Understanding the Part D Spending Dynamics of Heart Failure Patients

Commissioned by Novartis Pharmaceuticals Corporation

Milliman

May 2019

About one in seven Medicare beneficiaries is diagnosed with heart failure (HF), with two thirds of them presenting five or more comorbidities[1]. These beneficiaries incurred an average of $30,000 in medical (Parts A and B) spending in 2017[2]. This paper examines the pharmacy (Part D) spending of Medicare patients with HF.

The peculiar Part D benefit design, with its four phases (deductible, initial coverage phase, coverage "gap", and catastrophic), leads to the portions of spending attributable to the different stakeholders varying dramatically depending on the beneficiary's annual spending. Part D spending by HF patients is higher than for other patients due to their condition and related comorbidities, and they are therefore more likely to reach the coverage gap and catastrophic spending zones than the average Part D beneficiary.

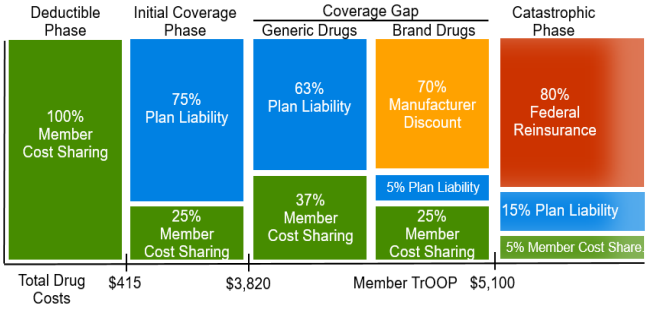
STRUCTURE OF THE PART D BENEFIT

The Part D benefit spreads costs among the following stakeholders:

- The plan, which receives subsidies from CMS and member premiums,
- The patient, in the form of premiums, deductibles, and copays/coinsurance,
- The pharmaceutical manufacturer, through discounts to non-low income subsidy (LIS) beneficiaries in the coverage gap, and
- The federal government, in the form of direct subsidies to plans, premium and cost sharing subsidies for LIS eligible beneficiaries, and reinsurance.

How much each of these stakeholders pays for a Part D script is determined by the beneficiary's prior spending on covered medications for the year (both out-of-pocket and total expenses) and the beneficiary's income level. Cost sharing for a script varies depending on which coverage zone the patient is in at the time the script is filled, and is mostly subsidized for beneficiaries eligible for LIS. The standard 2019 Part D coverage zones are shown in Figure 1.

FIGURE 1: 2019 PART D STANDARD BENEFITS FOR NON-LIS BENEFICIARIES[3]

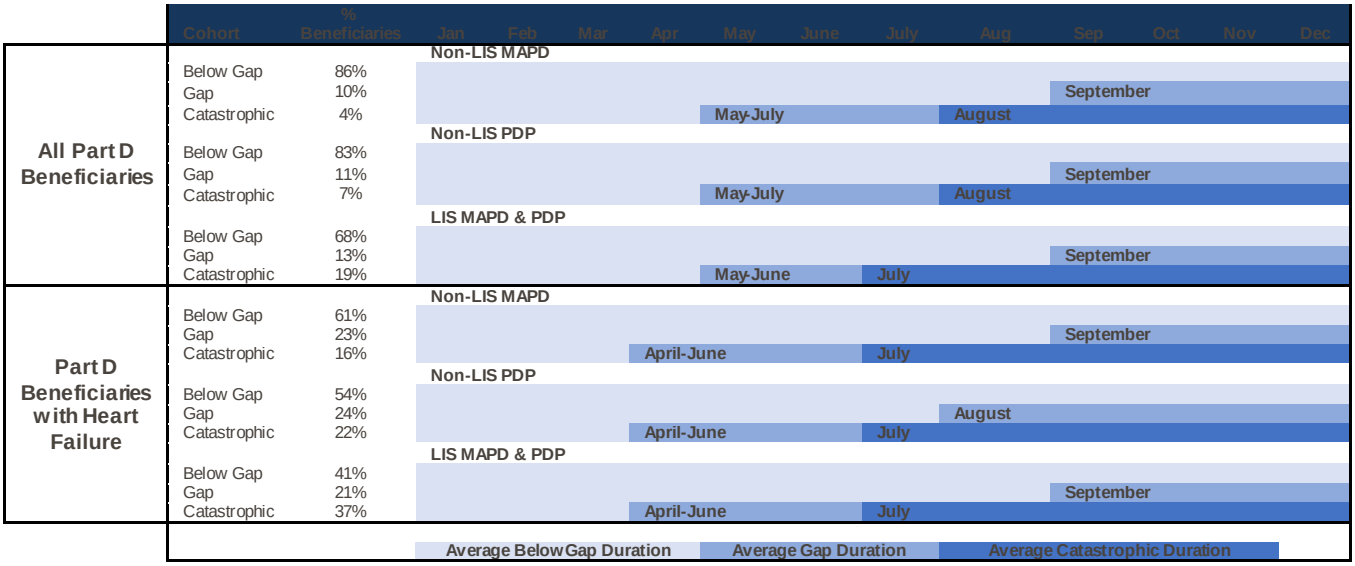


We analyzed the pharmacy spend for HF patients and compared it to the average Part D member. Then, we estimated how often, and when, these beneficiaries reach the gap and catastrophic coverage phases. Figure 2 shows our estimates for 2019.

