

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

Prepared for the PAN Foundation

Analysis source: Avalere. November 2023.



What impact will these reforms have on patient affordability?

Avalere conducted an earlier analysis published in January 2023 (sponsored by the PAN Foundation) 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.

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:



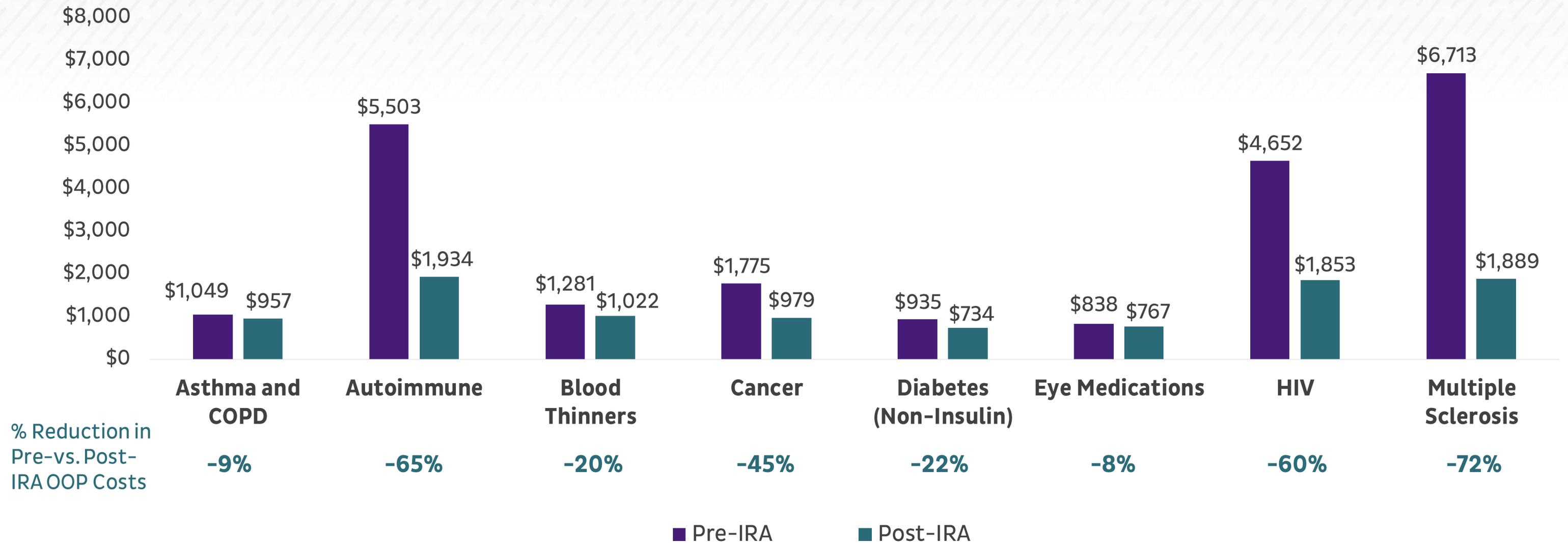
Unless otherwise noted, results demonstrate conservative assumptions for potential beneficiary utilization and plan formulary responses to the Part D reforms.

- **Beneficiary utilization increase assumptions** were based on historical utilization patterns. Avalere's October 2023 analysis assessed utilization increases based on higher adherence for drugs within each TA. This updated analysis incorporates additional utilization for beneficiaries expected to newly start therapy within the TAs analyzed.
- **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

*Includes breast, chronic lymphocytic leukemia, and prostate cancer.
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



Note: New therapy starts not incorporated for cancer or diabetes estimates.

