

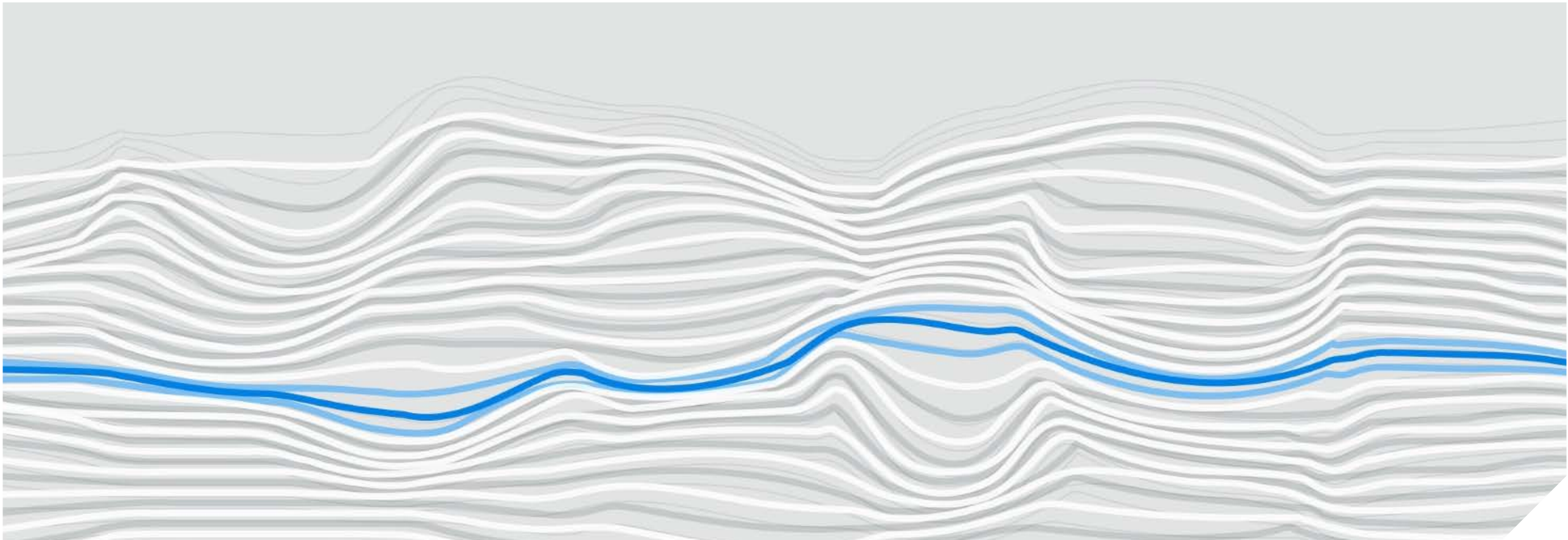
Rx Risk – SNP Impact of Part D Changes

Making Sense of Recent and Future Changes in Part D



David Mike, FSA, MAAA
david.mike@milliman.com

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Today's Presenter

David Mike – Consulting Actuary at Milliman



David Mike, FSA, MAAA
Consulting Actuary
Milwaukee Office (Remote)
david.mike@milliman.com

[Click to View Bio](#)

Medicare Consultant
Part D Focus

David has more than 10 years experience assisting both small and very large health plans with Medicare Advantage and Medicare Part D.

David is one of Milliman's leading experts in Medicare Part D, and has worked with the largest Part D plans and pharmaceutical manufacturers.

David also consults on regulatory and other policy topics related to Medicare and prescription drugs.



Who is Milliman?



Independent, global actuarial and management consulting firm since 1947



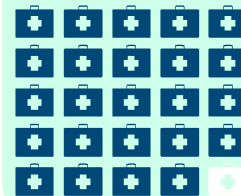
Most health actuaries in the U.S. (~400) and the world



OVER 60 offices in principal cities worldwide

Milliman Health Clients and Research

24 of 25
largest health plans



Consult to the **TOP** Pharmaceutical Manufacturers

Prepares over 70% of all Medicare Part D bids and **25%** of Medicare Advantage bids nationally