IMPACT OF PART D STRUCTURE ON HEART FAILURE PATIENTS

As shown in Figure 2, HF patients are more likely to reach the coverage gap and catastrophic zones than the average Part D member. In other words, more HF patients have high spending than the average Part D beneficiary. Among non-LIS HF patients, those with stand-alone Part D (PDP) coverage are more likely to reach the catastrophic zone (22%) than those with integrated medical and pharmacy Medicare Advantage (MAPD) coverage (16%). Additionally, more LIS beneficiaries with HF reach the coverage gap and catastrophic zones (58%) than non-LIS (39% to 46%). Approximately 37% of LIS HF patients will accumulate enough nominal out of pocket expenses to exit the gap and enter the catastrophic zone, although cost sharing LIS cover most of the patient's cost sharing.

FIGURE 2: PORTION OF PART D BENEFICIARIES REACHING THE GAP AND CATASTROPHIC COVERAGE ZONES – PROJECTED 2019[4]



FUTURE KNOWN AND POTENTIAL PART D CHANGES

Beginning in 2020, the Part D plan design will experience a "TrOOP cliff" due to a change in the methodology for the determination of the true out-of-pocket (TrOOP) amount. This will cause the TrOOP threshold to increase from $5,100 in 2019 to $6,350 in 2020, causing beneficiaries to stay longer in the coverage gap and delaying their entry into the catastrophic phase. This significant change in the TrOOP amount makes it more likely the distributions above will see more substantive changes from 2019 to 2020 than in prior years.

Additionally, in January 2019, the Department of Health and Human Services' (HHS) issued a proposed rule that would require Part D rebates be reflected at the point-of-sale. If this rule is finalized, beneficiaries may see lower out of pocket costs for certain brands, which may make them less likely to reach the coverage gap and catastrophic phases. It will also potentially shift the dynamics among the beneficiaries, government, pharmaceutical manufacturers, and Part D plan sponsors.

METHODOLOGY AND DATA SOURCES

We analyzed the expenditures of Medicare beneficiaries with individual Part D coverage in Milliman's proprietary databases, and trended their Part D spending to 2019. Patients with HF were identified using a medication marker. We created claims probability distributions of Part D spending for HF and all Part D beneficiaries, separately for non-LIS beneficiaries in MAPDs and PDPs coverage, and for all LIS beneficiaries. We used these distributions to estimate the portion of patients reaching the gap and catastrophic coverage zones, along with the average time spent in each zone.

CAVEATS

These results represent national averages. Results for any particular plan may vary substantially from those presented here due to demographics, local practice patterns, and other factors. Certain types of benefit programs, such as the employer group waiver plans (EGWPs), can create different dynamics.

This report was commissioned by Novartis Pharmaceuticals Corporation. The findings reflect the research of the authors. Milliman does not endorse any product or organization.

CONTACT

If you have any questions or comments on this paper, please contact:

Gabriela Dieguez
Gabriela.Dieguez@milliman.com

Amy Kwong
Amy.Kwong@milliman.com

Jared Hirsch
Jared.Hirsch@milliman.com

Melissa Caplen
Melissa.Caplen@milliman.com

Dieguez and Kwong are members of the American Academy of Actuaries and meet its qualification requirements to issue this report.

[1] Centers for Medicare and Medicaid Services. Chronic conditions among Medicare beneficiaries. https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/chronic-conditions/chartbook_charts.html. Chartbook: 2017 Edition. Published 2017. Accessed May 17, 2019.

[2] Centers for Medicare and Medicaid Services. Chronic conditions prevalence and Medicare utilization and spending. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Chronic-Conditions/CC_Main.html. 2017 Edition. Published 2017. Accessed May 17, 2019.

[3] An overview of the Medicare Part D prescription drug benefit. Kaiser Family Foundation website. https://www.kff.org/medicare/fact-sheet/an-overview-of-the-medicare-part-d-prescription-drug-benefit/. Published October 12, 2018. Accessed May 17, 2019.

[4] Data on file. A real world analysis of Entresto patients in Part D, Milliman. Data from January through December 2018. Novartis Pharmaceuticals Corporation May 7, 2019.