

# Part D Short-Range Projections

# Standard Benefit Structure

- Deductible
- Initial coverage limit
- Coverage gap (to be closed by 2020)
- Catastrophic threshold (reinsurance)

# Part D Bid

- Individual plans submit bids; EGWPs don't
- Assumptions include:
  - Drug costs
  - Rebate
  - Administrative cost and profits
  - Projected risk score
- Bid amounts include:
  - Standardized bid
  - Reinsurance
  - Low-income cost-sharing subsidy (LICS)

## Part D Bid (cont.)

- Bid = Plan benefits – Reinsurance
- National average bid and average premium announced after bids are reviewed
- Plan specific premium =
  - Plan bid
  - national average bid
  - + national average premium

# Payments to Plans

- Direct subsidy: risk adjusted
- Beneficiary premiums
- Reinsurance advance payments
- LICs advance payments
- Low-income premium subsidy (LIPS)
- Coverage gap discount advance payments
- Year end reconciliation: reinsurance, LICs, risk corridor adjustments, and gap discount

# Type of Plans

- Individual plans
  - Prescription drug plans (PDPs)
  - Medicare Advantage prescription drug plans (MA-PDs)
- Employer group waiver plans (EGWPs)
  - PDPs
  - MA-PDs
- Retiree drug subsidy (RDS) plans

# Retiree Drug Subsidy Plans

- 28% subsidy between \$360 and \$7,400 in 2016
- Tax exempt through 2012
- No coverage gap discount
- 6.6 million enrollees in 2010; 1.9 million enrollees in 2016

# D Benefits Model Methodology

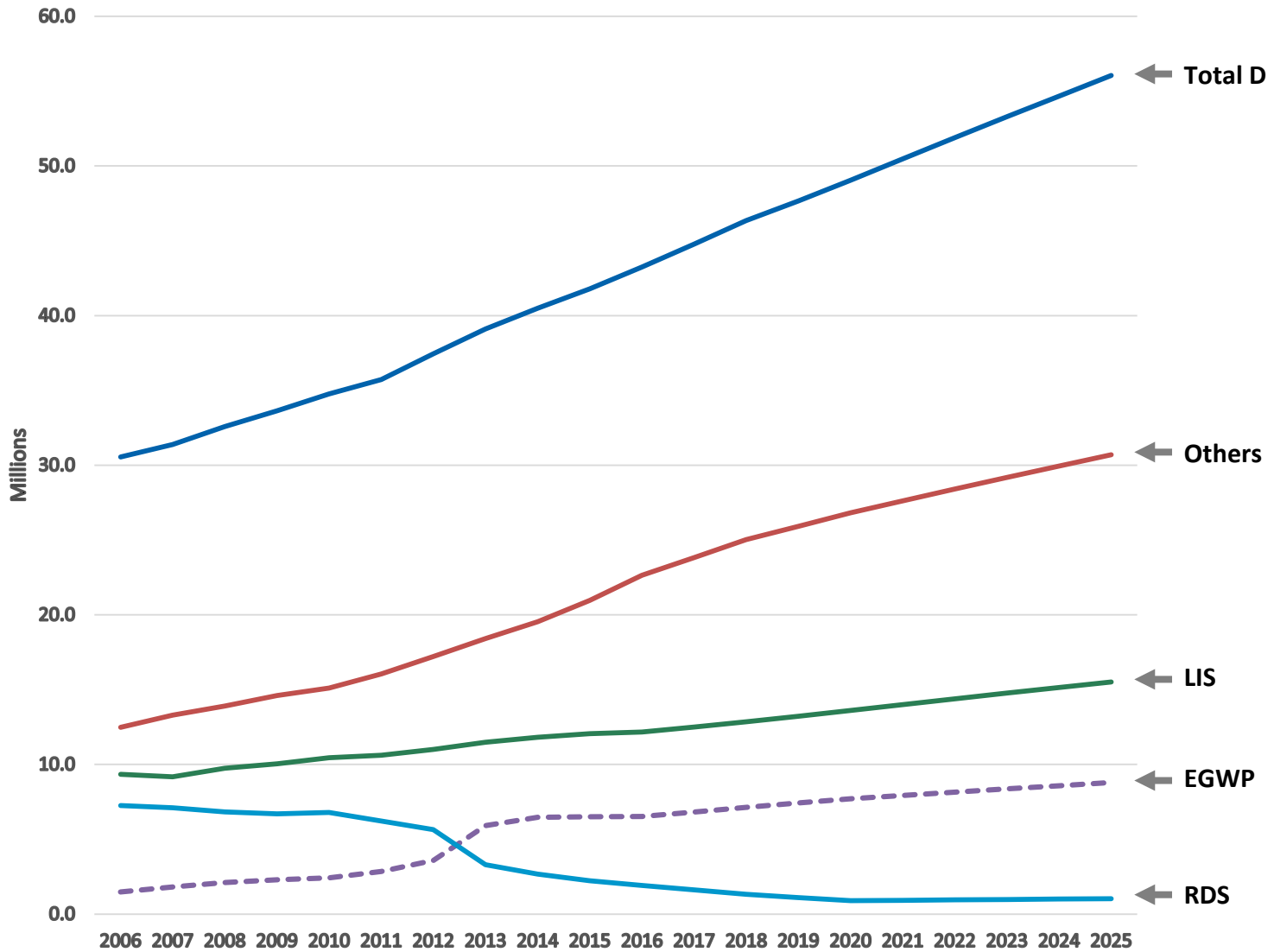
- Historical spending data
- Enrollment
- Drug per capita trend
- Bid data
- Legislative impact