Works for **30 states** on Medicaid and/or insurance exchange development



50% of all Pioneer ACOs
33% of all ACOs



OVER **\$12 MILLION** annual spend on health data research

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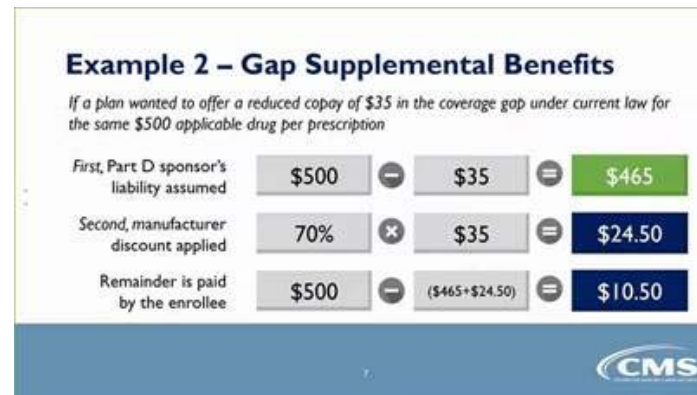
Part D Senior Savings Model - Overview

The Part D Senior Savings Model (i.e., the Insulin Demonstration) was announced by CMS / CMMI on March 11, 2020

Why is this model necessary?



Defined standard gap benefit is eligible for full CGDP, but insulin copays can be unpredictable



Offering enhanced gap coverage on brand drugs is very costly to plan premiums, as most CGDP is forfeited



Senior Savings Model allows for full CGDP subsidy by manufacturer to be paid while benefits are enhanced

Eligible beneficiaries in participating plans could save an average of \$300 to \$450 and up to \$1,000 in annual out-of-pocket costs

Sources: <https://innovation.cms.gov/innovation-models/part-d-savings-model>

<https://www.milliman.com/en/insight/reducing-insulin-costs-for-seniors>

Part D Senior Savings Model – Plan Considerations

Chronic Special Needs Plans that focus on diabetes and related conditions may want to consider participation

Key Dates

- **April 10, 2020** – Plans needed to submit non-binding letter of intent
- **May 1, 2020** – Plans need to submit formal model application
 - Formal application may be withdrawn or modified with formal letter to CMS prior to June 1, 2020

Plan Eligibility Criteria

- Most MA-PDs with enhanced alternative Part D benefit designs are eligible
- D-SNPs are not eligible, but C-SNPs and I-SNPs are eligible

Strategic / Tactical Considerations

- \$0.50 to \$3.00 PMPM premium impact expected when maximum copay of \$35 is offered and full insulin rebate is passed through (will impact supplemental Part D premiums)
 - Could result in a premium reduction in certain circumstances (i.e., plan already offers enhanced gap coverage)
- Generally only makes sense when material portion of plan's enrollees are not LIS eligible
- Insulins are generally highly rebated drugs, check with PBM to make sure full rebate will be passed through to plan
- Check with PBM on administrative capabilities and costs

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Part D Benefit Reform - Overview

Benefit reform was a hot topic in 2019, but stalled due to COVID-19 as well as legislative challenges