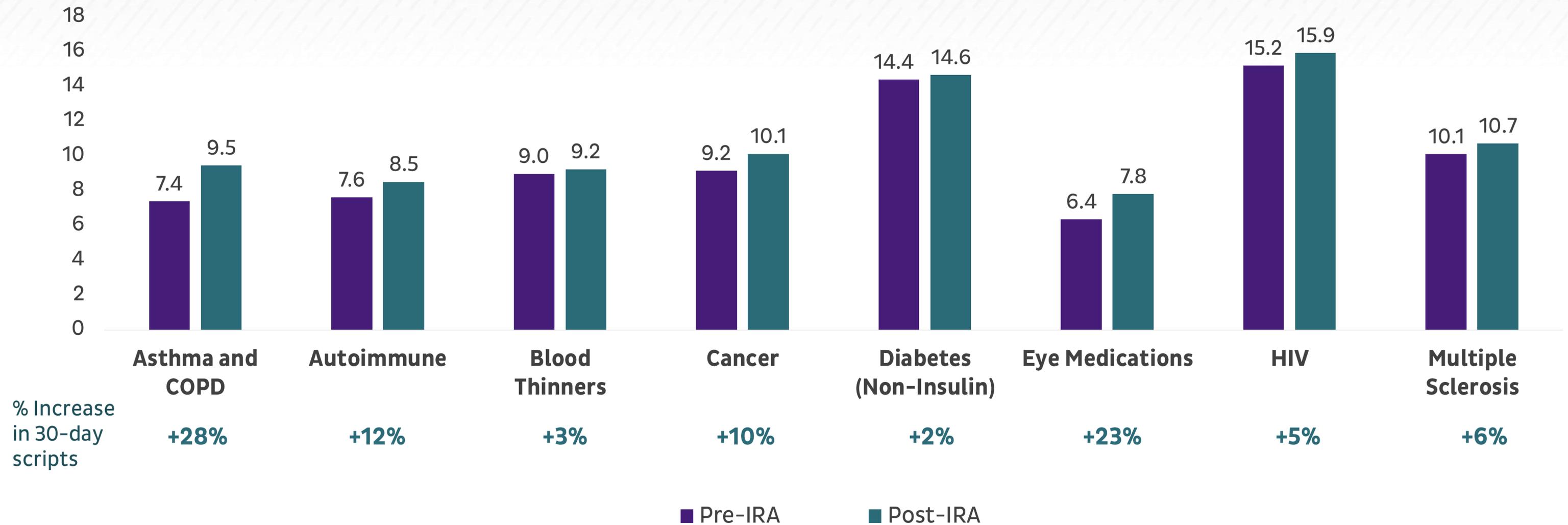
LIS: Low-Income Subsidy; OOP: Out-of-Pocket; PMPY: Per-Member Per-Year; IRA: Inflation Reduction Act; TA: Therapeutic Area; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus

Source: Avalere analysis, updated November 2023.



The 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



Note: New therapy starts not incorporated for cancer or diabetes estimates.

TA: Therapeutic Area; LIS: Low-Income Subsidy; IRA: Inflation Reduction Act; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus

Source: Avalere analysis, updated November 2023.



Part D redesign is estimated to increase the number of beneficiaries newly starting therapy in select TAs analyzed

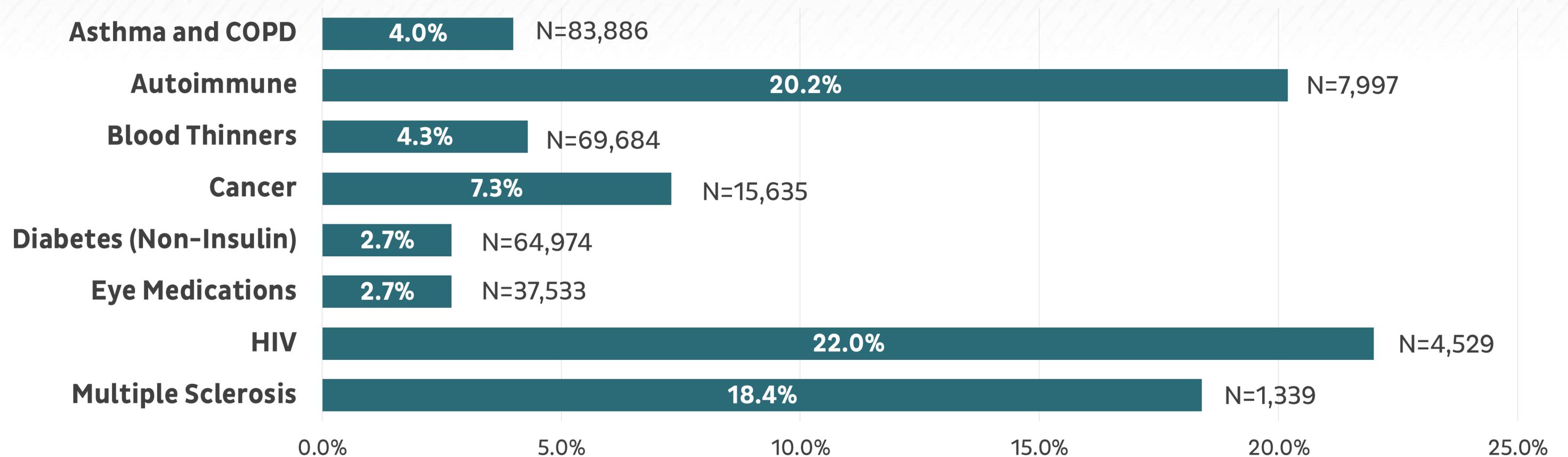
Estimated number of existing and new users, non-LIS beneficiaries, by TA, 2025

