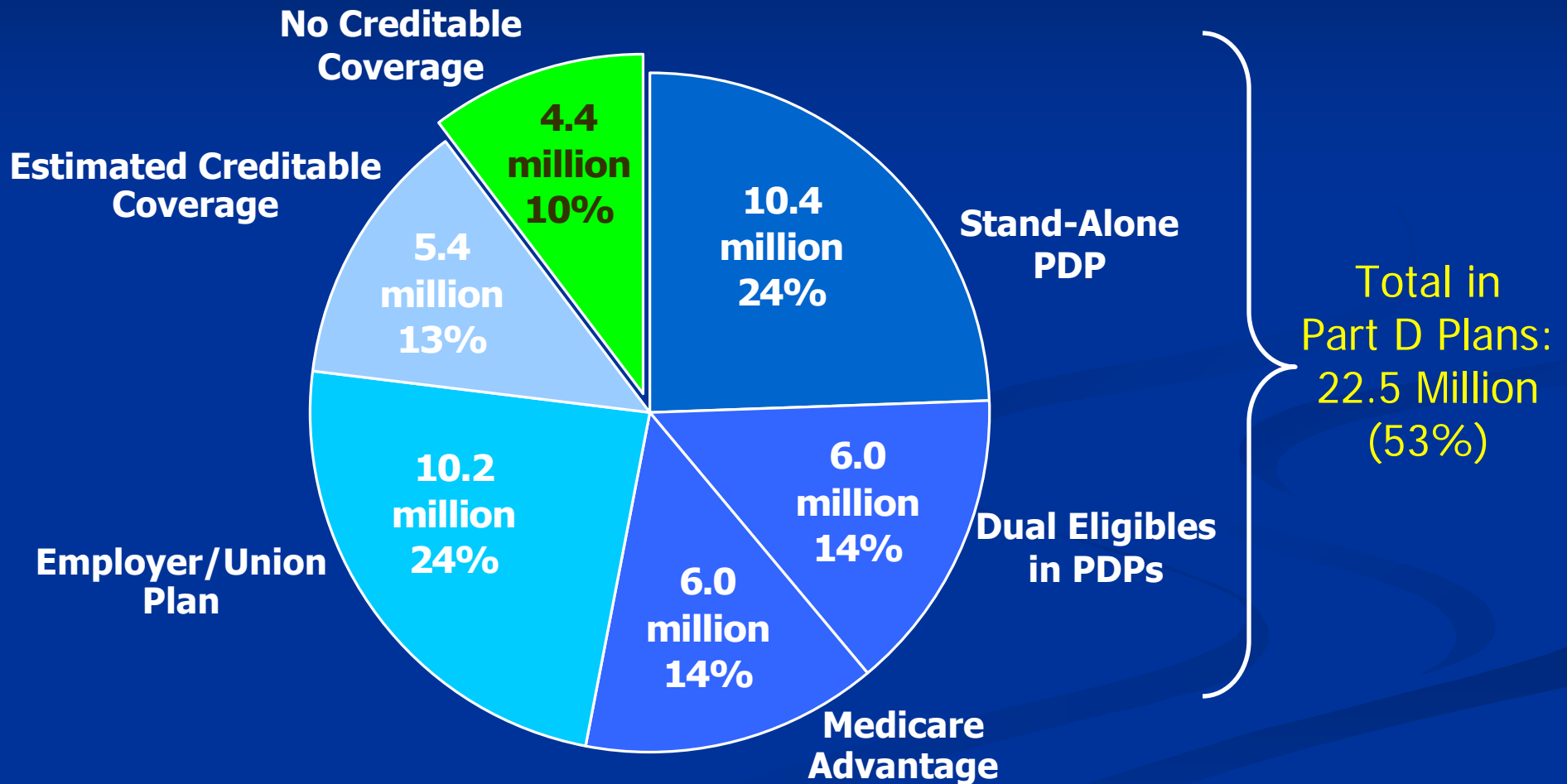
Information and Choice: How Seniors Make Medicare Decisions

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**for
Third National Medicare Congress**

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HHS Estimates of Prescription Drug Coverage Among Medicare Beneficiaries, by Source, June 2006

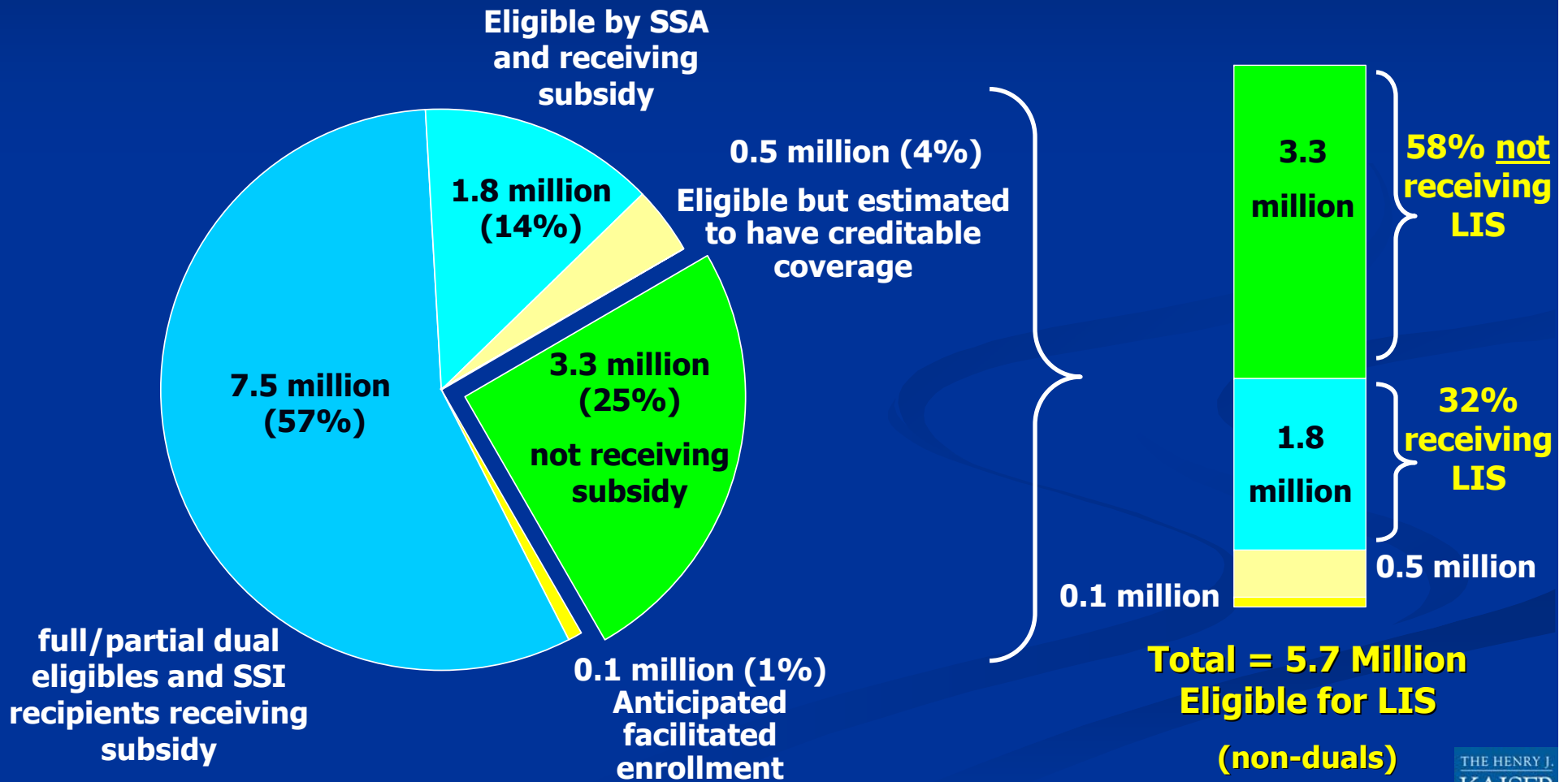


Total Number of Beneficiaries = 42.6 Million

SOURCE: Testimony of Mark McClellan, CMS Administrator, June 14, 2006. Data as of June 11, 2006.