History

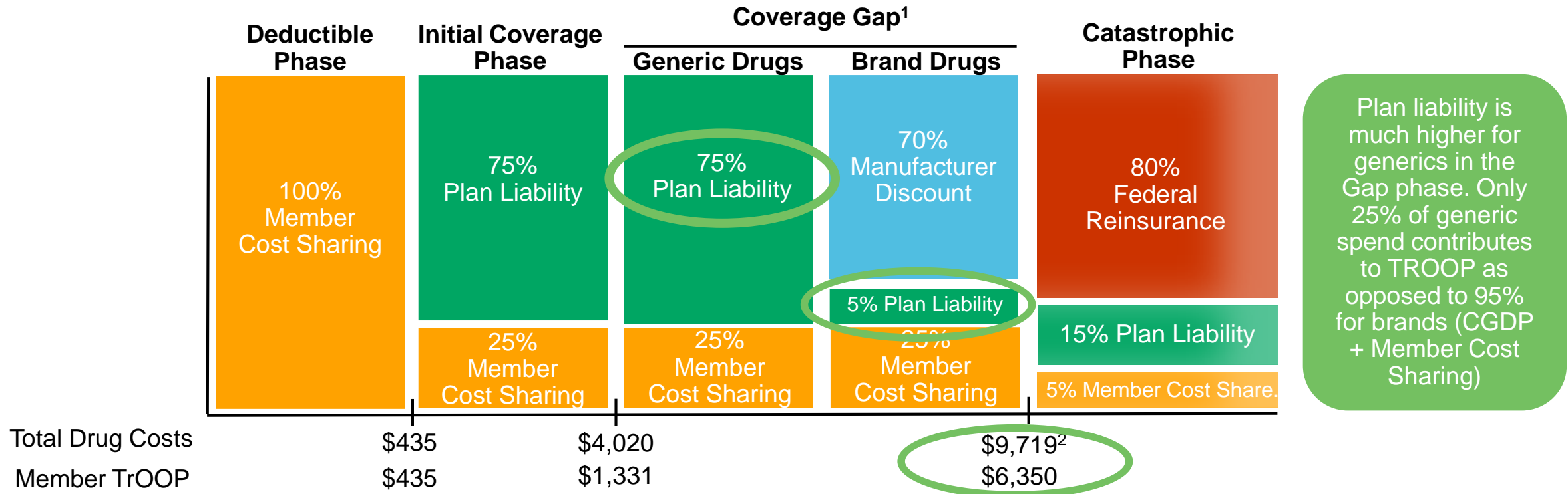
- **MedPAC** – Dating back to 2015, has advocated plans taking on more risk and simplifying benefit
- **American Action Forum** – Released white paper in 2018 outlining key tenets of Part D benefit structure reform; Stated goals
 - Simplify benefit for beneficiaries and cap out-of-pocket costs
 - More fairly distribute pharma manufacturer contribution to program
 - Give plans greater incentive to control costs

Competing Proposals

- Broad proposals include multiple drug pricing reforms including price controls
- **Senate Finance Committee** – Prescription Drug Pricing Reduction Act of 2019 (PDPRA)
 - Initially released July 2019, updated December 2019
 - Bipartisan support for Part D benefit redesign portion
- **H.R. 3** – Introduced by house Democrats

2020 Part D Defined Standard Benefits

The True Out-of-Pocket (TROOP) limit to reach the Catastrophic phase increased from \$5,100 in 2019 to \$6,350 in 2020



Source: CMS's Announcement of Calendar Year (CY) 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter

Notes

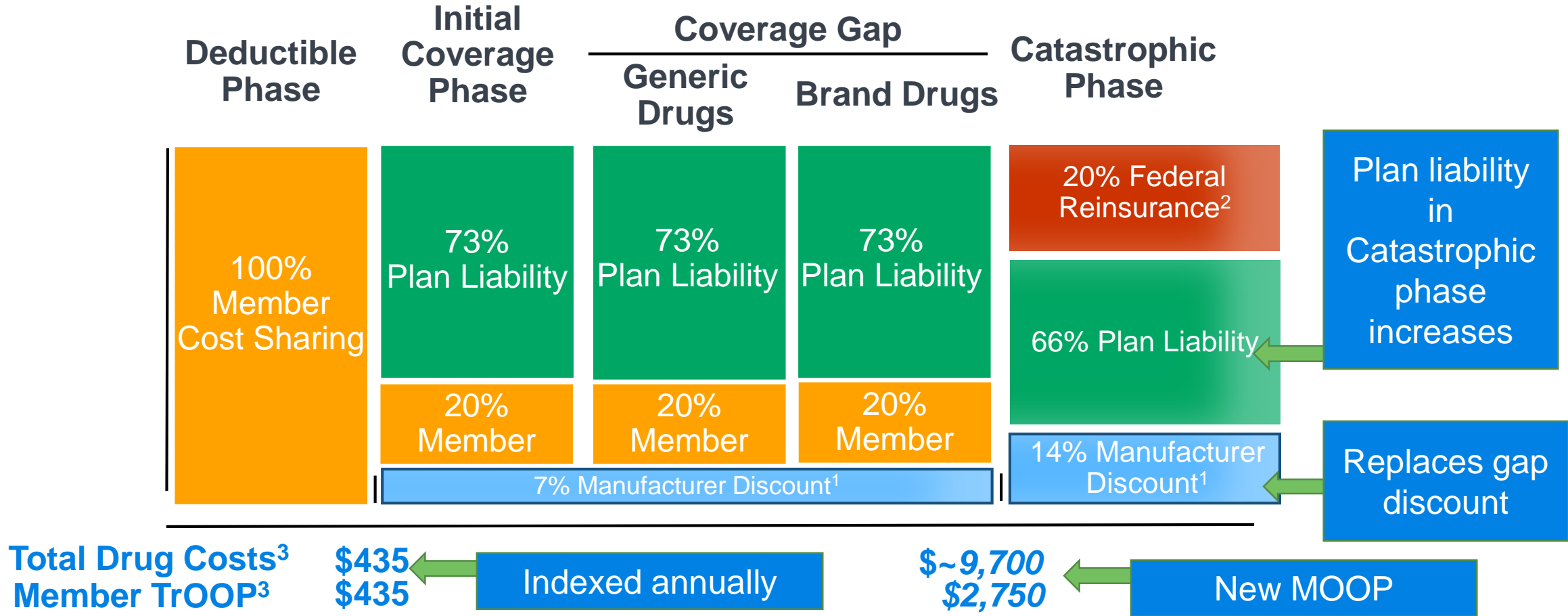
¹ Both member and manufacturer liability accumulate toward True Out-of-Pocket (TrOOP)

