New Medicare reforms are law – what’s next?

The timeline and impact of six key Medicare reforms

October 13, 2022
Meet the presenter

Amy Niles
Chief Advocacy and Engagement Officer
PAN Foundation

• Oversees PAN's relations and partnerships with the patient advocacy community and leads public policy and advocacy initiatives

• 100+ meetings on Capitol Hill advocating for affordability

• Featured in TIME Magazine, Huffington Post, and more addressing the urgent need for improved access to affordable treatment for people on Medicare
Today's agenda

• A brief overview of Medicare

• Medicare reforms passed through the Inflation Reduction Act
  • Vaccines without co-pays
  • Insulin co-pays capped at $35/month
  • Extra Help expansion
  • Elimination of 5% coinsurance in the catastrophic phase
  • Annual cap on out-of-pocket costs
  • Monthly limits on out-of-pocket costs

• Answering your questions
A brief history of the Medicare program (and challenges we have faced)
Medicare timeline

1965
- Federal health insurance program called Medicare established for people over the age of 65

1972
- Medicare expands to cover people under the age of 65 who live with a long-term disability
Medicare timeline

1965

1972

1980s

2006

1980s
• Rise in innovation and specialty drugs; out-of-pocket medication costs begin to increase

2006
• Medicare Part D created, providing coverage for outpatient prescription drugs
48.9 million out of the 62 million people covered by Medicare were enrolled in Medicare Part D plans in 2021.
# The Medicare alphabet

<table>
<thead>
<tr>
<th>Part A</th>
<th>Part B</th>
<th>Part C</th>
<th>Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital insurance</td>
<td>Medical insurance</td>
<td>Medicare Advantage</td>
<td>Prescription coverage</td>
</tr>
<tr>
<td>• Inpatient hospital stays</td>
<td>• Certain doctor's services</td>
<td>• Covers benefits included with Original Medicare</td>
<td>• Prescription drugs</td>
</tr>
<tr>
<td>• Care in a skilled nursing facility</td>
<td>• Outpatient care</td>
<td>• Sometimes covers: dental care, vision benefits, over-the-counter items, etc.</td>
<td>• Part D plans are offered by private companies approved by Medicare</td>
</tr>
<tr>
<td>• Hospice care</td>
<td>• Lab tests</td>
<td>• May include prescription drug benefits</td>
<td></td>
</tr>
<tr>
<td>• Some health care</td>
<td>• Medical equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• It does not cover regular doctor visits or prescription drugs</td>
<td>• Preventative services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
About people with Medicare

- More than 10,000 people age into Medicare every day
- 8 out of 10 older adults live with at least one chronic condition
- More than half of all people with Medicare insurance have an annual income below $30,000 (per person)
- 6 out of 10 older adults live with at least two chronic conditions
When out-of-pocket costs are too high...

Too many people walk away from the pharmacy counter

- Studies show that 4 out of 10 people will abandon their prescriptions when out-of-pocket costs increase to $125

- Between 2017 and 2020, one study found that 3.27% of prescriptions were never picked up
  - That's between 100 and 200 million prescriptions left at the pharmacy counter every year
The impact of high out-of-pocket costs

• Annually, this medication non-adherence contributes to nearly $300 billion in annual avoidable healthcare costs and 125,000 potentially avoidable deaths

• 1 out of 3 people have abandoned their medications

Other unfortunate scenarios also occur
• Cut pills in half
• Skip doses
Americans are concerned about the cost of prescription drugs

83% of adults think the cost of prescription drugs is unreasonable

29% say in the last year, they have not taken prescription medicines as directed because of cost

26% of adults say it is very difficult for them to afford to pay for their prescription drugs

Source: KFF, “Public Opinion on Prescription Drugs and Their Prices,” April 2022.
But hope is on the horizon
Historic Medicare reforms
Timeline for Medicare reforms

2023

1. Vaccines without co-pays
2. Insulin co-pays limited to $35/month

2024

1. Giving more people “Extra Help”
2. Elimination of 5% coinsurance for catastrophic phase

2025

1. A $2,000 annual cap on prescription costs
2. Monthly payments that can “smooth” yearly out-of-pocket costs for prescription medications
2023

- No co-pays for vaccines
- Insulin co-pays capped at $35 per month
### Vaccine coverage under Medicare

<table>
<thead>
<tr>
<th>Type of vaccine</th>
<th>Covered by Medicare Part B?</th>
<th>Covered by Medicare Advantage and Medicare Part D?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken pox (varicella)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>COVID-19</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Flu</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Hepatitis A (when medically necessary)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Hepatitis B (if at increased risk)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Measles, mumps, rubella (MMR)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Meningococcal (meningitis)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Pneumococcal (pneumonia)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Shingles/herpes zoster</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Tetanus (if needed)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Tdap (tetanus, diphtheria, and pertussis [also called whooping cough])</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Rabies (if needed)</td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>
What you need to know:
no co-pays for vaccines

Before reforms:
• Some co-pays for vaccines in Medicare Part D, such as for shingles.
• In 2019, cost per dose for the shingles vaccine varied across plans: $60 - $167.
  • Two doses are required ($120 - $320 total)

After reforms:
• On January 1, 2023, people with Medicare Part D will pay zero co-pays for vaccines that are recommended by the Advisory Committee on Immunization Practices.
What you need to know: **insulin co-pays capped at $35/month**

**Before reforms:**
- Each year, people with Medicare Part D insurance have spent $1 billion on out-of-pocket costs for insulin.