Low-Income Subsidies Under Medicare Drug Benefit: HHS Estimates of Eligibility and Participation, 2006

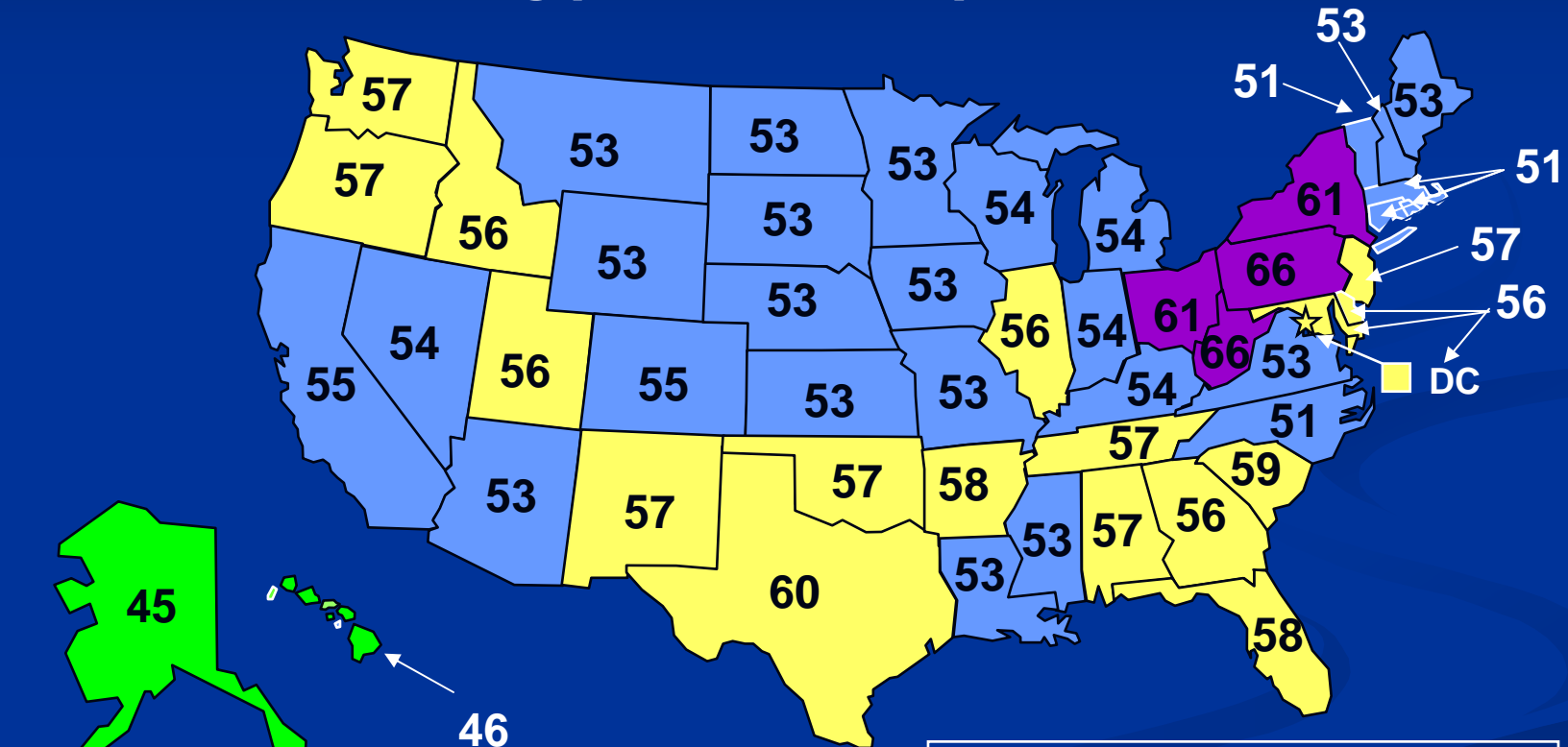
Beneficiaries Eligible for Low-Income Subsidies = 13.2 million



SOURCE: Testimony of Mark McClellan, CMS Administrator, June 14, 2006. Data as of June 11, 2006.

Beneficiaries in most states have a choice of 50+ stand-alone prescription drug plans

Total number of stand-alone prescription drug plans nationally = 1,875



- 45-50 drug plans (2 states)
- 51-55 drug plans (26 states)
- 56-60 drug plans (18 states)
- 61-66 drug plans (5 states)

How Seniors Make Part D Choices



Consumer Decision-Making: Insights from the Literature

Jam and Godiva Chocolates: Consumers often freeze when confronted with too many choices

- Iyengar and Lepper. 2000. When Choice is Demotivating? *Journal of Personality and Social Psychology*
- ✓ **Could explain why 4.4 million people are without creditable drug coverage in 2006**
- ✓ **Other factors: low literacy, isolation, distrust/skepticism**

Music and Art Experiment: When products are seemingly equivalent, people go with what's familiar

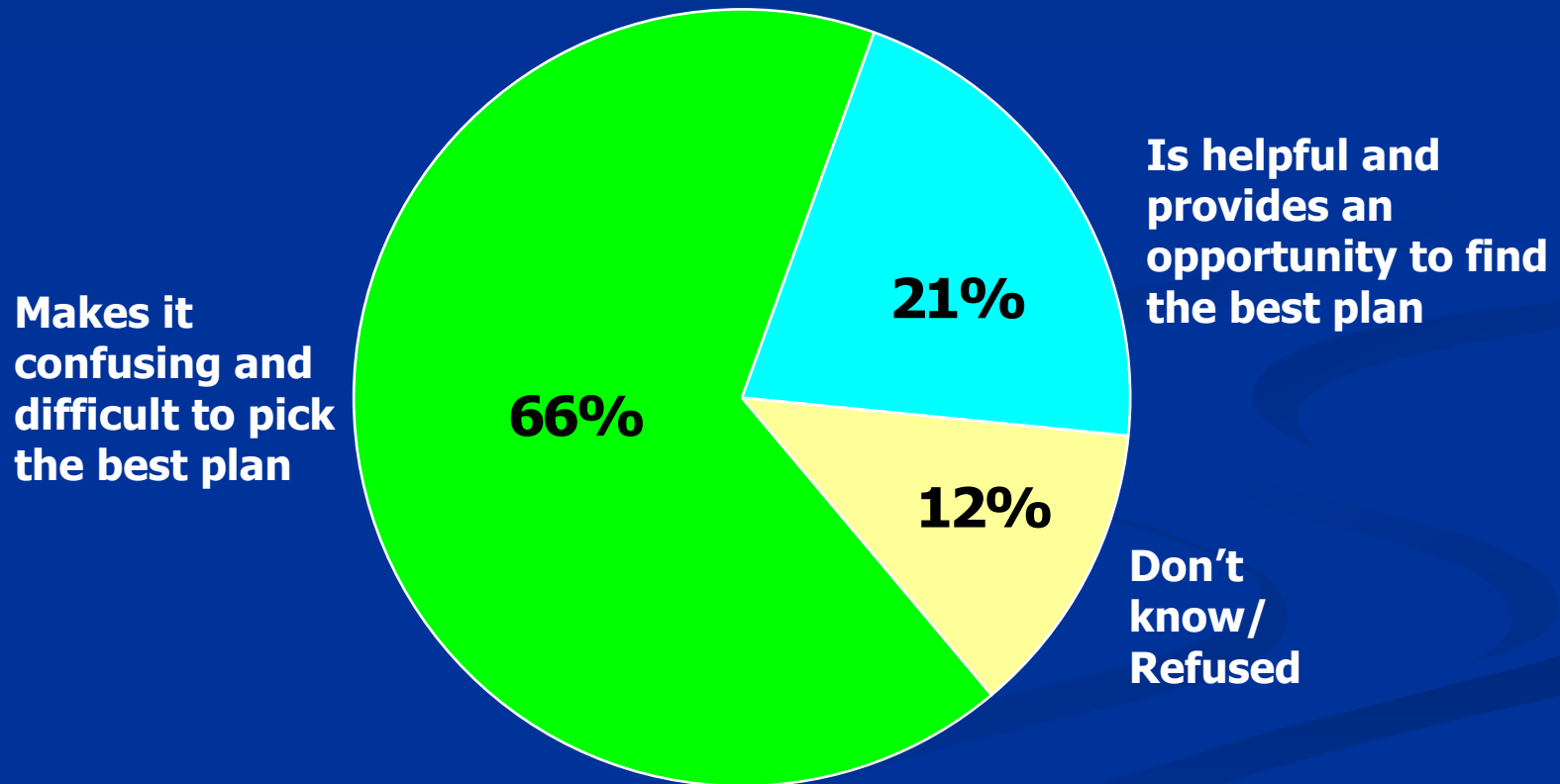
- Schwartz, Barry. 2004. "Paradox of Choice: Why More is Less."
- ✓ **May explain why AARP is #1 PDP nationwide in 2006**

