



## 2013 Prescription Drug Plans



*December 2012*

# Approach

- ❑ This presentation uses the Centers for Medicare & Medicaid Services (CMS) data on Medicare Part D plan and formulary design released by CMS in October 2012.
- ❑ Part D plans evaluated are those offered in one of the 34 PDP regions. MA-PDs are those offered in one of the 51 state-county service areas. PDPs and MA-PDs associated with U.S. territories are excluded from the analysis.
- ❑ Top 10 Plans are plans grouped by common plan name and benefit type, appearing in both 2012 and 2013 and selected according to projected 2013 enrollment. The 2013 projected enrollment data reflect July 2012 Medicare plan enrollment data. In a few cases, plan names and benefit types were modified to take into account changes between 2012 and 2013.
- ❑ The slides that report on tier structures, cost sharing, and specialty coverage exclude Defined Standard (DS) plans and tiered plans that use Medicare defined cost sharing pre-ICL. Other slides include these plans.
- ❑ Except where specified, Part D drug entity counts and percentages are based on the number of unique drugs that appear on at least one Part D formulary (for PDPs in the 34 regions or for MA-PDs in the 51 service areas). A unique drug is defined at the drug ingredient level.
- ❑ Average cost shares are calculated as unweighted plan averages of network retail pharmacy copays or coinsurances for each tier based on a 30-day supply of drugs. Plans using the Lesser of/Greater of selection for copay versus coinsurance were excluded from the analysis.
- ❑ Brand and Generic drugs are identified using FDA-based Applicable and Non-Applicable designations.

# Summary

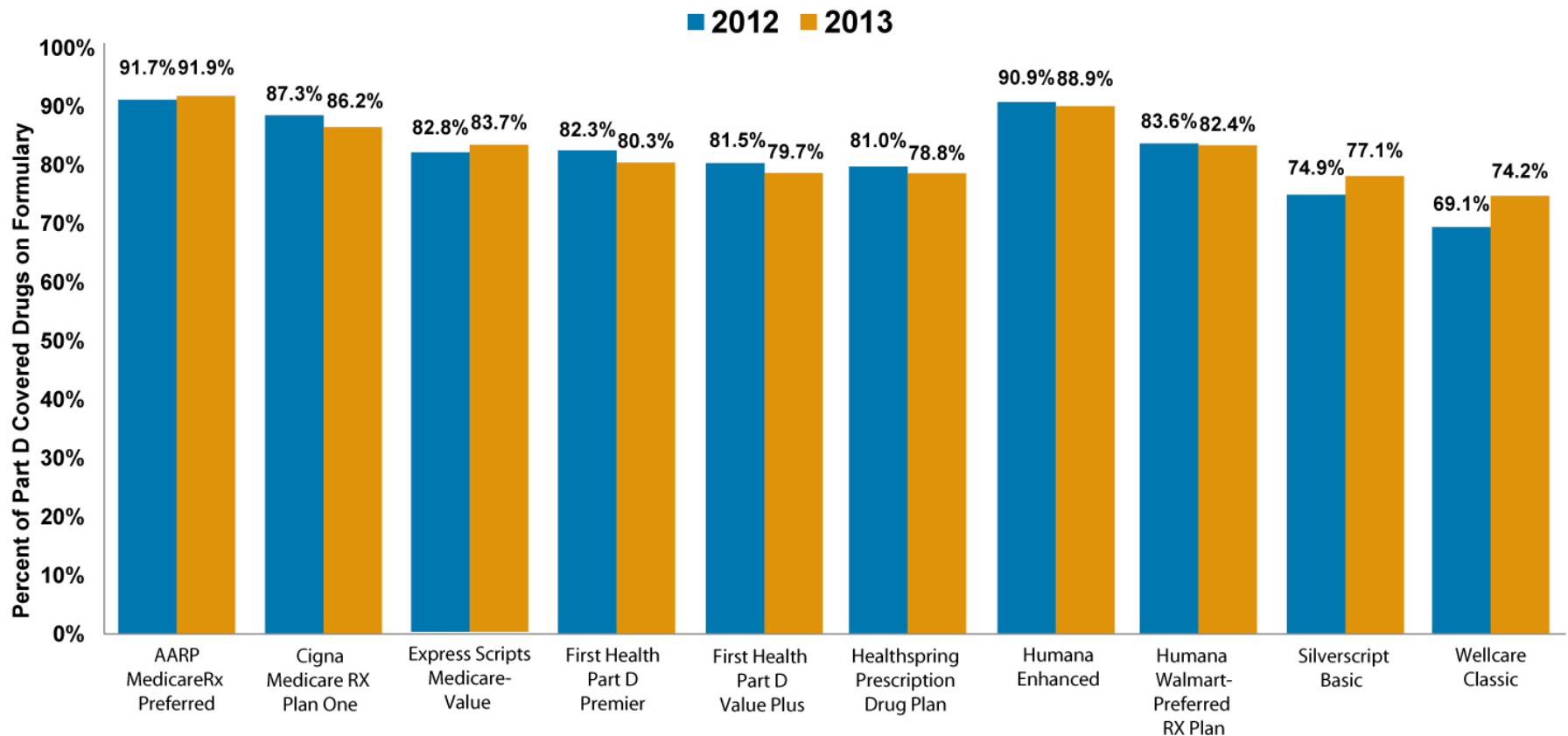
- ❑ A total of 1,175 unique drug entities appear on at least one PDP formulary in 2013 compared to 1,166 unique drugs in 2012.
- ❑ The number of drugs covered among the top 10 PDPs will not change significantly in 2013.
- ❑ In 2013, 50 percent of PDP beneficiaries will have access to Preferred/Non-Preferred retail pharmacy options that generally offer lower cost-shares at preferred network pharmacies.
- ❑ The number of plans offering five-tier formularies continues to increase in 2013.
  - Nearly 70 percent of plans will have five or more tiers, up from 61 percent in 2012 and 41 percent in 2011.
- ❑ Most PDPs and MA-PDs have changed their tiering structures to offer both preferred and non-preferred generic drug options.
- ❑ PDPs using the most-common 5-tier design have a greater proportion of drugs in preferred cost-sharing tiers as compared to those with the most common 4-tier design.
- ❑ PDP cost-sharing for the most common 4-tier design is remaining stable in 2013; cost-sharing for the most common 5-tier design is declining.
- ❑ MA-PD cost-sharing for the most common 4-tier design is decreasing slightly while cost-sharing for the most common 5-tier design is stable across years.