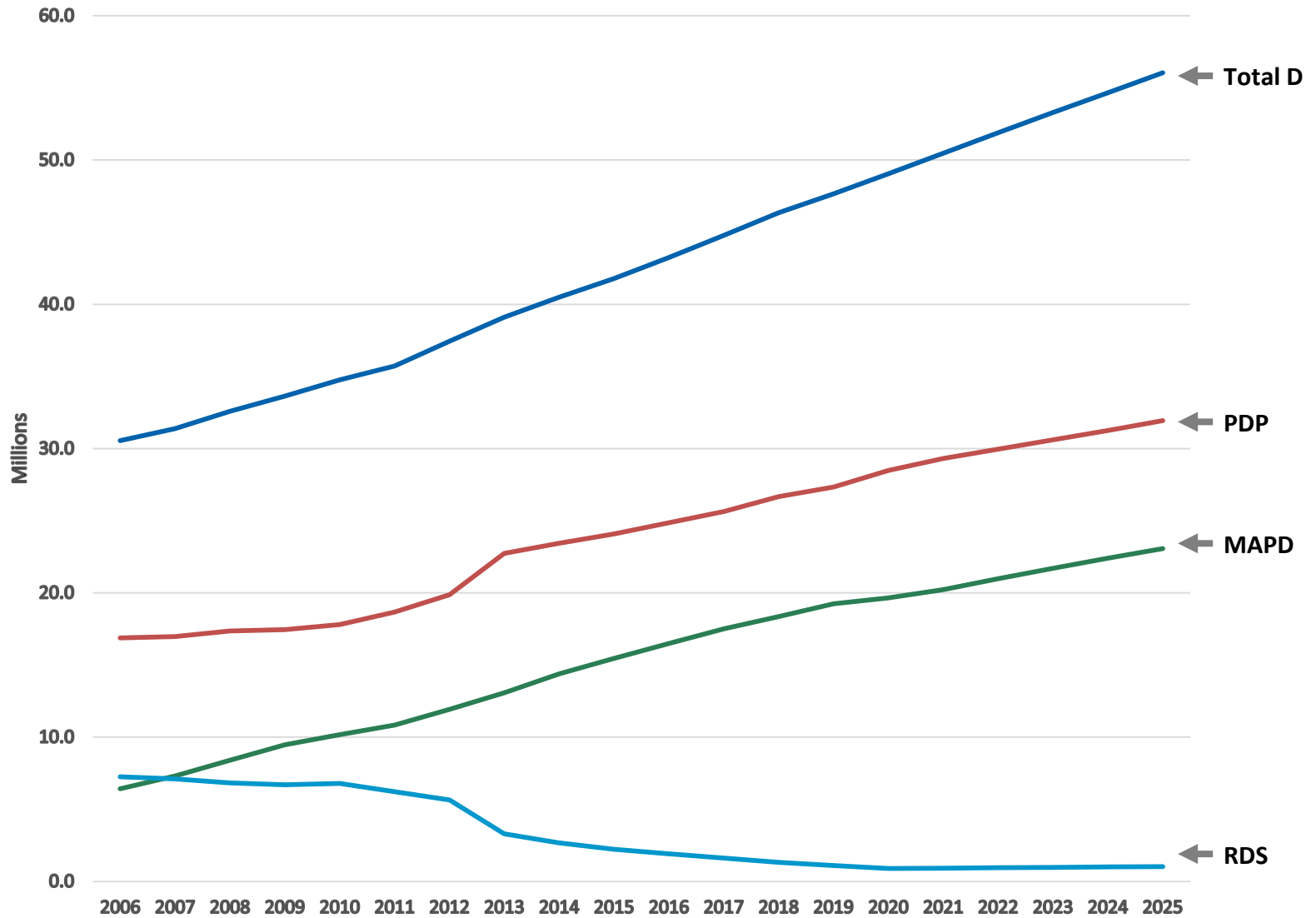
# Enrollment

- Part D plans
  - MAPD vs. PDP
  - Aged vs. Disabled
  - Employer vs. non-employer
  - Four low-income groups
- RDS plans

# Part D Enrollment



## Part D Enrollment (cont.)



# Part D Trend

- The 2011 Technical Panel recommended that OACT should explore the potential for bottom-up models of both the NHE drug component and Part D to improve forecasts in the short run (3 years).
- The Panel also recommended that OACT should explore ways to build Part D experience into the intermediate range (4+ years) forecast .
- A new “micro” model was developed and put to use in TR2015.

