Impacts of Medicare Part D reforms on patient behavior and medication adherence

Prepared for the PAN Foundation
What impact will these reforms have on patient affordability?

Avalere conducted an earlier analysis published in January 2023 (sponsored by PAN) exploring the potential effect of these reforms on affordability of Part D for beneficiaries. The analysis projected:

- More than **2.6 million** non-low-income subsidy Medicare beneficiaries will have out of pocket spending high enough to reach the new $2,000 annual out-of-pocket cap on prescription medications in 2025, the year it goes into effect.

- Almost **800,000** beneficiaries in 2024 and more than **200,000** beneficiaries in 2025 will spend more than 10 percent of their income on prescription medications each year.

Source: Avalere analysis, January 2023.
Avalere’s new model includes possible behavioral responses to redesign to assess effects on non-LIS patient affordability

Avalere modeled the impact of Part D benefit redesign for non-LIS beneficiaries taking medications across 8 therapeutic areas:

- Asthma and COPD
- Autoimmune
- Blood Thinners
- Cancer
- Diabetes (Non-Insulin)
- Eye Medications
- HIV
- Multiple Sclerosis

Unless otherwise noted, results demonstrate conservative assumptions for potential beneficiary utilization and plan formulary responses to the Part D reforms.

- **Beneficiary utilization increase** assumptions were based on historical utilization patterns and secondary literature
- **Plan formulary management responses** varied by therapeutic area and were based on a comparison of current plan formulary data and alternate management scenarios, informed by actuarial expertise

LIS: Low-Income Subsidy; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus
Part D redesign is estimated to reduce non-LIS beneficiary OOP costs across the therapeutic areas analyzed

Projected PMPY average non-LIS beneficiary OOP costs pre- vs. post-IRA, by TA, 2025

In a medium response scenario, OOP costs for non-insulin diabetes drugs and eye therapies are only about 3% lower post-IRA and increase by 4% for asthma/COPD medications and 19% for blood thinners.

LIS: Low-Income Subsidy; OOP: Out-of-Pocket; PMPY: Per-Member Per-Year; IRA: Inflation Reduction Act; TA: Therapeutic Area; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus
Source: Avalere analysis, October 2023.
The total number of 30-day scripts for drugs within analyzed TAs is projected to increase in 2025

Projected non-LIS per beneficiary 30-day scripts for drugs analyzed in selected TAs, pre- vs. post-IRA, 2025

While OOP costs for asthma/COPD and blood thinners are projected to increase post-IRA in the medium response scenario, 30-day script utilization for these drugs will also increase by 14% and 21%, respectively.
Large shares of lower-income patients taking autoimmune, HIV, and MS therapies are projected to have OOP of >10% of their income.

Non-LIS beneficiaries living in zip codes with average income of >150% to ≤300% FPL and with projected OOP costs of >10% of their estimated income by TA, 2025

<table>
<thead>
<tr>
<th>Therapeutic Area</th>
<th>Rate</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma and COPD</td>
<td>2.8%</td>
<td>47,260</td>
</tr>
<tr>
<td>Autoimmune</td>
<td>22.4%</td>
<td>4,199</td>
</tr>
<tr>
<td>Blood Thinners</td>
<td>3.2%</td>
<td>47,527</td>
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<tr>
<td>Cancer</td>
<td>7.5%</td>
<td>15,998</td>
</tr>
<tr>
<td>Diabetes (Non-Insulin)</td>
<td>2.2%</td>
<td>53,637</td>
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<tr>
<td>Eye Medications</td>
<td>1.9%</td>
<td>23,544</td>
</tr>
<tr>
<td>HIV</td>
<td>22.2%</td>
<td>4,258</td>
</tr>
<tr>
<td>Multiple Sclerosis</td>
<td>18.2%</td>
<td>1,248</td>
</tr>
</tbody>
</table>

Across all income levels, about 230,000 beneficiaries in the low response scenario vs. almost 600,000 in the medium scenario are projected to have OOP in 2025 that represents >10% of their income in the 8 analyzed TAs.

HIV: Human Immunodeficiency Virus; MS: Multiple Sclerosis; OOP: Out-of-Pocket; LIS: Low-Income Subsidy; FPL: Federal Poverty Level; TA: Therapeutic Area; COPD: Chronic Obstructive Pulmonary Disease

Source: Avalere analysis, October 2023.
A greater share of Black and Native American beneficiaries taking autoimmune medications could have OOP >10% of their income

Estimated share of non-LIS beneficiaries taking an autoimmune therapy by race/ethnicity, 2025

Source: Avalere analysis, October 2023.

All Part D beneficiaries taking an autoimmune therapy

- White: 87%
- Black: 6%
- Asian: 4%
- Native American: 2%
- Hispanic: 1%
- Other or Unknown: 1%

N=76,322

Subset with projected OOP costs of >10% of income

- White: 79%
- Black: 11%
- Asian: 5%
- Native American: 2%
- Hispanic: 3%
- Other or Unknown: 11%

N=5,454

OOP: Out-of-Pocket; LIS: Low-Income Subsidy
Source: Avalere analysis, October 2023.
Almost 140,000 non-LIS beneficiaries across the TAs analyzed may face affordability challenges due to having high OOP late in the year.

Incurring high OOP costs late in the year will likely result in limited benefit from the MPPP.

Number of non-LIS beneficiaries projected to incur >$500 in OOP costs in a month in the last 3 months of the plan year, 2025

<table>
<thead>
<tr>
<th>Condition</th>
<th>Number of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asthma and COPD</td>
<td>28,807</td>
</tr>
<tr>
<td>Autoimmune</td>
<td>4,418</td>
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<tr>
<td>Blood Thinners</td>
<td>30,033</td>
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<tr>
<td>Cancer</td>
<td>17,370</td>
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<tr>
<td>Diabetes (Non-Insulin)</td>
<td>32,647</td>
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<tr>
<td>Eye Medications</td>
<td>21,155</td>
</tr>
<tr>
<td>HIV</td>
<td>1,877</td>
</tr>
<tr>
<td>Multiple Sclerosis</td>
<td>317</td>
</tr>
</tbody>
</table>

In the medium response scenario, more than half a million non-LIS beneficiaries are projected to have this level of OOP spending late in the plan year.

Note: Does not consider beneficiaries that may take drugs in multiple TAs. LIS: Low-Income Subsidy; TA: Therapeutic Area; OOP: Out-of-Pocket; MPPP: Medicare Prescription Payment Plan; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus. Source: Avalere analysis, October 2023.
While Part D reforms may reduce OOP costs, impacts on patient affordability look different when considering behavioral responses.

Reforms yield greater beneficiary adherence, with a 1%-10% increase in the number of scripts filled. In addition to increased adherence, the IRA changes are also expected to result in patients who are newly able to access treatments in these TAs—a theory under current analytic exploration.

OOP costs to decrease by ~25% (asthma/COPD, eye medications, blood thinners, and non-insulin diabetes drugs) to 60% or more (HIV, autoimmune, and MS drugs).

About 230,000 patients in these TAs would have OOP costs >10% of their annual income.

Almost 140,000 enrollees in the 8 analyzed TAs may not benefit from the MPPP.

Note: Data points highlighted reflect the low beneficiary and plan behavior response scenario unless otherwise noted.
OOP: Out-of-Pocket; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus; MS: Multiple Sclerosis; TA: Therapeutic Area; MPPP: Medicare Prescription Payment Plan.
Source: Avalere analysis, October 2023.