# Summary

- ❑ Most PDPs (93 percent) will continue to use specialty tiers in 2013; this is slightly lower than in 2012 (96 percent).
- ❑ Use of prior authorization and quantity limits will slightly increase from 2012 to 2013 (from 14.4 to 15.4 percent and from 19.5 to 21.0 percent, respectively) while the use of step therapy will slightly decline (from 1.8 percent to 1.5 percent).
- ❑ PDPs with premiums below the benchmark and available to low income subsidy beneficiaries at a \$0 premium will cover a slightly smaller percentage of drugs than other plans (80 percent versus 82 percent, respectively--about 24 drugs).

# Drug Coverage Among the Top 10 PDPs Remains Fairly Constant

Percentages of Total Drugs Covered by Top 10 PDPs, 2012-2013



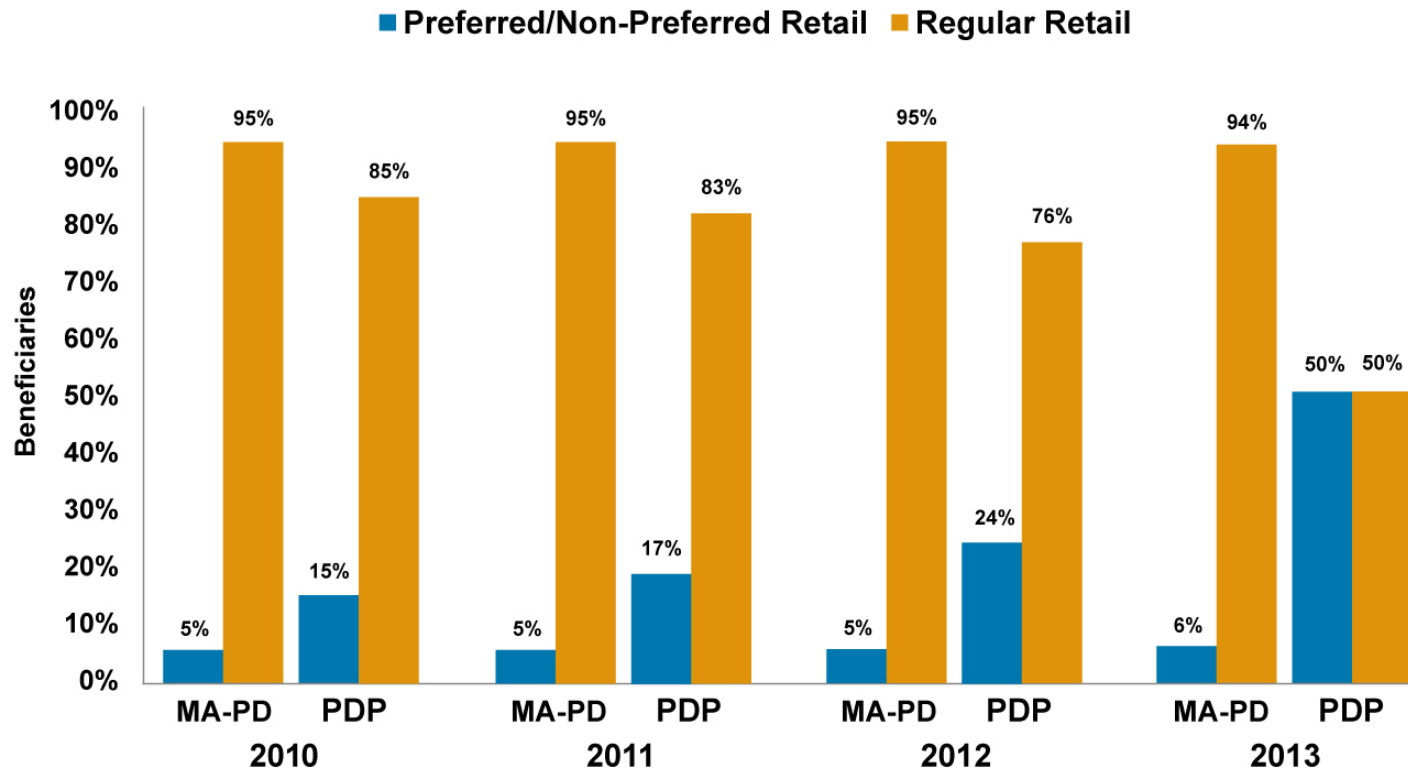
Source: CMS Data

Chart shows Plans [By unique Plan Name, Benefit Type] that are in both 2012 and 2013. The Top 10 Plans are selected by 2013 projected enrollment. Plans are listed alphabetically. Percentages show the unique number of drugs in formularies associated with each Top 10 plan relative to the unique number of drugs across all formularies approved for the specific contract year. A total of 1,166 unique drugs appeared in at least one formulary in 2012 and 1,175 in at least one formulary in 2013. Percentages are calculated and weighted on a contract/plan basis for each Plan Name/Benefit Type combination.



# In 2013 for the First Time, In-Network Preferred/Non-Preferred Retail and Regular Retail Options Will Cover Equal Numbers of Beneficiaries in PDPs

MA-PD and PDP Beneficiaries with Preferred/Non-Preferred Retail and Regular Retail Pharmacy Coverage 2010-2013