² Estimated catastrophic coverage limit corresponding to True Out-of-Pocket (TrOOP) spending of \$6,350

³ Low income members not eligible for manufacturer discount or ACA cost sharing reductions in the gap; they receive Low Income Cost Sharing (LICS) subsidies.

PDPRA Proposed Standard Benefit

December 2019 version of PDPRA



¹ Manufacturer discount for brand drugs only
² Federal reinsurance for generics under PDPRA is 40%

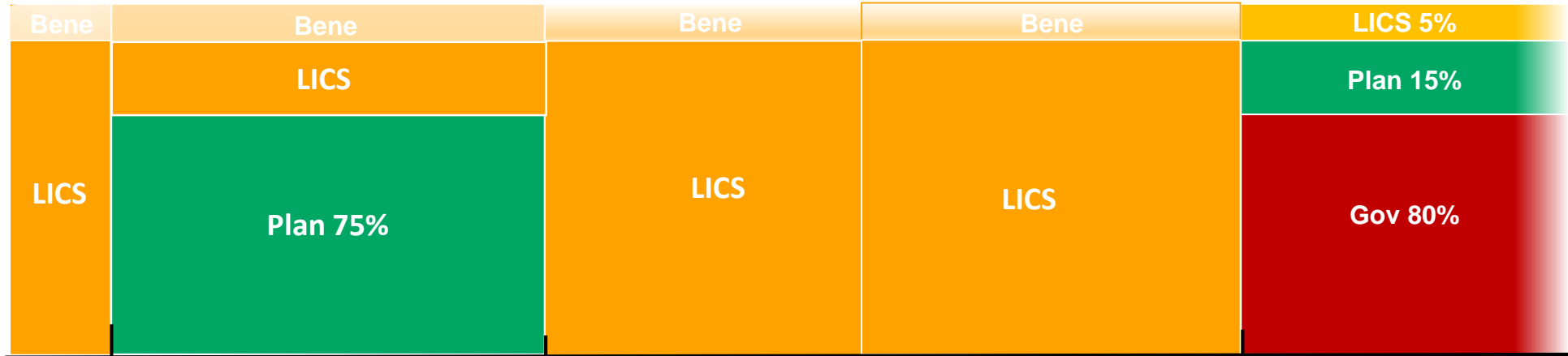
³ PDPRA accumulated spending values indexed to CY 2020