Open Enrollment Insights: After making a decision about health insurance, most avoid revisiting that decision even when given opportunity

- Hewitt Offers Employees Tips on Maximizing Benefits Dollars During Open Enrollment Season" 25 September 2006.
- ✓ **May offer insights for Part D enrollment in 2007**

Two thirds of all seniors say number of Part D plans makes it confusing to pick best plan

Most people on Medicare will have at least 40 different drug plans to choose from.
Which comes closer to your view?
Having many plans to choose from...

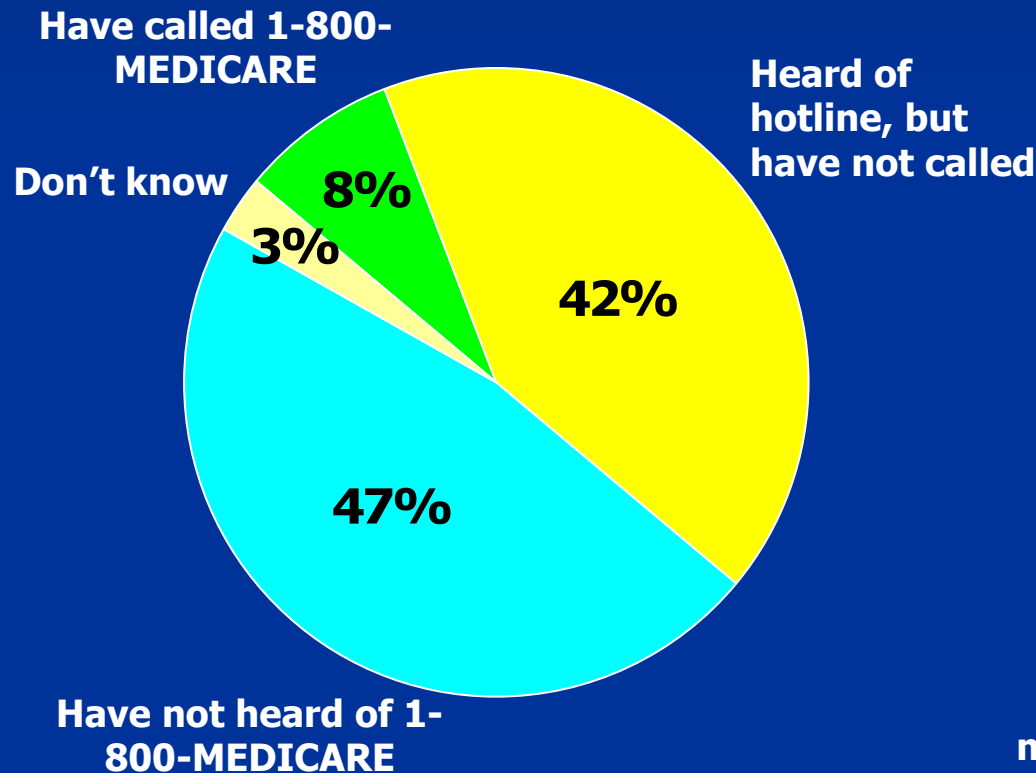


In Part D, seniors decisions are influenced mainly by trusted sources, familiar brands, and \$\$

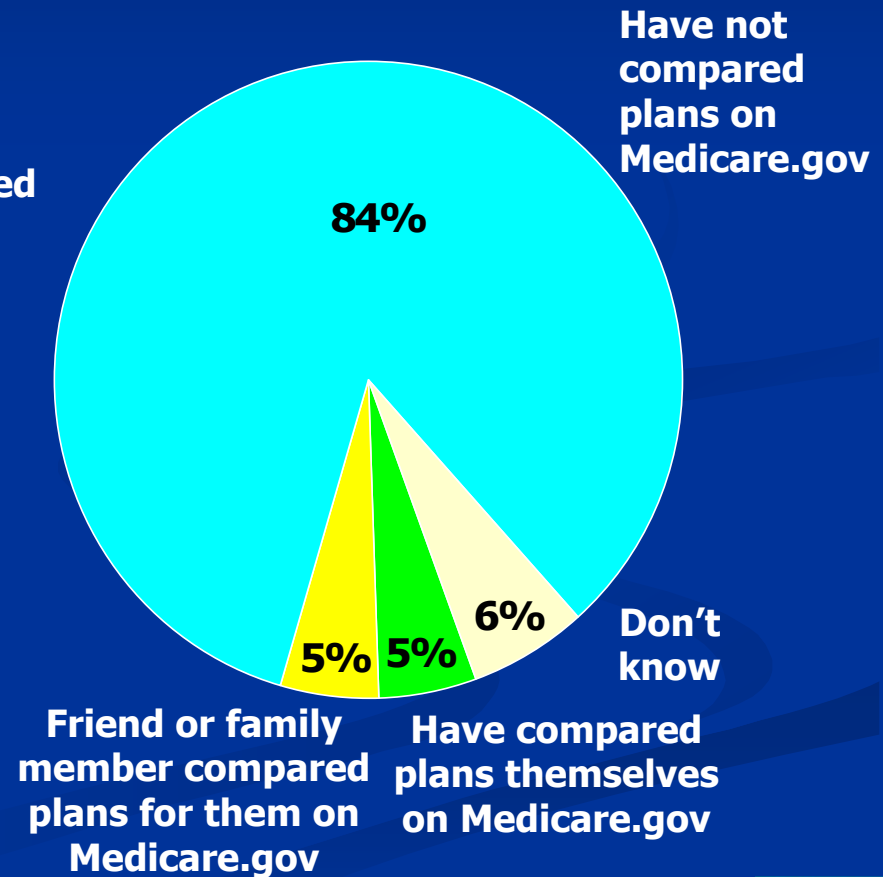
- ✓ **Seniors often rely on “trusted sources” including pharmacists, social workers, family members, and friends**
- ✓ **Name recognition and familiarity with a company often “trump” other considerations in choosing among Part D plans**
- ✓ **Many say costs/savings are a top concern**
- ✓ **Yet few say they compare details of plans before making a decision**

Most didn't call 1-800 Medicare or go online

Have you ever called 1-800-MEDICARE?



Have you or your family members ever compared plans on Medicare.gov?