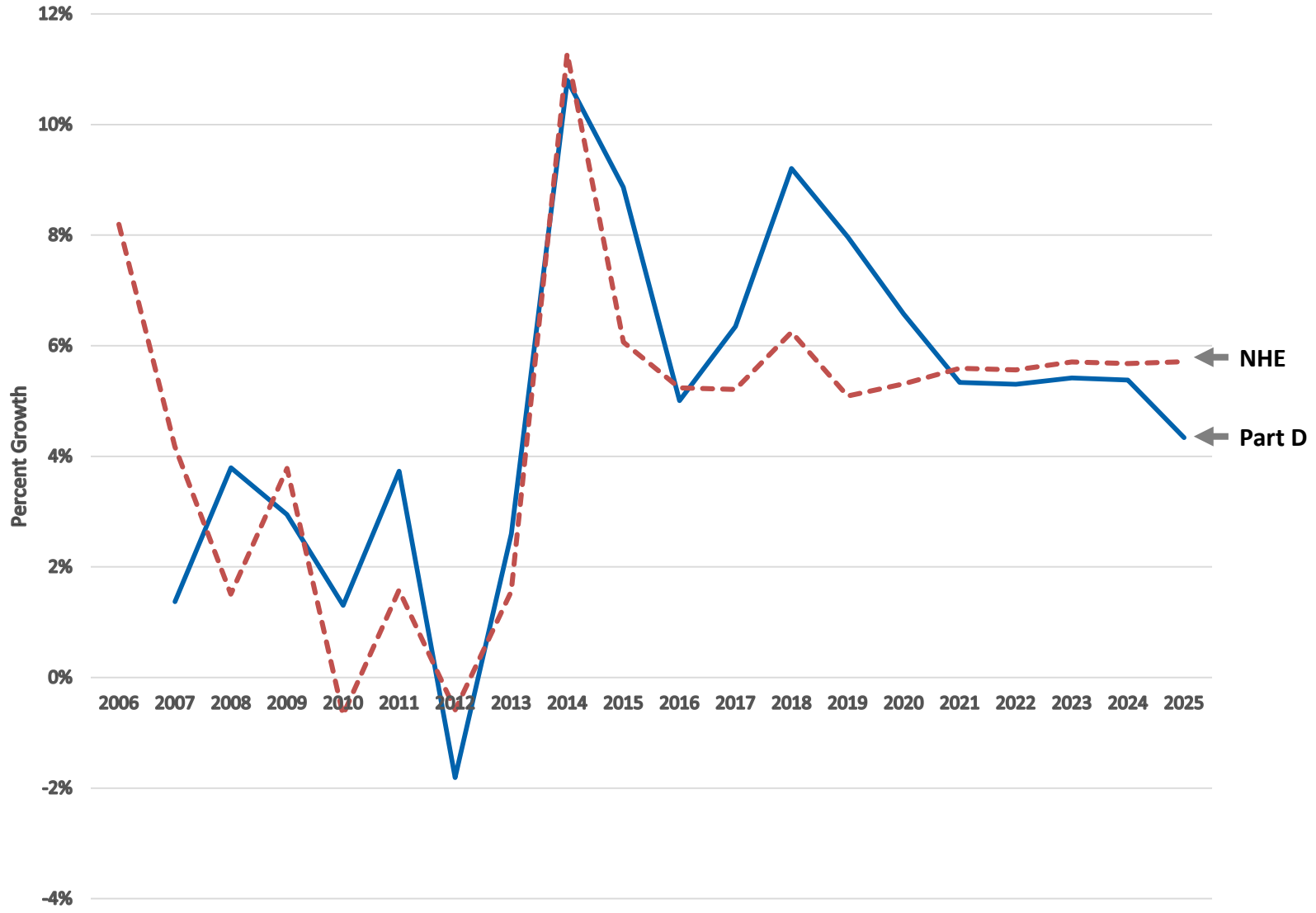
# Part D Micro Model

- Uses the PDE data
- Uses drug-specific and therapeutic-class-specific utilization and price data
- Projects the growth trend for each drug