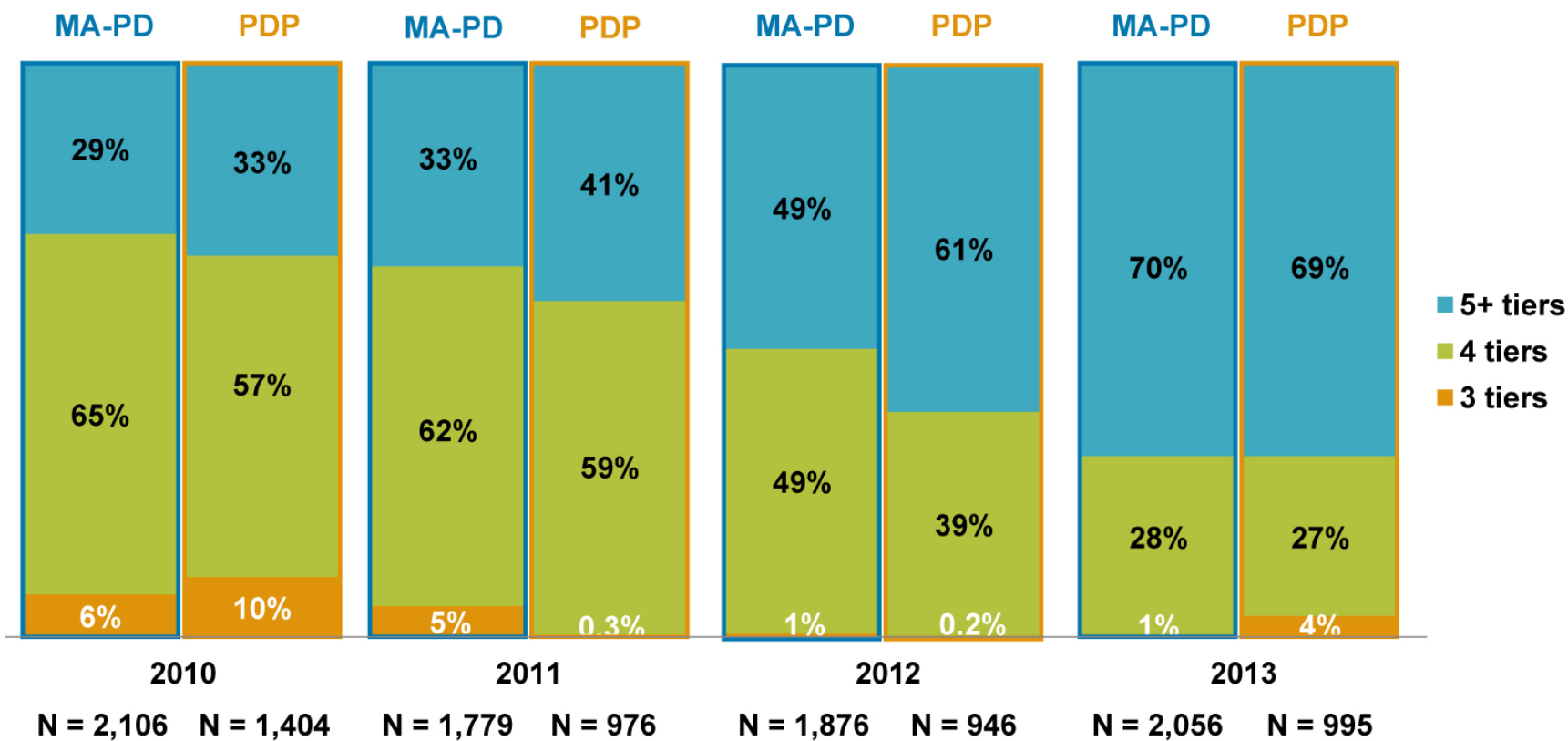
Source: CMS Data

Percentages show number of beneficiaries in plans reporting Preferred/Non-Preferred Retail vs. Regular Retail network pharmacy offerings relative to all beneficiaries. 