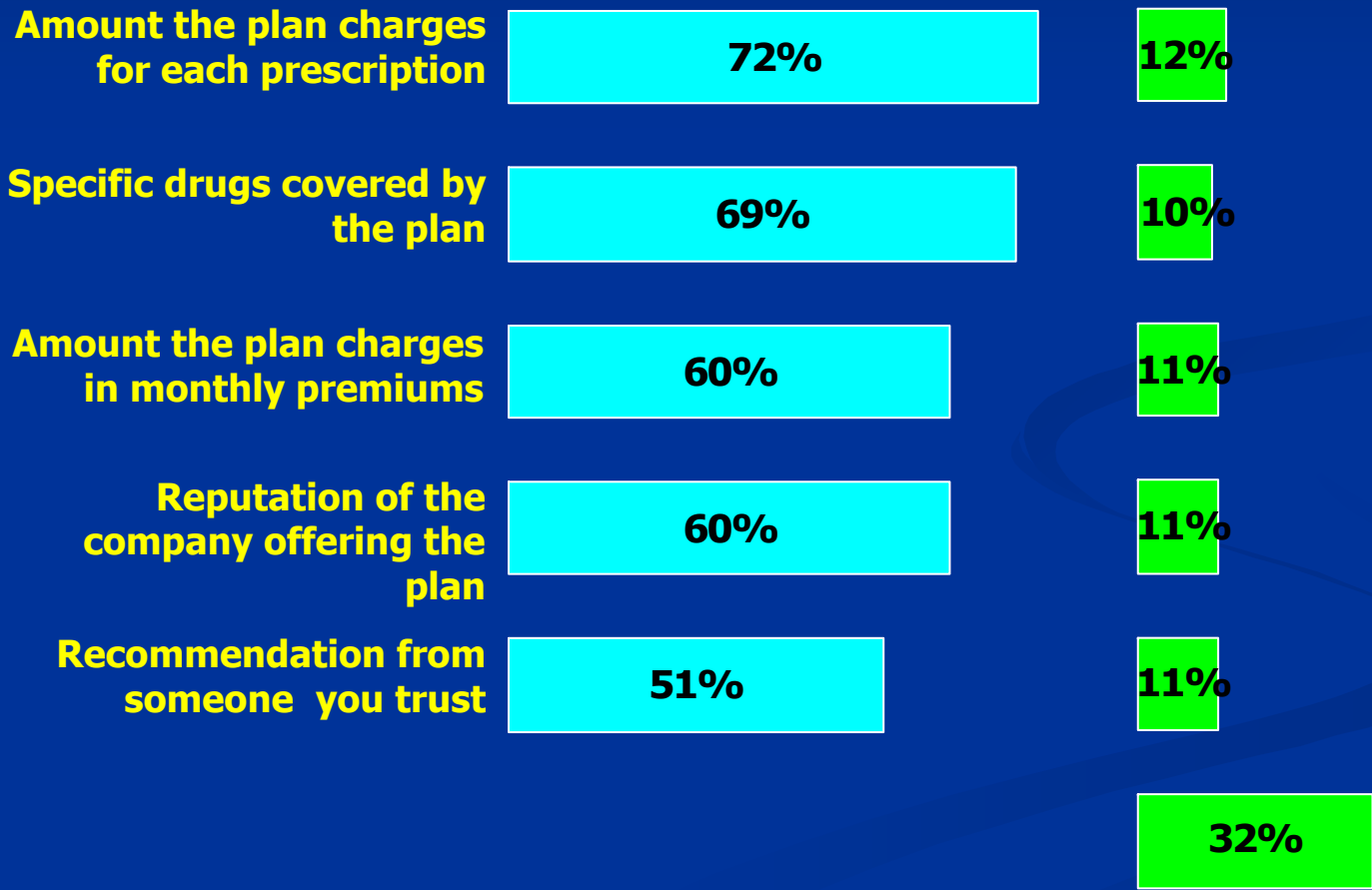
Source: Kaiser Family Foundation/Harvard School of Public Health *The Medicare Drug Benefit: Beneficiary Perspectives Just Before Implementation* (conducted October 13-31, 2005)

Important Factors in Choosing a Drug Plan

AMONG SENIORS ENROLLED IN STAND-ALONE MEDICARE DRUG PLANS THAT THEY CHOSE ON THEIR OWN:

■ Percent who say each item was "very important" in deciding upon a drug plan...

■ When forced to choose, percent who say each is the MOST important factor*



All are important (VOL.)

Choice matters – even for healthy seniors

Meet Esther

Esther is 67 and lives in Bethesda. She takes only one drug, Fosamax, for her osteoporosis.



- There is a 3-fold difference between the most and least expensive option in her area – about \$800

Esther would pay between \$484 and \$1,295 per year in a PDP, and between \$360 and \$928 in an MA-PD plan, including premiums, depending on the plan she chooses.

Meet Carolyn

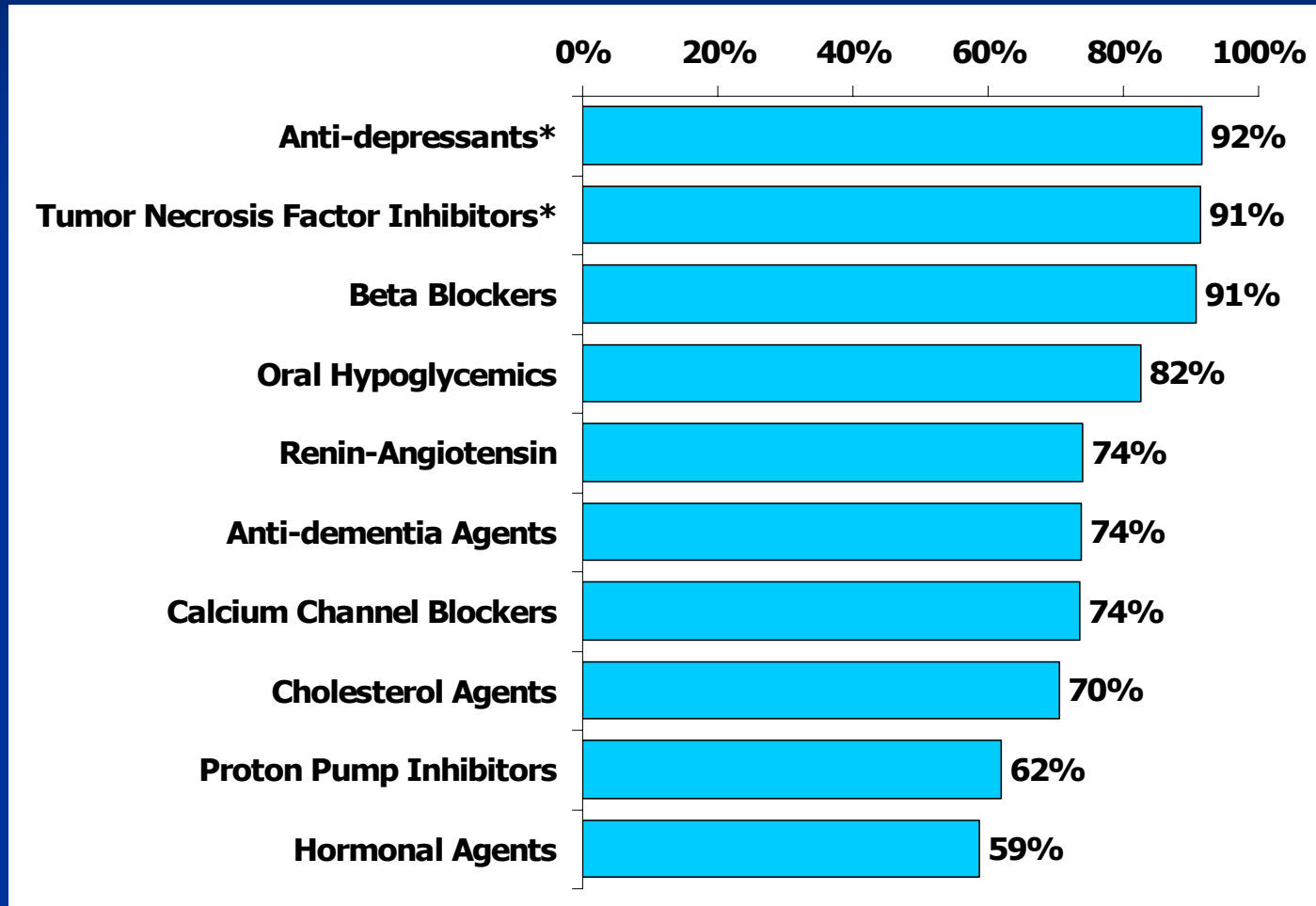
Carolyn, age 60, on SSDI and is about to go on Medicare. She has rheumatoid arthritis and other chronic conditions and takes 8 medications.