- Considers the dynamics between brand-name and generic drug competition w.r.t. the patent expiration
- Incorporates any known market information for a specific drug

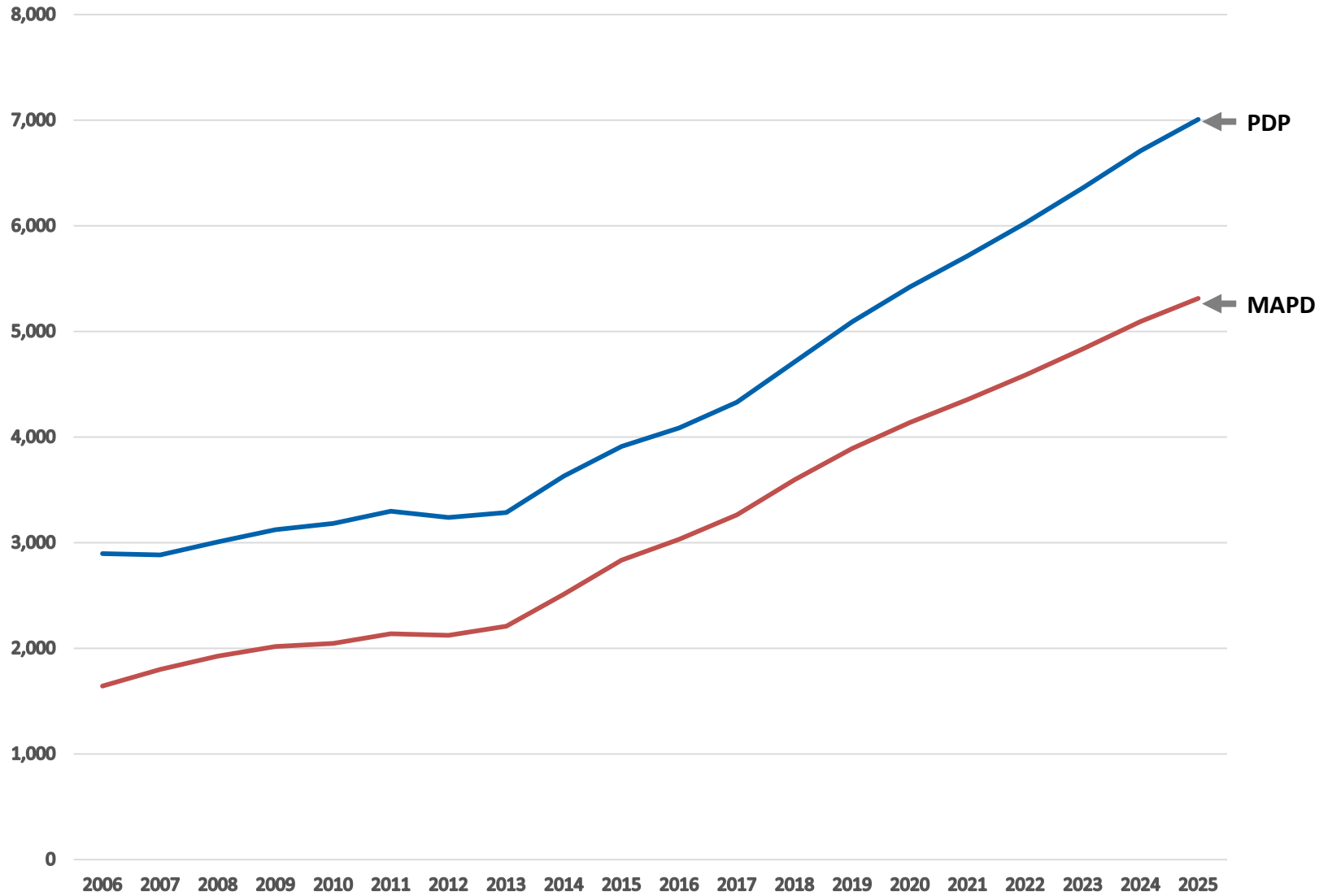
## Part D Trend (cont.)