2013 beneficiary counts are projected from July 2012 enrollment.



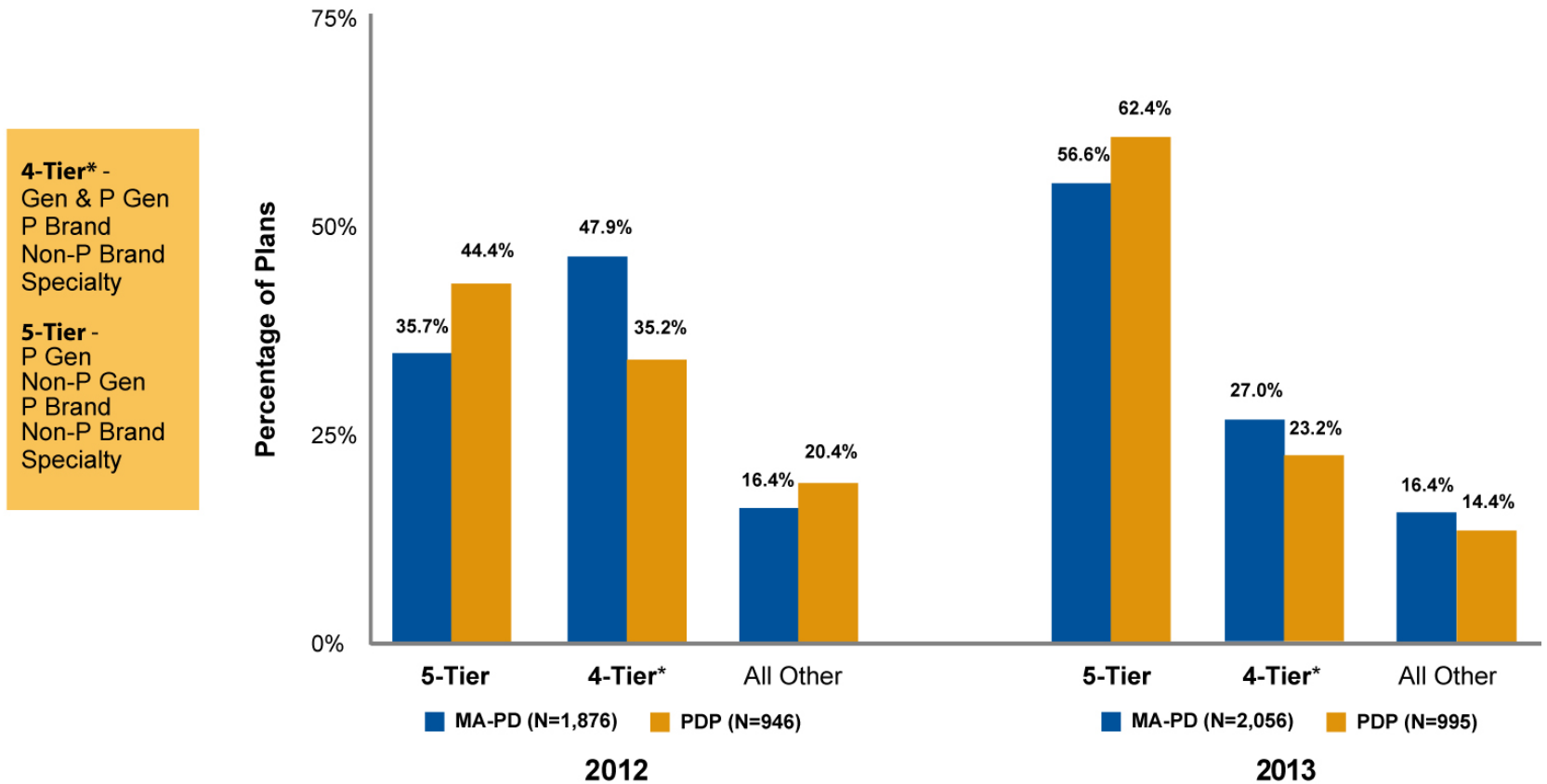
# MA-PDs and PDPs Are Increasingly Offering Five or More Tiers