- There is a 3-fold difference between the most and least expensive plan – about \$8,000 dollars

Carolyn would pay between \$4,202 and \$13,468 per year in a PDP, and between \$4,245 and \$13,425 in an MA-PD plan, including premiums, depending on the plan she chooses

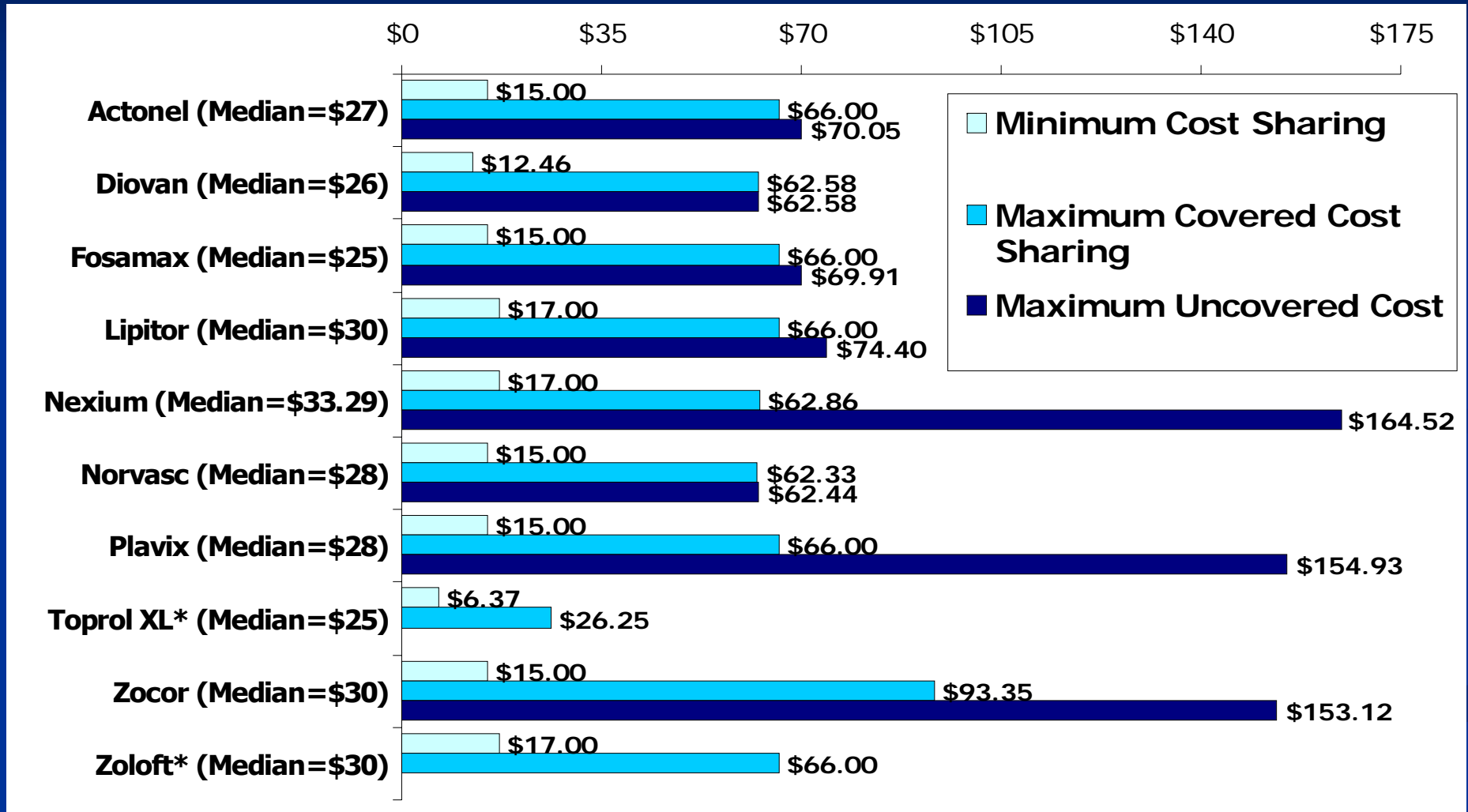
The comprehensiveness of formulary coverage varies considerably by drug class



SOURCE: Hoadley, Jack, et. al. *An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans*, April 2006.

Cost-Sharing Varies Across Plans

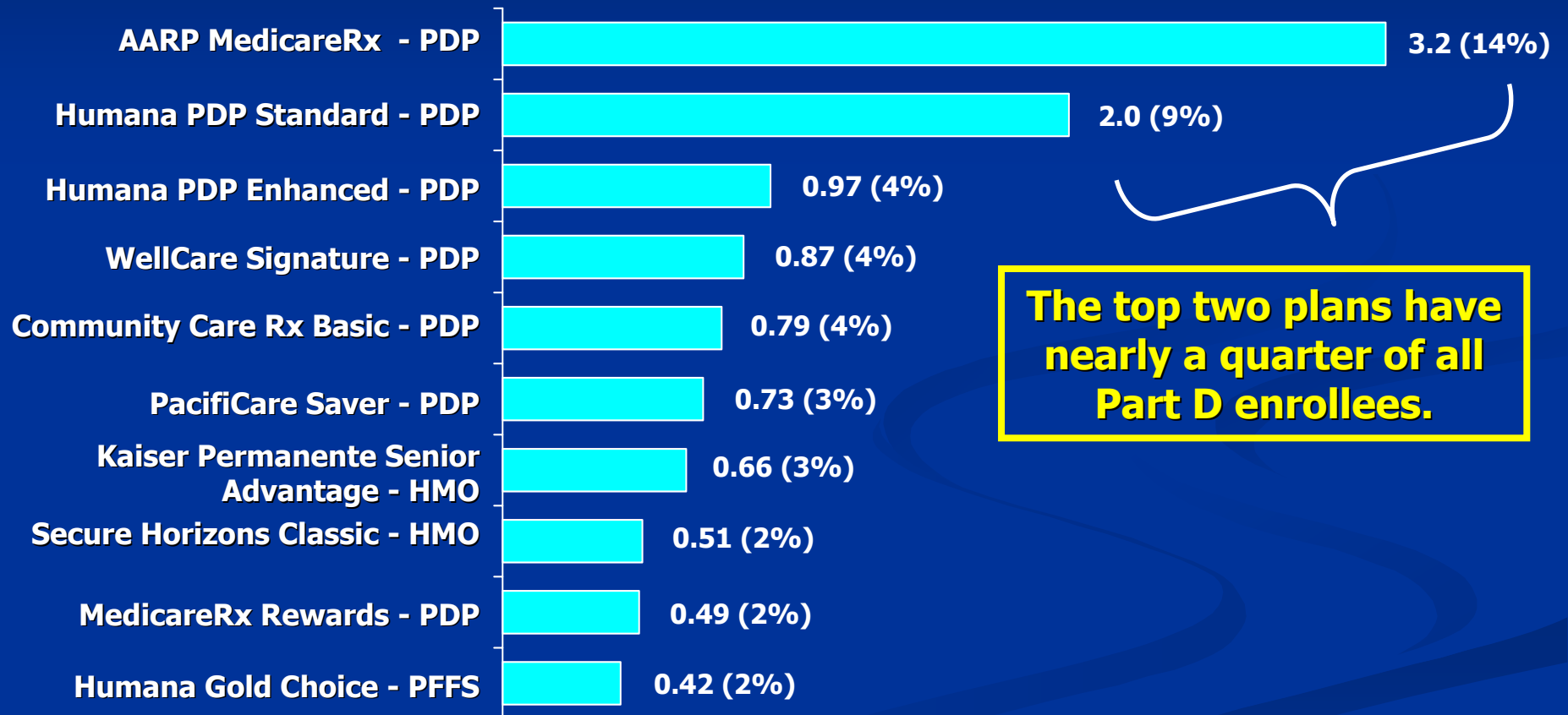
Cost Sharing for Top 10 Brand-Name Drugs