	Existing Users	New Users	Percent Increase in Users
Asthma and COPD	4,467,890	1,042,889	23%
Autoimmune	76,322	65,326	86%
Blood Thinners	4,229,407	311,040	7%
Cancer	650,739	- *	-
Diabetes (Non-Insulin)	5,922,405	- *	-
Eye Medications	3,834,235	304,764	8%
HIV	57,235	4,293	8%
Multiple Sclerosis	21,500	1,355	6%

*For non-insulin diabetes drugs, Avalere analyses of changes in medication utilization among Medicare enrollees showed switches in medication within the TA rather than patients newly starting therapy. For the cancer types analyzed, analyses found increased adherence but no change in new starts. As such, both diabetes and cancer were assumed to not have changes in new users from Part D redesign in this analysis.

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 between 150% and 300% of the FPL who have projected OOP costs of >10% of their estimated income by TA, 2025



Across all income levels, there are about 182,000 unique beneficiaries that are projected to have OOP costs in 2025 that represent >10% of their income across the 8 TAs analyzed.

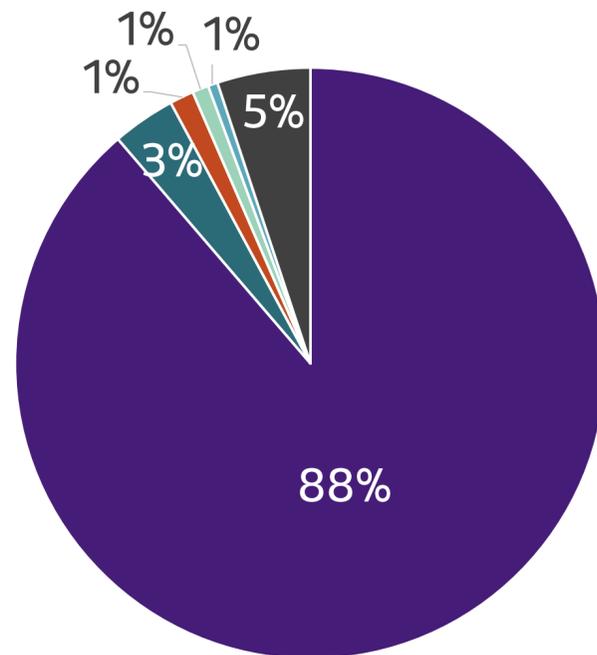
Note: New therapy starts not incorporated for cancer or diabetes estimates. Estimate on unique beneficiaries considers patients who may take drugs in multiple TAs.
HIV: Human Immunodeficiency Virus; MS: Multiple Sclerosis; OOP: Out-of-Pocket; LIS: Low-Income Subsidy; FPL: Federal Poverty Level; TA: Therapeutic Area; COPD: Chronic Obstructive Pulmonary Disease
Source: Avalere analysis, updated November 2023.



A greater share of Black and Native American beneficiaries taking autoimmune medications could have OOP >10% of their income

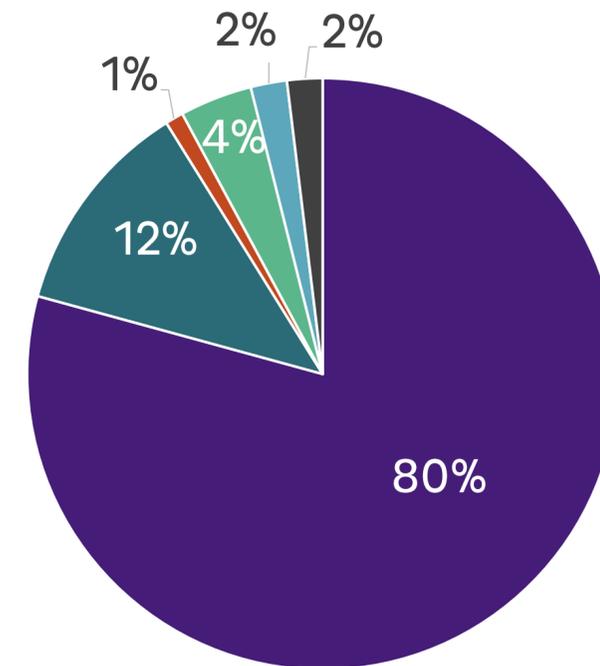
Estimated share of non-LIS beneficiaries taking an autoimmune therapy by race/ethnicity, 2025