- Short-run trend is transitioned to NHE projections from years 4 to 6.
- Due to enrollment mix change and legislation, the final trend assumptions used in Part D projection could be slightly different, as illustrated in years 2021-2025 in the following chart.
- A new policy will carve out certain ESRD drugs to Part B in 2025 and cause a drop in Part D trend.

# Trend Comparison

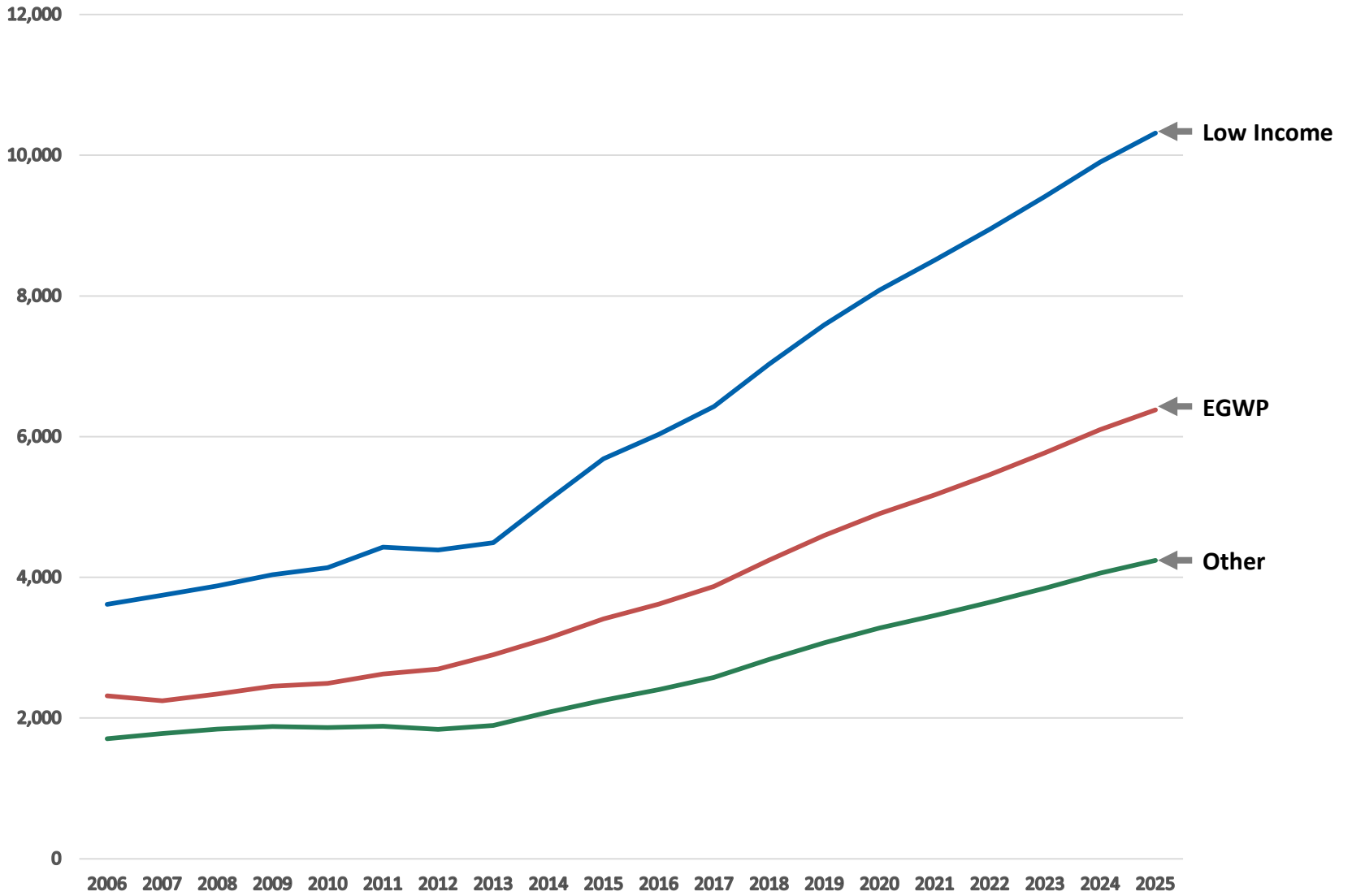


# Per Capita Cost by Plan Type

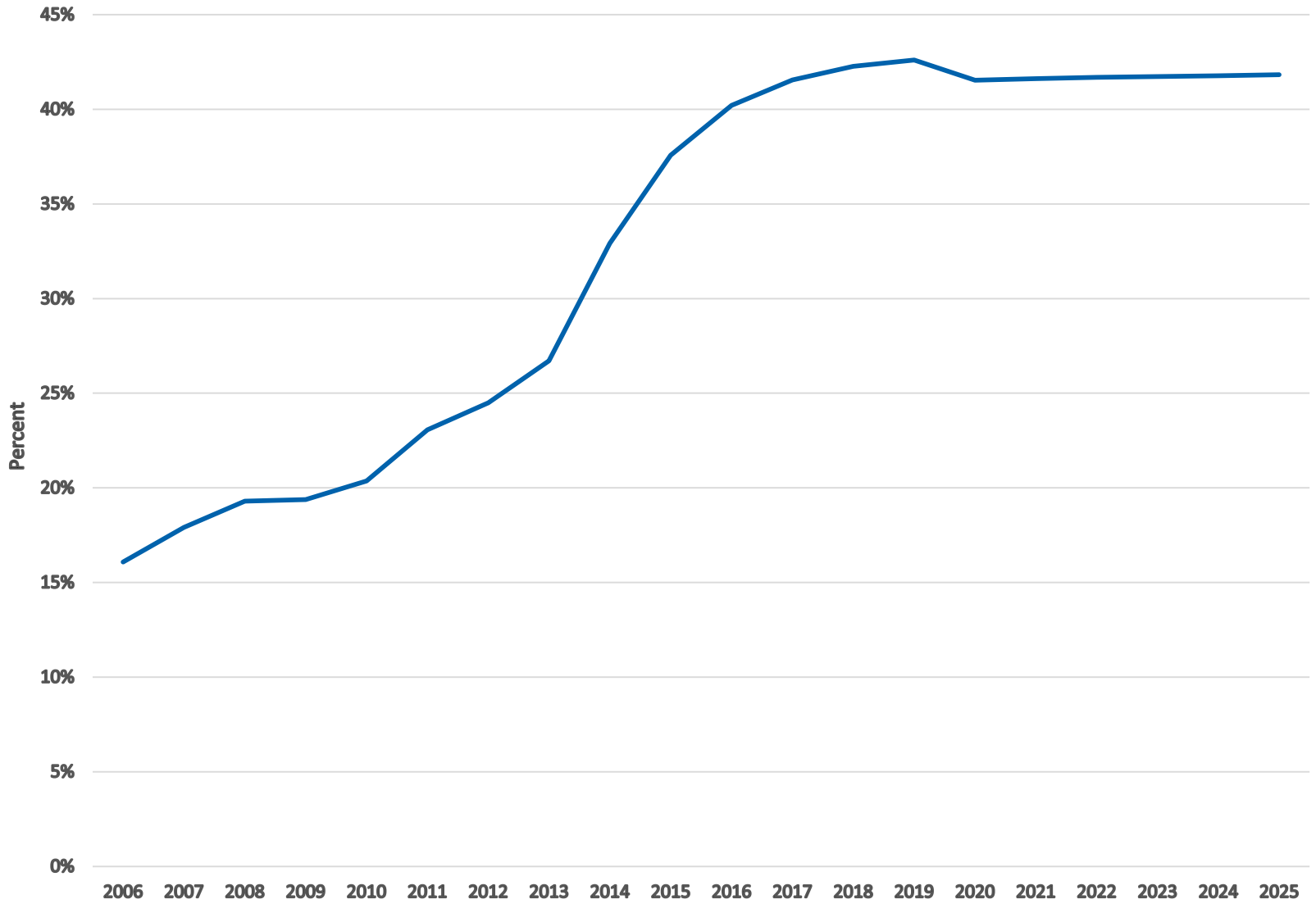




### Per Capita Cost by Beneficiary Type



## Share of Catastrophic Spending



## Rebate as a Percentage of Total Drug Cost