Percentage of MA-PDs and PDPs by Tier Structure, 2010-2013



# The Most Common 4-Tier and 5-Tier Designs Are Used by 80% or More of MA-PDs and PDPs

Distribution of MA-PDs and PDPs by Formulary Tier Design, 2012 - 2013



Source: CMS Data

P—Preferred Non-P—Non-Preferred Gen--Generic Specialty—Specialty Tier

\*The 2nd and 3rd most common tier designs represent 4-tier structures that differed only by the naming convention of the generic tier (Preferred Generic vs. Generic) and therefore were combined into a single formulary design.

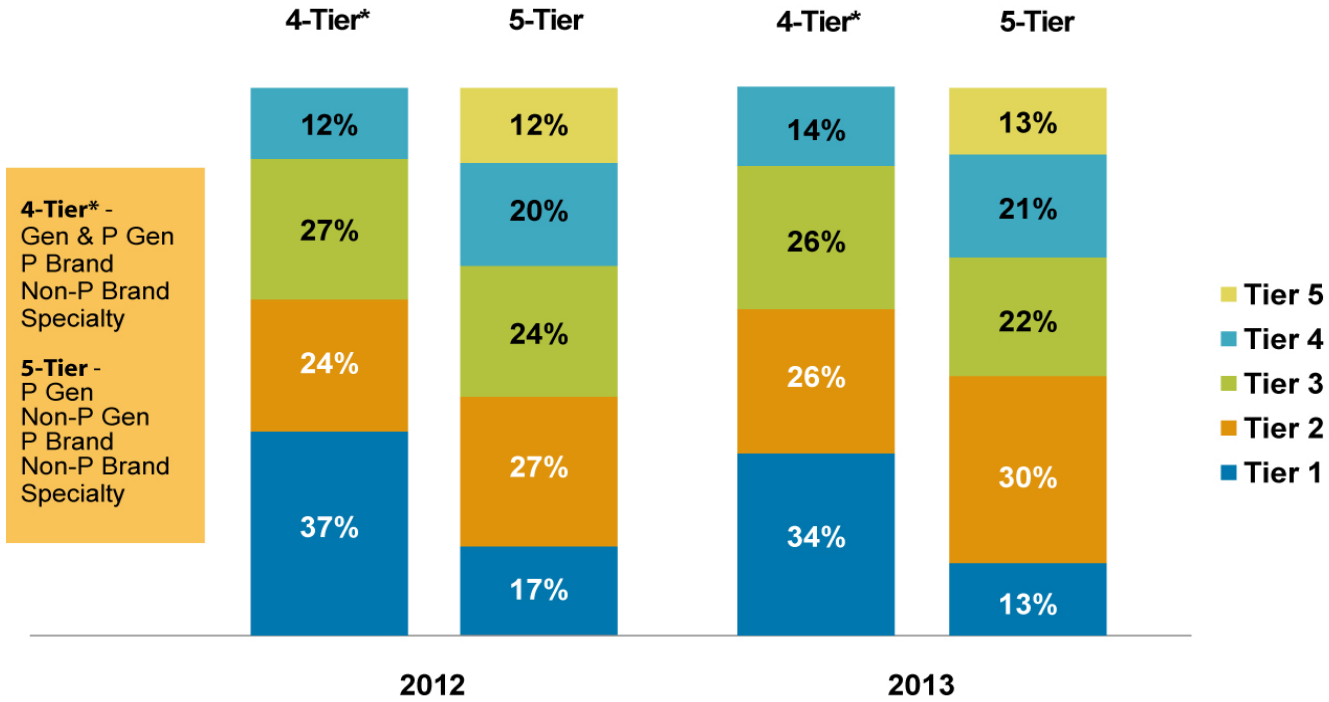


# Drug Distribution and Cost-Sharing for the Most Common PDP Tier Designs, 2012 vs 2013

- The most common 5-tier design includes a greater proportion of drugs on generic tiers and on preferred cost-sharing tiers overall as compared to the most common 4-tier design.
- Cost-sharing for the most common 5-tier design is declining.