All Part D beneficiaries taking an autoimmune therapy*



N=141,647

Subset with projected OOP costs of >10% of income



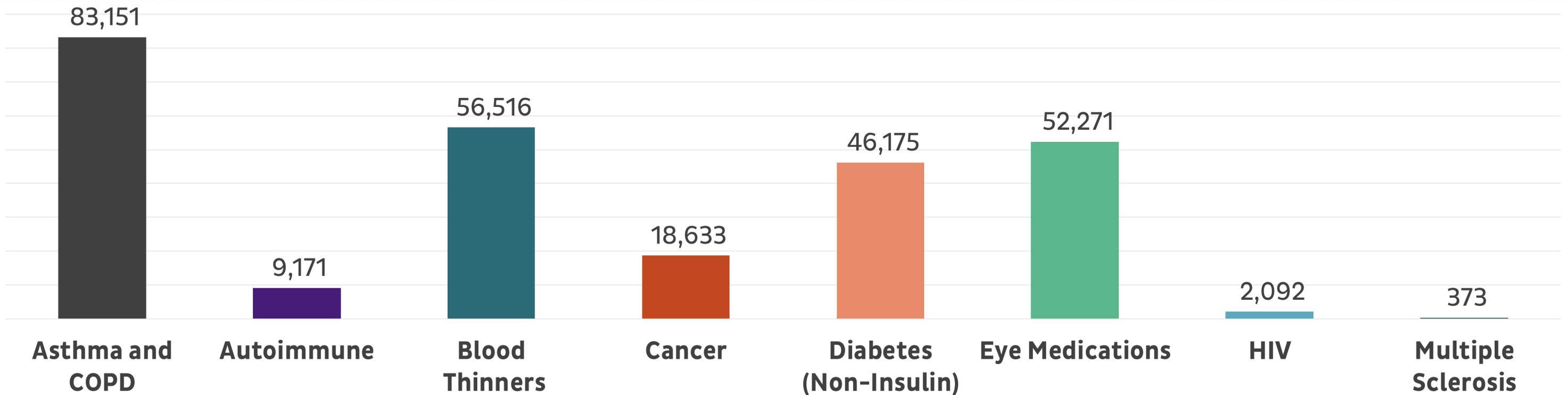
N=8,639



*Percentages may not sum to 100% due to rounding.
Note: New therapy starts not incorporated for cancer or diabetes estimates.
OOP: Out-of-Pocket; LIS: Low-Income Subsidy
Source: Avalere analysis, updated November 2023.

About 177,000 unique non-LIS beneficiaries may face affordability challenges due to having high OOP late in the year

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



Enrollees who incur high OOP costs late in the year will likely result in limited benefit from the MPPP.

Note: New therapy starts not incorporated for cancer or diabetes estimates. Estimate on unique beneficiaries considers patients who 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, updated November 2023.



While Part D reforms may reduce OOP costs for some, impacts on patient affordability change when considering behavioral responses

-  Increase in the number of beneficiaries newly starting therapy ranging from 6% (MS) to 86% (autoimmune therapies) in the TAs analyzed.
-  Reforms yield greater overall beneficiary utilization, with a 2%–28% increase in the number of scripts filled.
-  Decreases in OOP costs across all TAs ranging from 8% (eye medications) to 72% (MS).
-  About 182,000 patients in these TAs would have OOP costs >10% of their annual income.
-  Almost 180,000 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; MS: Multiple Sclerosis; COPD: Chronic Obstructive Pulmonary Disease; HIV: Human Immunodeficiency Virus; TA: Therapeutic Area; MPPP: Medicare Prescription Payment Plan

Source: Avalere analysis, updated November 2023.