Note: *indicates drugs covered by all national/near-national plans.
 SOURCE: Kaiser Family Foundation, April 2006.

Part D enrollment is also concentrated among a small number of plans

Part D Enrollees by Plan (in millions) and Percent of Total Part D Enrollment, 2006:



SOURCE: Kaiser Family Foundation *Status Report on Medicare Part D Enrollment in 2006: Analysis of Plan-Specific Market Share and Coverage* (August 2006).

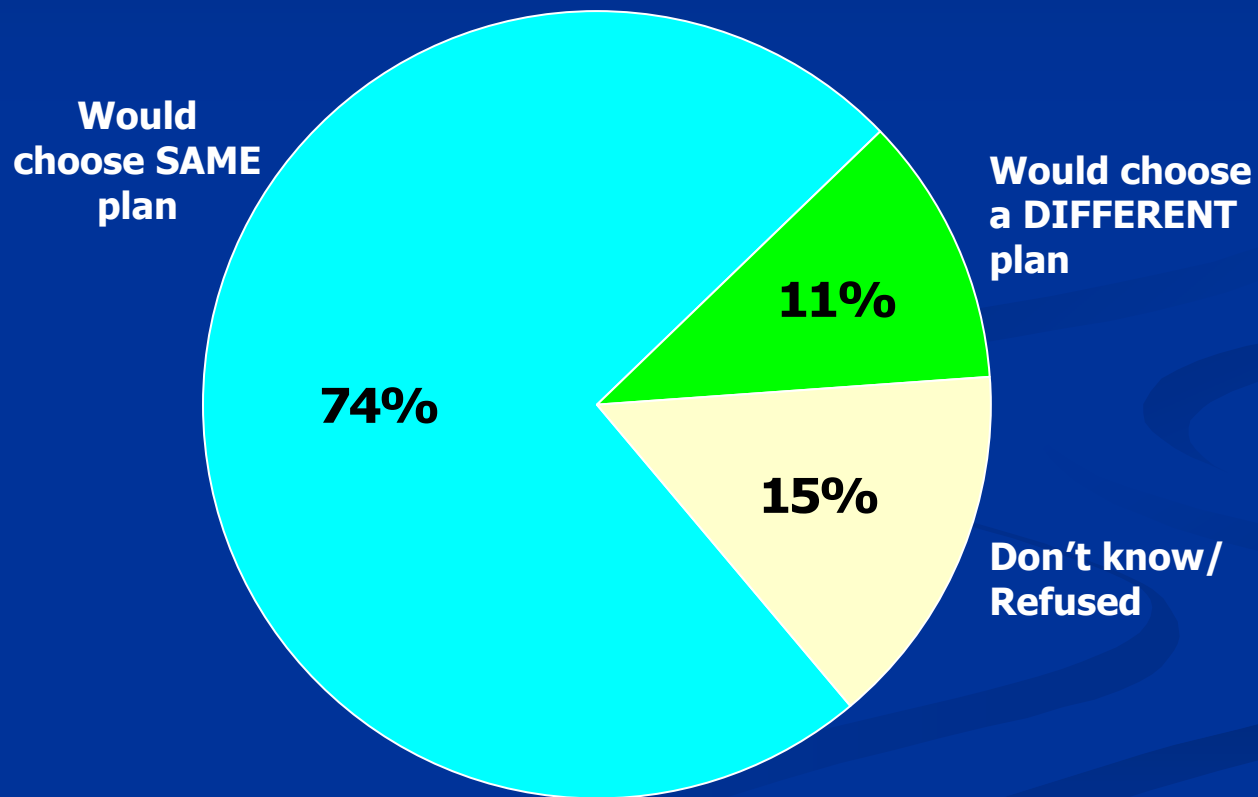
Many ended up in Part D plans with “doughnut holes”



- ✓ **How many will have spending in the “gap” in 2006?**
- ✓ **What will be the effect on compliance and health outcomes?**

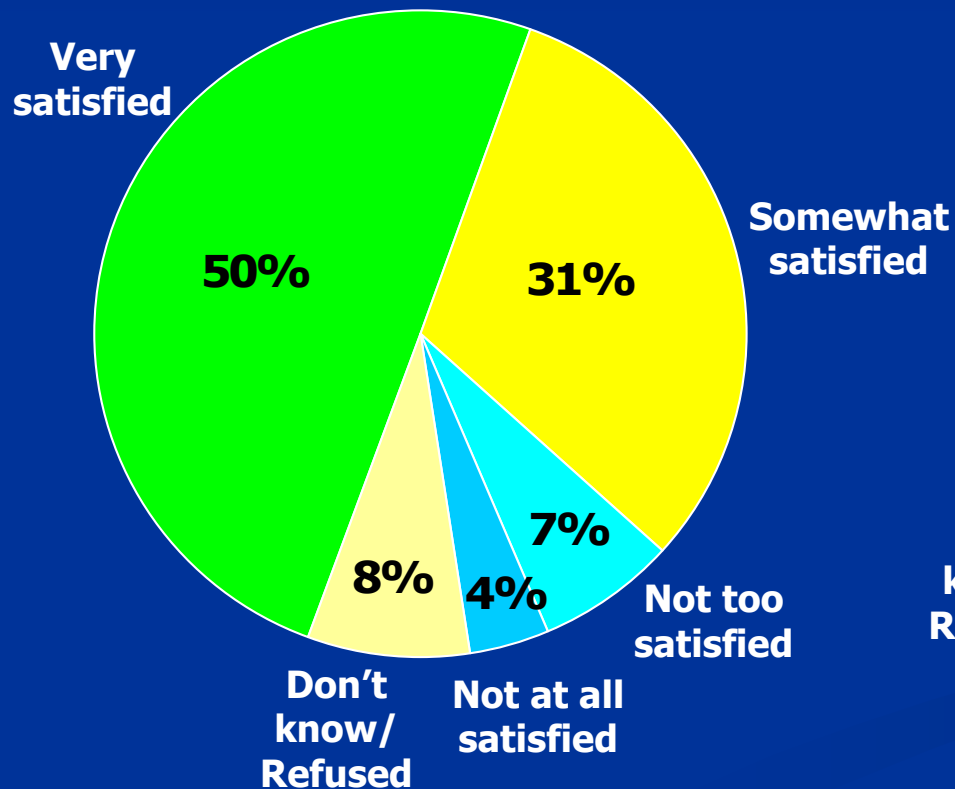
Seniors' Views On Choice of Plan

**AMONG SENIORS ENROLLED IN STAND-ALONE MEDICARE DRUG PLANS:
If you had to choose today would you pick the same plan, or would you
choose a different drug plan?**