- Preferred cost-sharing for brand and generic tiers is lower in the most common 5-tier design than in the most common 4-tier design.
  - Preferred generic cost-sharing:
    - 2012 4-Tier Design \$3.63, 2013 5-Tier Design \$1.22
  - Preferred brand cost-sharing:
    - 2012 4-Tier Design \$40.36, 2013 5-Tier Design \$35.84

# The Most Common 5-Tier PDP Design Continues to Cover More Drugs on Generic Tiers (1&2) as Compared to the Most Common 4-Tier Design

Distribution of Drugs for PDPs 2012-2013  
Most Common Tier Designs



Source: CMS Data

P—Preferred Non-P—Non-Preferred Gen--Generic Specialty—Specialty Tier

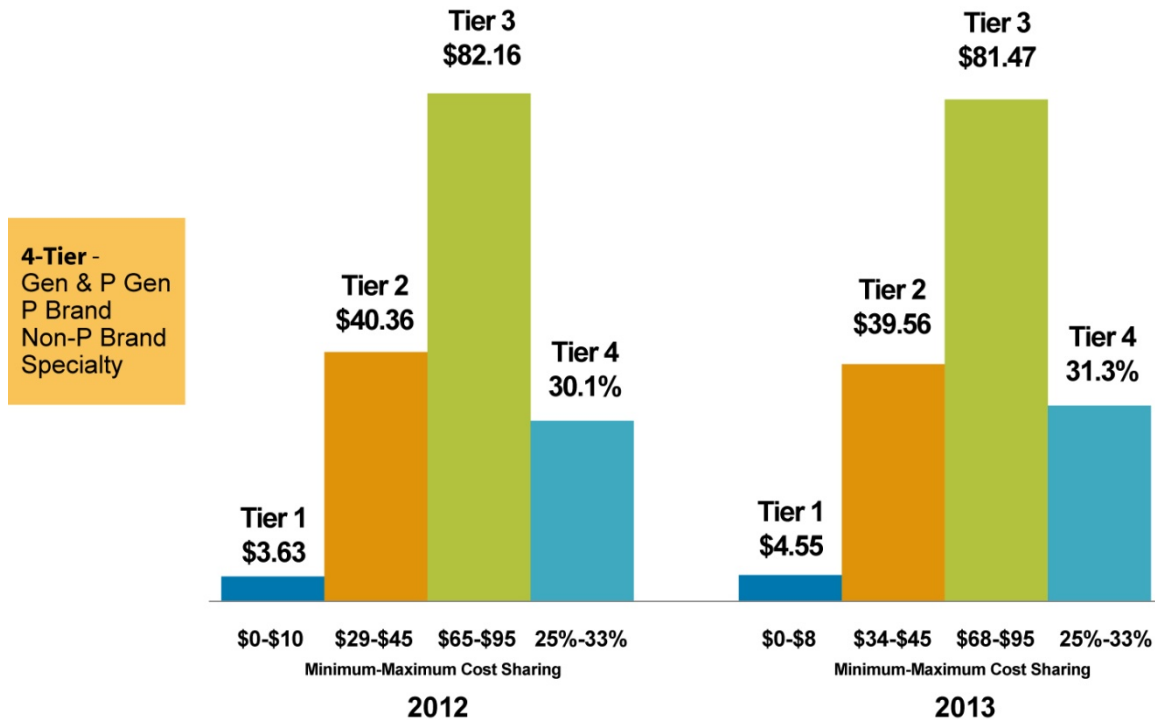
\*The 2nd and 3rd most common tier designs represent 4-tier structures that differed only by the naming convention of the generic tier (Preferred Generic vs. Generic) and therefore were combined into a single formulary design.

