Mitigating out-of-pocket costs for prescription drugs: Supplement brief on exempting insulin from the deductible

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Milliman

Milliman was engaged by Eli Lilly and Company to evaluate potential approaches to reduce patient cost sharing on insulins through insurance benefit design changes. Our full research report plus additional supplemental material is available publically. This document represents a brief overview of one of the approaches: insulins exempt from the deductible. The reader is encouraged to refer to the more comprehensive material.

CONCEPT:

Insulin would be exempt from the deductible for patients in high deductible health plans. This means that before a patient has met their deductible, they would pay a flat copay or coinsurance percentage for insulin prescriptions. This is in contrast to the status quo, where patients would pay full cost for their insulin prescriptions before they met their deductible. This could create a lower and more predictable out-of-pocket expense for a patient's insulin during the year.

HOW WAS IT MODELED:

Actuaries use algorithms to simulate the impact changes in benefit design would have on actual plan experience. For this research, we used the calendar year 2013 Truven Commercial Claims and Encounters data, which has detailed claims experience for approximately 3.1 million members with integrated high deductible health plan coverage. We restated the plan experience to simulate a benefit design where patients pay a copay or coinsurance for insulin prescriptions that occurred in the deductible phase. All other plan benefit design features were maintained.

TERMINOLOGY

Copay Cost sharing for a service that is a fixed dollar amount

Coinsurance Cost sharing for a service that is a percentage of the amount the provider will be paid

Deductible The out-of-pocket amount a member must spend before the health plan pays any portion of the medical or pharmacy expenses. (Note that preventive services may have no cost sharing.)

HDHP For the purposes of this analysis an integrated high deductible health plan was defined as a plan that had at least a $1,250 deductible requirement that applied to both medical and pharmacy services.

Out-of-Pocket Maximum The maximum amount a member has to pay out-of-pocket during the plan year. After the member has paid this amount, the health plan pays the total cost of all covered services. (Note that out-of-pocket amounts for out-of-network services may not fully accumulate towards the out-of-pocket maximum.)

Premium The term premium is used in this document to represent the plan paid amounts plus the administrative expenses. The members may only pay a portion of the total premium, with the rest funded by the employer plan sponsor.

THE CONCEPTUAL EFFECTS:

Patients who used insulin in the deductible:

- Would have lower out-of-pocket costs on insulin prescriptions in the deductible.
- Would still incur high out-of-pocket costs on other prescriptions or services until the deductible has been met.
- May have lower annual out-of-pocket costs if they did not reach their out-of-pocket maximum
- May have no change in annual out-of-pocket costs if they exceed their out-of-pocket maximum.

Patients who fill more insulin prescriptions in the deductible would experience a larger benefit from this proposed approach. Members who did not use insulin would not have a change in their experience or annual out-of-pocket cost.

OBSERVATIONS FROM THE ANALYSIS:

The impact of exempting insulin from the deductible would vary based on the number of insulin users enrolled in the high deductible health plan and the rate at which those users fill prescriptions in the deductible. A high-level summary of the estimates based on our analysis are provided below:

- The average reduction in out-of-pocket cost associated with insulin prescriptions filled in the deductible was more than $600 per year.
- The average reduction in annual out-of-pocket costs for members who had lower total costs was approximately $560.

Individual plan experience and member experience will differ from these estimates.

THE COST TO PROVIDE THE BENEFIT:

Providing out-of-pocket cost relief to members who use insulin increases the total cost to the high deductible health plan. Our analysis found that the increase in cost would be approximately 70-95 cents per member per year. This cost could be shared among plan members in the form of higher premium (or contribution) levels. The cost could be absorbed by the plan sponsor, in the form of a higher medical loss ratio. These estimates do not include assumptions about changes in medical cost as a result of lowering insulin out-of-pocket costs.

CAVEATS:

Plan sponsors should perform their own analysis or consult an expert before implementing any benefit design change. The experience for any plan sponsor will depend on the prevalence of insulin users and patient specific utilization patterns. The benefit for any patient will depend on their benefit design and the number of insulin prescriptions filled in the deductible. The estimates reflect the prevalence and utilization patterns reflective of the study population. If more insulin-using patients enrolled in the health plan or if more insulin prescriptions were filled in the deductible, the cost to fund this benefit would be higher.

FOR MORE INFORMATION

Read the full analysis at [weblink]
Read the original paper at [weblink]