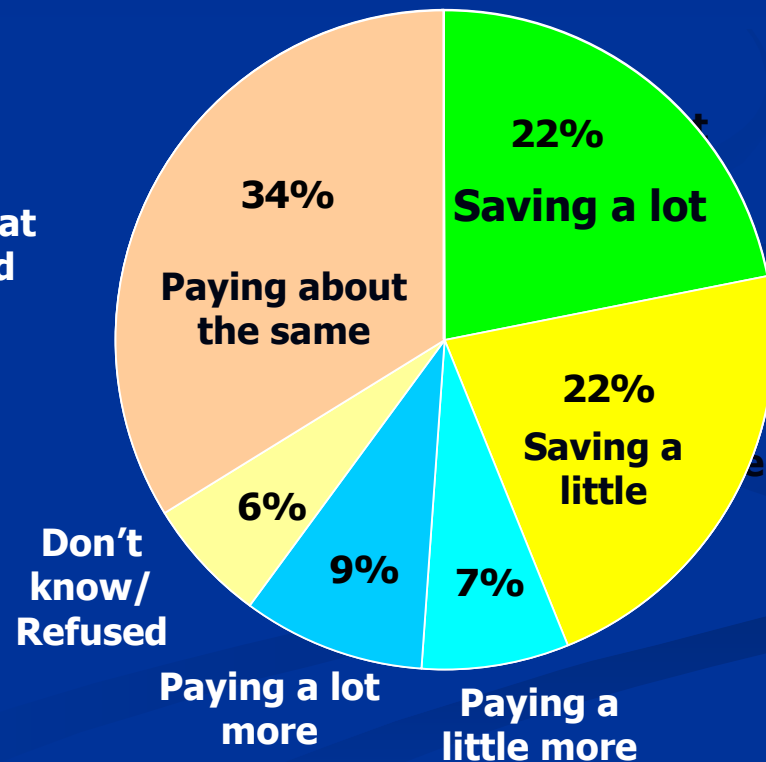


Most seniors say they are satisfied with their Part D plan, and about half say they are saving money

**Among Seniors Enrolled in Medicare Drug Plans:
How satisfied are you with the Medicare drug plan you are enrolled in?**

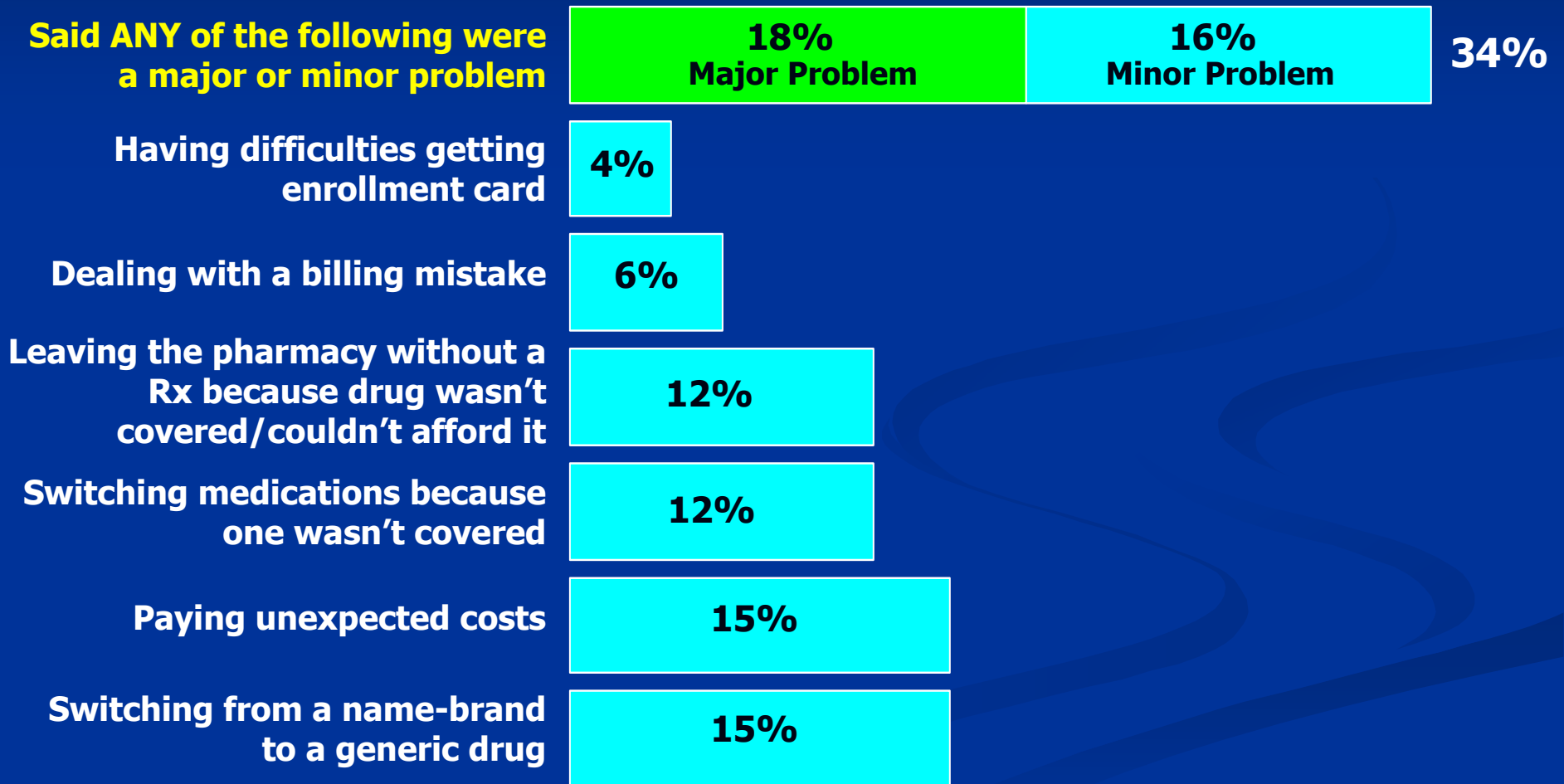


Compared to what you paid for prescriptions last year, are you now saving money, paying more or paying about the same overall for your prescriptions?



One in three seniors reported problems

**AMONG SENIORS WHO HAVE USED THEIR MEDICARE DRUG PLANS:
Percent who say each of the following was a MAJOR or MINOR problem for them...**

