Monthly Out-Of-Pocket Cost Caps are Needed Under Medicare Part D to Improve Access to Specialty Drugs

PATIENT CASE STUDY

John Doe, a 73-year-old retired Medicare beneficiary, has been diagnosed with chronic myeloid leukemia, a form of blood cancer. The life-saving cancer medication prescribed to him is an oral specialty drug to be taken daily with an annual list price of $166,629. John's monthly income is barely enough to cover food, rent, and utilities. Unfortunately, his income is slightly above the qualifying threshold for the Medicare Part D Low-Income Subsidy program, and therefore he cannot benefit from lower out-of-pocket (OOP) costs.

With the current Medicare Part D "standard" benefit, John will pay thousands of dollars in out-of-pocket costs for his medication, starting with his deductible of $435, followed by 25% of the drug costs until he reaches the catastrophic phase, where he will pay 5% of drug costs with no limit until the end of the calendar year.

Annual list price for specialty medication

$166,629

Annual out-of-pocket cost

$10,602

Current Medicare Part D Benefit and Alternative Policy Solutions

POLICY SCENARIO	ANNUAL PART D OUT-OF-POCKET COST CAP	OUT-OF-POCKET COST SMOOTHING	POLICY STATUS
● Scenario 1: Current 2020 Medicare Part D standard benefit design	None	None	Active
● Scenario 2: $3,100 Annual OOP Cap, without smoothing[1]	$3,100[1]	None	Proposed to Congress
● Scenario 3: $2,000 Annual OOP Cap, without smoothing[1]	$2,000[2]	None	Proposed to Congress
● Scenario 4: $3,100 Annual OOP Cap, with smoothing[2]	$3,100[1]	Over 12 months[3]	Concept introduced to Congress
● Scenario 5: $2,000 Annual OOP Cap, with smoothing	$2,000[2]	Over 12 months[3]	Concept introduced to Congress
● Scenario 6: Income-based Annual OOP Cap with smoothing	$500 for income 135%-200% FPL $3,100 for income >200% FPL[4]	Over 12 months[3]	Not proposed to Congress

[1] Senate Finance Bill S. 2543 and House Republicans Bill H.R. 19 both proposed an annual Part D out-of-pocket cost cap of $3,100

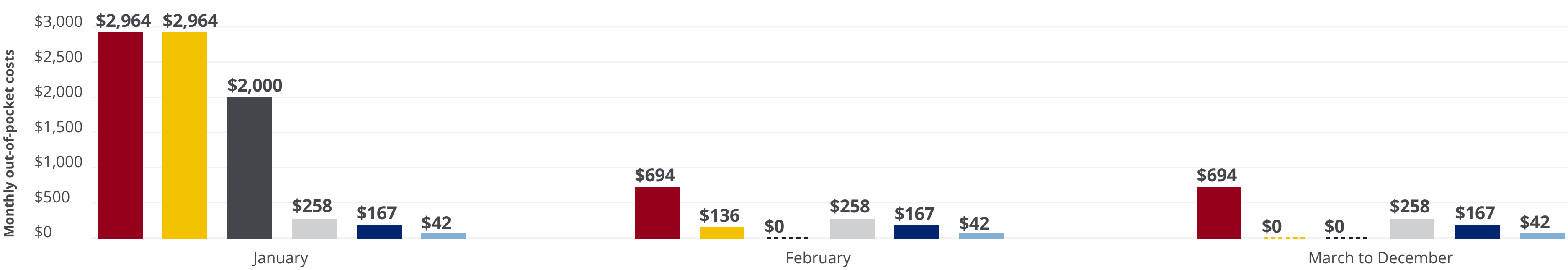
[2] House-passed Bill H.R. 3 proposed an annual Part D out-of-pocket cost cap of $2,000

[3] Presumes creation of monthly out-of-pocket costs caps via smoothing out of annual out-of-pocket cost cap evenly across 12 months as proposed in Doshi et al. "Reducing Out-of-Pocket Cost Barriers to Specialty Drug Use Under Medicare Part D: Addressing the Problem of 'Too Much Too Soon'." Am J Manag Care 23(3 Suppl):S39-S45, 2017; and Doshi et al. "High Cost Sharing and Specialty Drug Initiation Under Medicare Part D: A Case Study in Patients with Newly Diagnosed Chronic Myeloid Leukemia." Am J Manag Care 22(4, Suppl): S78-S86, 2016.

[4] Doshi, Li, and Ladage (2020) propose the idea of income-based annual out-of-pocket cost caps with smoothing with an example of $500 for income 135%-200% FPL and $3,100 for income >200% FPL

Monthly Out-of-Pocket Costs under Alternative Policy Solutions compared to Current Benefit

Monthly out-of-pocket costs for the life-saving cancer medication needed by John Doe under alternative scenarios compared to current benefit.