**After reforms:**
- On January 1, 2023, people with Medicare will pay no more than $35 per month for their insulin products – included under Part D and Part B.
- No deductibles will apply.
- Plans are not required to cover all insulin products, but the products they cover will be capped at $35/month.
2024

- Expanded eligibility for the federal Low-Income Subsidy, or Extra Help program
- Elimination of 5% coinsurance in the catastrophic phase
What you need to know:

Low-Income Subsidy or “Extra Help” program

Before reforms:
• In 2022, 12.8 million Part D enrollees (26% of all Part D enrollees) received premium and cost-sharing assistance through the Part D Low-Income Subsidy (LIS) program.

After reforms:
• On January 1, 2024, more people will be eligible to qualify for this assistance.
Current law:

- People under 135% of federal poverty level (FPL) and lower resources are eligible for maximum or "full" assistance.

- People between 135% and 150% and higher resources are eligible for some ("partial") assistance.

<table>
<thead>
<tr>
<th>Household size</th>
<th>135% of FPL</th>
<th>150% of FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>One person</td>
<td>$18,346.50</td>
<td>$20,385.00</td>
</tr>
<tr>
<td>Two people</td>
<td>$24,718.50</td>
<td>$27,465.00</td>
</tr>
</tbody>
</table>

2022 federal poverty levels (FPLs); source: Healthcare.gov

On January 1, 2024, eligibility for maximum assistance is expanded to people living up to 150% of FPL and higher resources.
Changes to Medicare Part D for brand-name drug costs

**Current law: 2023**
- Deductible: 100%
- Initial coverage: 75%
- Coverage gap: 25%
- Catastrophic coverage: 15%
- Out-of-pocket spending threshold: ~$3,100

**Inflation Reduction Act**
- Deductible: 100%
- Initial coverage: 75%
- Coverage gap: 25%
- Catastrophic coverage: 20%
- Out-of-pocket spending threshold: -$3,250

- Deductible: 100%
- Initial coverage: 75%
- Coverage gap: 25%
- Catastrophic coverage: 20%
- Out-of-pocket spending cap: -$2,000

Share of brand-name drug costs paid by:
- **Enrollees**
- **Part D Plans**
- **Drug manufacturers**
- **Medicare**
Recap: lowering out-of-pocket costs 2023-2025

• **2023** – no changes

• **2024** – 5% coinsurance eliminated, meaning on average people will spend no more than $3,250 out of pocket annually

• **2025** – $2,000 annual cap on out-of-pocket costs
$2,000 annual cap on out-of-pocket spending for people with Medicare Part D

Option for monthly payments to smooth out total out-of-pocket responsibility throughout the year, with an overall monthly maximum

You must opt-in to smoothing!
2023: Distribution of $12,000 in out-of-pocket costs

- January: $3,100
- February: $809
- March: $809
- April: $809
- May: $809
- June: $809
- July: $809
- August: $809
- September: $809
- October: $809
- November: $809
- December: $809
2025: Monthly OOP costs, $12,000 annually, smoothed across 12 months of treatment
Medicare Part D premiums

For the period of 2024 to 2030, increases in Medicare Part D premiums will not exceed 6% each year.
What you need to know: option for monthly payments to “smooth” out-of-pocket spending

Before reforms:
• People with Medicare insurance spend the most in January, after their deductibles reset.

• Some people, especially those needing specialty medications, could face a bill for thousands of dollars at the pharmacy counter.

After reforms:
• Beginning on January 1, 2025, people with Medicare Part D will have the option to pay for their out-of-pocket prescription costs in monthly installments, with a monthly limit on spending.
Key takeaways

- Two important changes take effect in a few months
  - No co-pays for vaccines
  - Monthly $35 cap on insulin

- Annual limit on out-of-pocket costs is coming
  - Relief starts in 2024
  - $2,000 annual limit in 2025 + smoothing

- $2,000 out-of-pocket is still a lot of money for many

- The PAN Foundation is here to help with your out-of-pocket prescription costs
Key takeaways

• Your Medicare Part D plan should be providing updates as they become effective

• We will email you a:
  • Recording of this presentation
  • Copy of the slides we shared today
  • Few extra resources, including a printable graphic so you can keep track of when these changes will take place

• Want to stay up-to-date on these changes? Need help paying for your prescriptions? Visit our website: panfoundation.org

• Medicare enrollment or changes to plans you are already enrolled in can be made during the Open Enrollment Period: October 15 – December 7
  • These Medicare reforms will not affect open enrollment
Meet the guests

George Valentine
PAN Foundation grant recipient and patient advocate

Joan Durnell Powell
PAN Foundation grant recipient and patient advocate
Questions
Frequently asked question: Why are these changes taking so long to take effect?