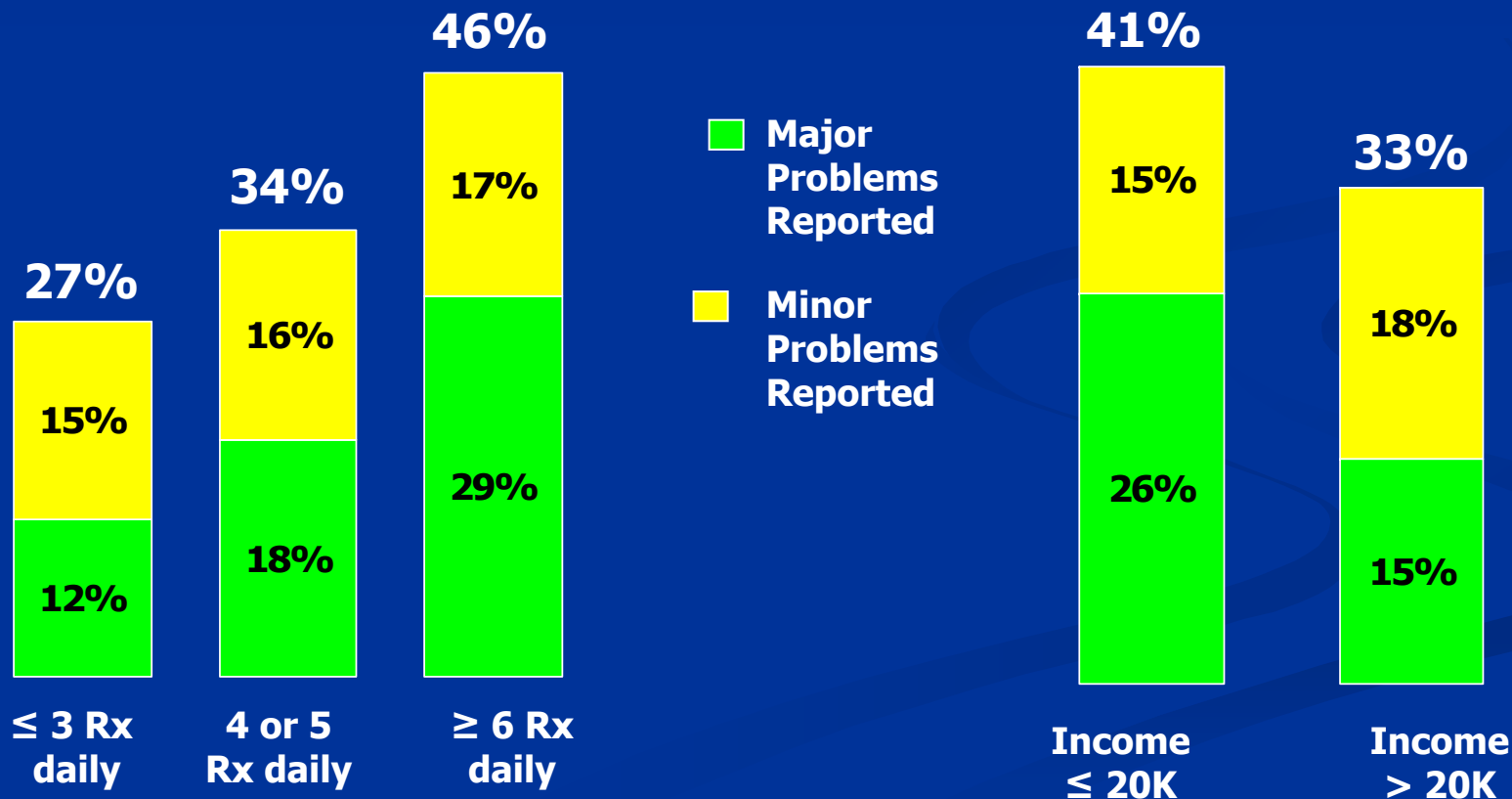


Problems Filling Prescriptions by Number of Prescriptions and by Income

Among Seniors Who Have Used Their Medicare Drug Plans:

Percent who report having problems related to getting prescriptions by the number of prescriptions taken daily...

Percent who report having problems related to getting prescriptions by 2005 income...



Source: Kaiser Family Foundation *Health Poll Report Survey* (conducted June 8-18, 2006)

Looking to 2007

- ✓ **Beneficiaries will have even more choices**
- ✓ **At least some 2006 plans will look different in 2007**
- ✓ **Unclear if seniors made “optimal” decisions this year**
- ✓ **Will they go back to the drawing board before December 31st?**
- ✓ **Choice matters – in terms of access and costs**
- ✓ **There are risks associated with inertia**

Part D is not for couch potatoes



Key Issues

Participation

Will beneficiaries without coverage in 2006 opt in for 2007?

Will more low-income individuals apply for subsidies?

Plan stability?

Migration

Will retirees migrate from employer plans to Part D?

Will Part D enrollees migrate from PDP to MA-PDs?

Coverage

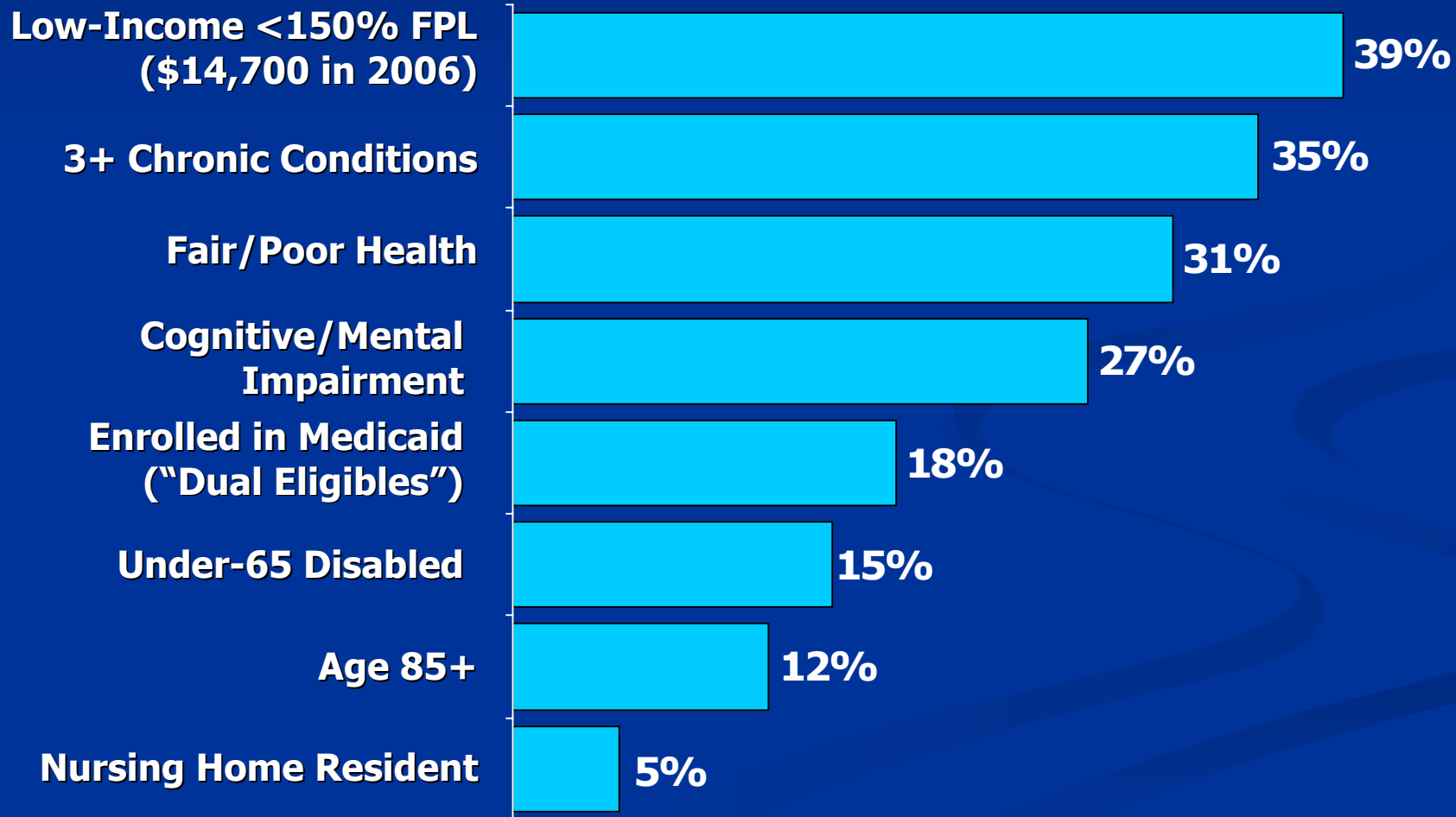
How will coverage and out-of-pocket costs change from year to year?

2008 and beyond

What will the future bring, in terms of all of the above?

Medicare, and now Part D plans, face the challenge of serving a population with diverse needs and significant vulnerabilities

Percent of total Medicare population:



SOURCE: Medicare Current Beneficiary Surveys 2003 and 2002.