PDPRA Proposed Standard Benefit

Deductible Initial Coverage Phase Coverage Gap Catastrophic

Generic Drugs Brand Drugs

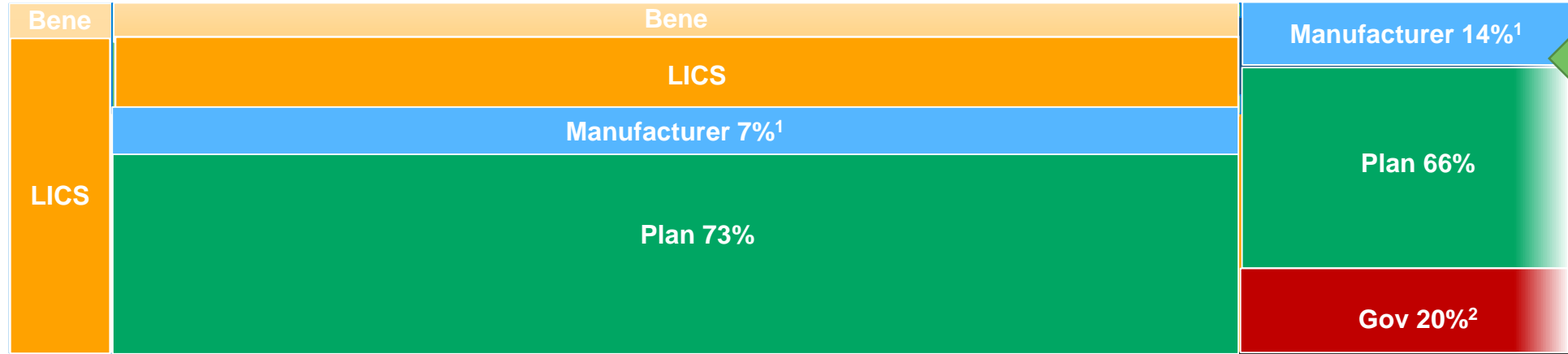
Baseline 2020



Total Drug Cost \$435 \$4,020 \$9,039

Member TrOOP \$435 \$1,331 \$6,350

Redesign using 2020 parameters



Total Drug Cost³ \$435 \$9,039

Member TrOOP³ \$435 \$2,750



¹ Manufacturer discount for brand drugs only

² Federal reinsurance for generics under PDPRA is 40%

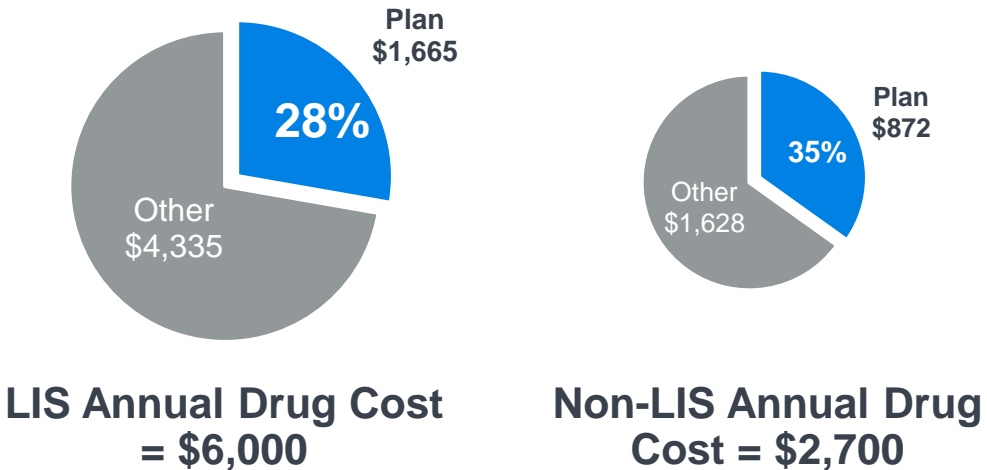
³ PDPRA accumulated spending values indexed to CY 2020

Part D Benefit Reform – SNP Impacts

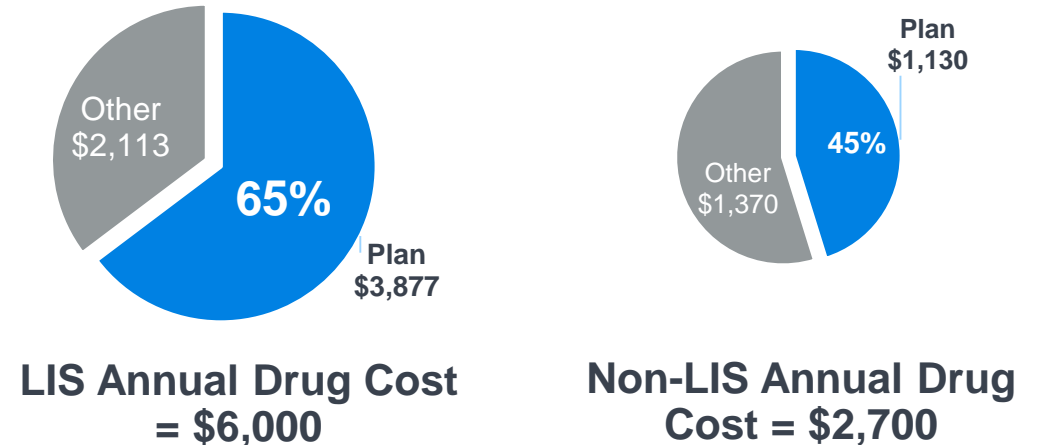
SNPs will see greater increase in risk relative to general enrollment plans due to differences in cost profile