• It has taken at least 10 years to convince Congress that changes to the Medicare program were needed.

• We are grateful that these important health provisions are finally enacted.

• We know that CMS likely needs time to figure out how implementation will work behind the scenes.
Frequently asked question:

**Will I be alerted before each change takes effect?**

- You should receive information from Medicare and your Part D plans about these provisions before they go into effect.

- PAN will also be here along the way to continue to educate patients and providers about important timelines and next steps.
Frequently asked question:

**How will these changes affect my insurance?**

- These changes will not affect your current Medicare enrollment and should not impact your decisions around open enrollment.

- We encourage all of you to make sure you select plans that best match your current prescription and medical needs.
Frequently asked question:

Will this affect Medicare Part C drug costs?

- Medicare Part C relates to Medicare Advantage plans.
- The provisions apply to Medicare Advantage plans that have Prescription Drug Plans.
Frequently asked question:

Will these changes apply to all specialty tiers and medications? Are any drugs excluded from the Part D cap?

• These changes apply to all Part D plans and medications covered by the Medicare program, regardless of specialty tiers.

• The cap relates to one’s out-of-pocket costs, no drugs are excluded.
Frequently asked question:
Will I have to take a different medication to get these savings?

• You should not have to change medications in order to benefit from the Part D cap and smoothing.

• Ultimately, what medication is best for you is a decision between you and your health care provider.
Frequently asked question:

How will these changes affect a patient’s grant that they have with PAN?

• These changes will not affect grants for those currently receiving financial assistance from the PAN Foundation.

• If you are a provider, the process for enrolling patients in grants is not changing.

• We will continue to evaluate our programs and assistance amounts, and any future changes will be included on our website.
Frequently asked question:

**Did the Inflation Reduction Act include expansion of dental, vision, and hearing benefits for people on Medicare?**

- At PAN, we have long advocated for expansion of these benefits in the Medicare program. Unfortunately, it does not include expansion of coverage for these services.

- However, there is some good news related to hearing aids:
  - More affordable hearing aid options are about to become a reality, thanks to a new category of over-the-counter (OTC) hearing aids established by the U.S. Food and Drug Administration (FDA) in August 2022.
  - The average price of OTC hearing aids could be several thousand dollars cheaper than that of prescription hearing aids, and available in stores and online any day, without needing a hearing exam, prescription, or fitting appointment.
Frequently asked question:

I’m not quite of Medicare age, still on the exchanges. Is there anything in the Inflation Reduction Act relating to the ACA?

- In 2021, the American Rescue Plan Act temporarily lowered health care costs for most Marketplace consumers by increasing financial assistance based on income level.
- These enhanced premium subsidies have been extended through the end of 2025.
Frequently asked question:

**Getting prior authorization is such a problem, and it can have such a negative impact on patient care. Is anything being done about this?**

- The House of Representatives passed H.R. 3173 which is called “Improving Seniors’ Timely Access to Care Act” to establish requirements and standards relating to prior authorization for Medicare Advantage plans.

- H.R. 3173 has not been considered yet in the Senate, but the bill does have considerable support among Senators. It is possible that something could happen by end of year.
In addition to the Medicare reforms, the Inflation Reduction Act also addresses drug prices.

For the first time, the federal government will negotiate prices for some top-selling drugs covered under Medicare Part D, beginning in 2026, and Medicare Part B, starting in 2028.

Additionally, drug manufacturers, beginning in 2023, will be required to pay what’s called rebates, back to the federal government if drug prices in Part B and Part D increase faster than the rate of inflation.
Frequently asked question:

**Are there any disadvantages to these Medicare reforms?**

- As with any legislation there could be unintended consequences.

- But it is really too early to tell. We have to wait for implementation to see what the potential impacts could be.
Frequently asked question:

How can I get more information about these reforms if I still have questions?

PAN Foundation resources

• Visit www.panfoundation.org
• Email us at education@panfoundation.org

Other resources

• www.Medicare.gov or 1-800-MEDICARE (1-800-623-4227)
• National Council on Aging: www.ncoa.org
• State Health Insurance Assistance Program: www.shiphelp.org
Have questions?

Email us at education@panfoundation.org if you have questions or want more information about the Medicare health provisions discussed today.

Thank you!