● **Scenario 1:** Current 2020 Medicare Part D standard benefit design

● **Scenario 2:** $3,100 Annual OOP Cap, without smoothing

● **Scenario 3:** $2,000 Annual OOP Cap, without smoothing

● **Scenario 4:** $3,100 Annual OOP Cap, with smoothing ($258 per month)

● **Scenario 5:** $2,000 Annual OOP Cap, with smoothing ($167 per month)

● **Scenario 6:** $500 Annual OOP Cap for income 135%-200% FPL, with smoothing ($42 per month)

Medication Abandonment Rates under Alternative Policy Solutions compared to Current Benefit

With high out-of-pocket costs in January when deductibles reset, abandonment rates for the life-saving cancer medication under alternative scenarios are evaluated.[5]

JANUARY OOP COSTS UNDER ALTERNATIVE SCENARIOS

$2,964
Scenario 1:
Current 2020 Medicare Part D standard benefit design

$2,964
Scenario 2:
$3,100 Annual OOP Cap, without smoothing

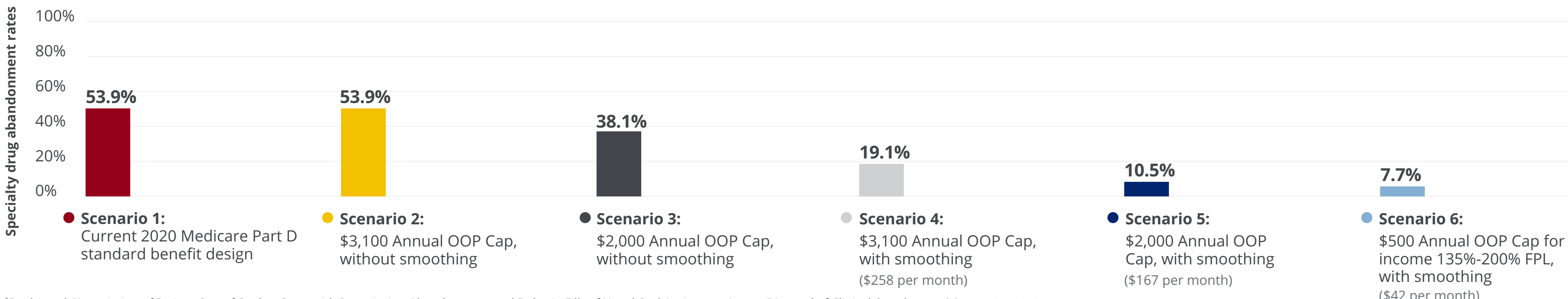
$2,000
Scenario 3:
$2,000 Annual OOP Cap, without smoothing

$258
Scenario 4:
$3,100 Annual OOP Cap, with smoothing

$167
Scenario 5:
$2,000 Annual OOP Cap, with smoothing

$42
Scenario 6:
$500 Annual OOP Cap for income 135%-200% FPL, with smoothing

SPECIALITY DRUG ABANDONMENT RATES UNDER ALTERNATIVE POLICY SOLUTIONS COMPARED TO CURRENT BENEFIT



[5]Doshi et al. "Association of Patient Out-of-Pocket Costs with Prescription Abandonment and Delay in Fills of Novel Oral Anticancer Agents." Journal of Clinical Oncology 36(5):476-482, 2018.

Conclusions and Recommendations

- **Under the existing 2020 Part D benefit, Medicare beneficiaries like John Doe face prohibitive annual out-of-pocket costs,** especially early on in the year, which likely leads to high rates of abandonment of critical specialty drugs.
- **An annual out-of-pocket cost cap alone, whether $2,000 or $3,100, will not alleviate the high financial burden faced by patients early in the year,** nor reduce their likelihood of abandoning needed specialty drugs.
- **Smoothing annual out-of-pocket costs uniformly across the year is a more effective solution than just having an annual cap.** Smoothing addresses the burden of high out-of-pocket costs early in the year and improves access to specialty drugs.
- **The most effective and equitable option applies different annual cost caps based on income, and smooths these costs over 12 months.** This reduces the out-of-pocket cost burden while lowering abandonment rates for critical specialty drugs, especially for lower-income Medicare patients like John Doe who do not qualify for cost sharing subsidies under Part D.

Read more about the impact of the proposed policies. Research was conducted by Jalpa A. Doshi, PhD; Pengxiang Li, PhD; and Vrushabh P. Ladage, MHCI at the University of Pennsylvania Perelman School of Medicine and Leonard Davis Institute of Health Economics. The research was made possible by a grant from the Patient Access Network (PAN) Foundation. September 2020.

Photography Credit: Smiling older man sitting in library with college materials by Jacob Lund from Noun Project