Key Rx Cost Differences between SNPs and General Enrollment Plans

Current Benefit Design



PDPRA Proposed Design



Greater Variability (Risk) in Projections

- Smaller plans with lower enrollment are more susceptible to having actual results vary from projections
- Risk corridors help, but protection does not kick in until projections are missed by a greater amount

Part D Benefit Reform – SNP Impacts

Legislative advocacy and risk mitigation strategies can help SNPs if benefit reform is enacted as currently envisioned

Potential Actions

- **Private reinsurance** – however, it is expensive
- **Cede risk to PBM or Provider** – may be opportunity for PBM to capture additional margin
- **Advocacy** – ask legislators to consider risk protections for plans with less enrollment and / or higher costs due to enrollee profile
- **Provider partnerships** – to influence prescribing patterns

Challenges

- Limited ability for D-SNPs and I-SNPs to control costs via formulary
- Current risk corridors do not offer same level of protection as 100% capitated cost in coverage gap and 80% capitated cost in catastrophic benefit phase
- Rx costs will make up a greater portion of overall plan costs

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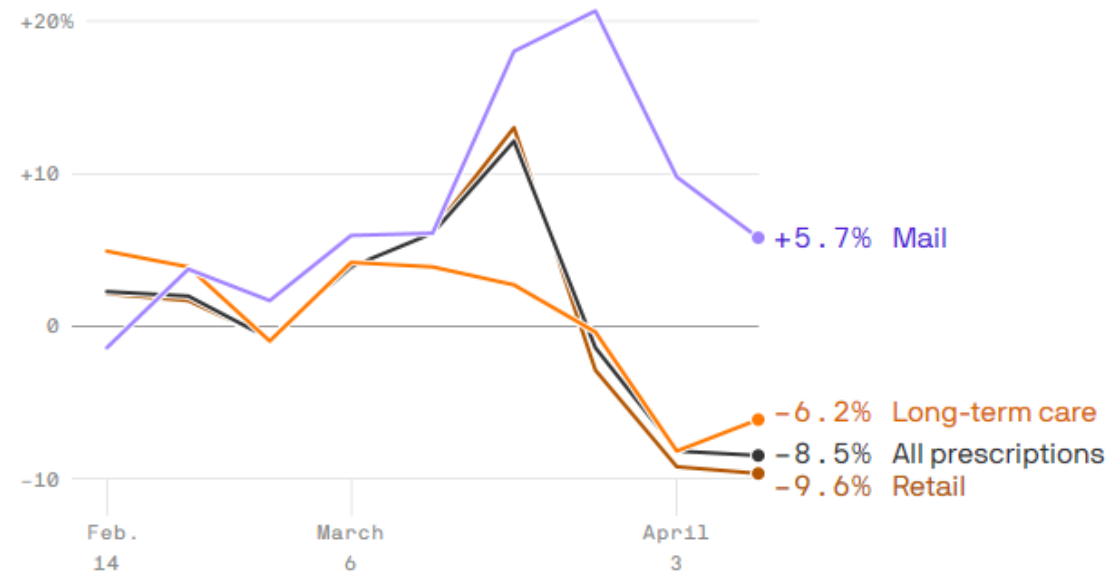
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COVID-19 – Rx Impacts

Mail order use increasing, Rx supply chain concerns, and difficulty contacting members are all challenges

Weekly change in U.S. prescriptions filled, by type

Year-over-year change from 2019, weeks of Feb. 14 to April 10, 2020



Source: <https://www.axios.com/newsletters/axios-vitals>

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Thank you

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