Percentages show the total number of formulary drugs (drug entities) within each tier relative to the total number of formulary drugs.



# Cost-Sharing for the Most Common 4-Tier PDP Design Offered is Remaining Fairly Stable in 2013

Average Cost-Sharing Among PDPs  
(4-Tier Design Plans with 3 Copay Tiers/1 Coinsurance Tier)



Source: CMS Data

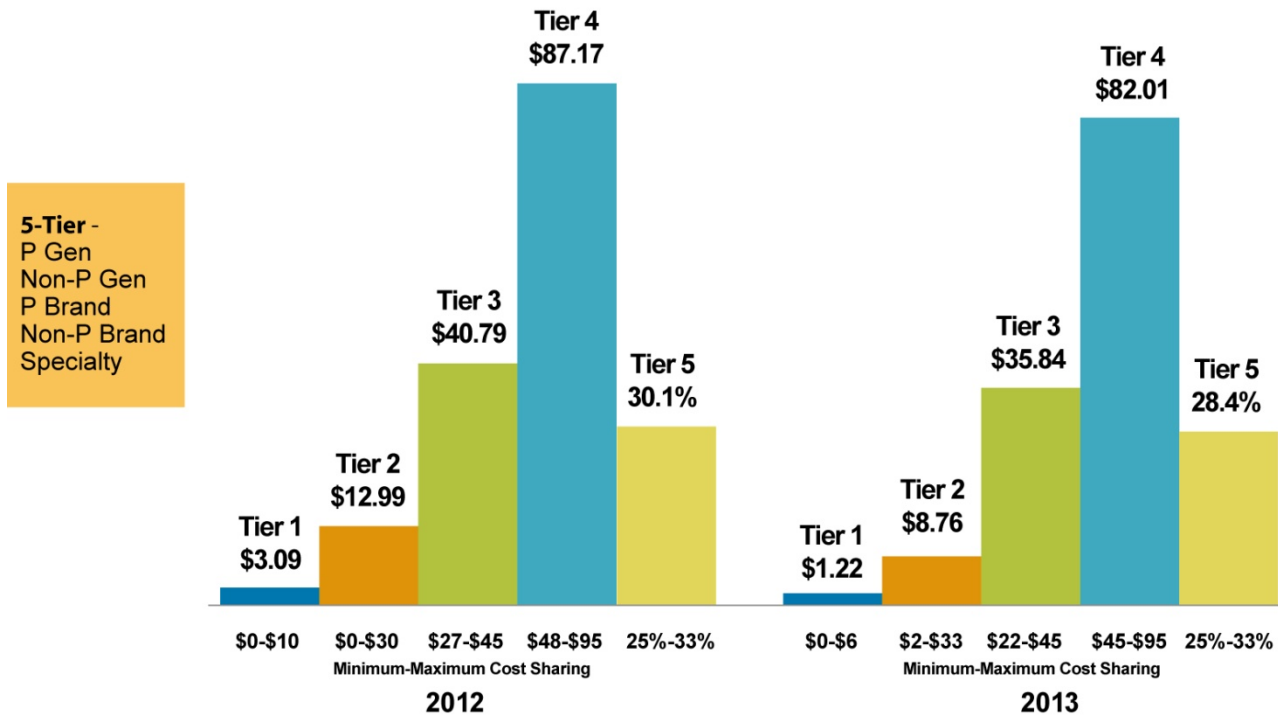
P—Preferred Non-P—Non-Preferred Gen—Generic Specialty—Specialty Tier

The 3 Copay/1 Coinsurance tier combination is the most common cost-sharing structure for these plans. The other common 4-Tier cost-sharing structure has 2 copay and 2 coinsurance tiers. The chart displays, across all plans with this structure, the minimum, maximum, and unweighted plan averages of network retail pharmacy copays and coinsurances for each pre-ICL tier based on a 30-day supply of drugs.



# Cost-Sharing for the Most Common 5-Tier PDP Design Offered is Declining in 2013

Average Cost-Sharing Among PDPs  
(5-Tier Design Plans with 4 Copay Tiers/1 Coinsurance Tier)



Source: CMS Data

P—Preferred Non-P—Non-Preferred Gen--Generic Specialty—Specialty Tier

The 4 Copay/1 Coinsurance tier combination is the most common cost-sharing structure for these plans. The other common 5-tier cost-sharing structures have 3 copay and 2 coinsurance tiers or 2 copay and 3 coinsurance tiers. The chart displays, across all plans with this structure, the minimum, maximum, and unweighted plan averages of network retail pharmacy copays and coinsurances for each pre-ICL tier based on a 30-day supply of drugs.

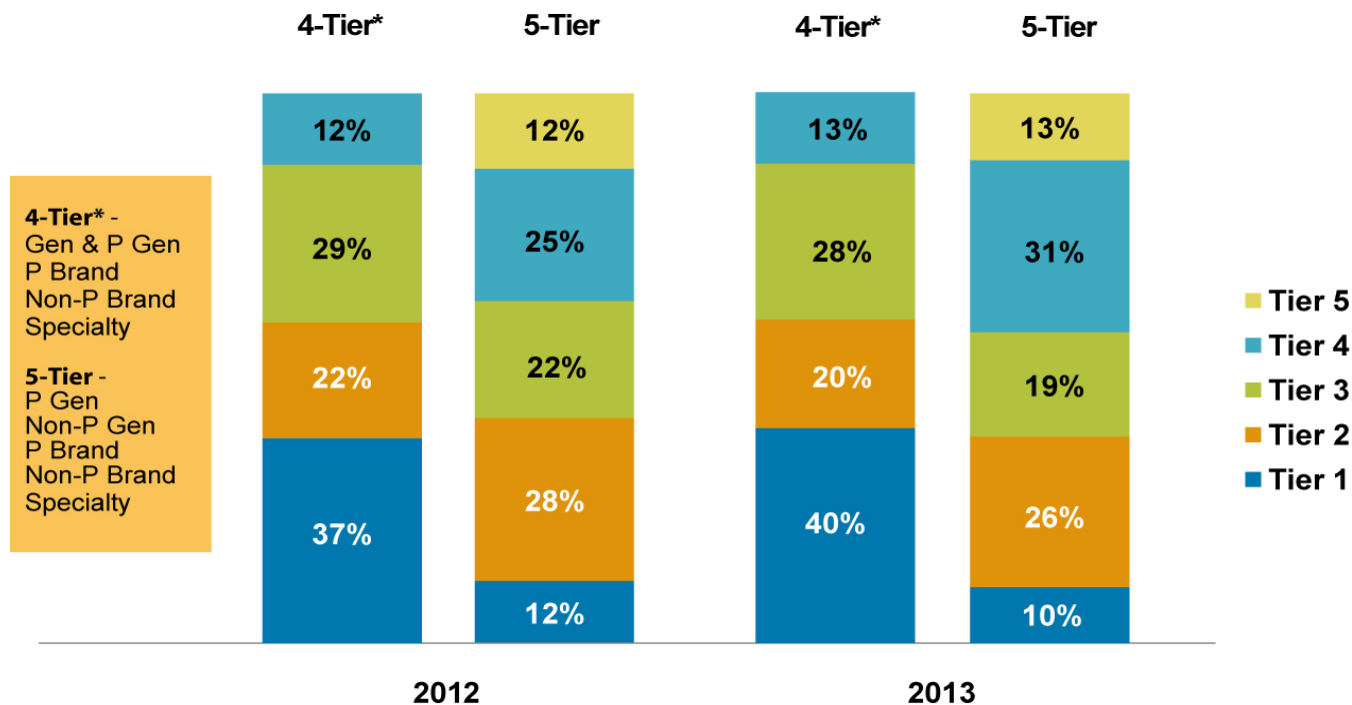


# Drug Distribution and Cost-Sharing for the Most Common MA-PD Tier Designs, 2012 vs 2013

- The distribution of drugs on brand and generic tiers for the most common 4-tier design in 2012, compared to the most common 5-tier design in 2013, remains stable.
- MA-PD cost sharing for the most common 4-tier design is decreasing slightly while cost sharing for the most common 5-tier design is stable across years.

# Generic and Brand Tier Drug Coverage for MA-PDs Remains Stable Between the Most Common 4-Tier Design in 2012 and 5-Tier Design in 2013

Distribution of Drugs for MA-PD Plans 2012-2013  
Most Common Tier Designs



Source: CMS Data

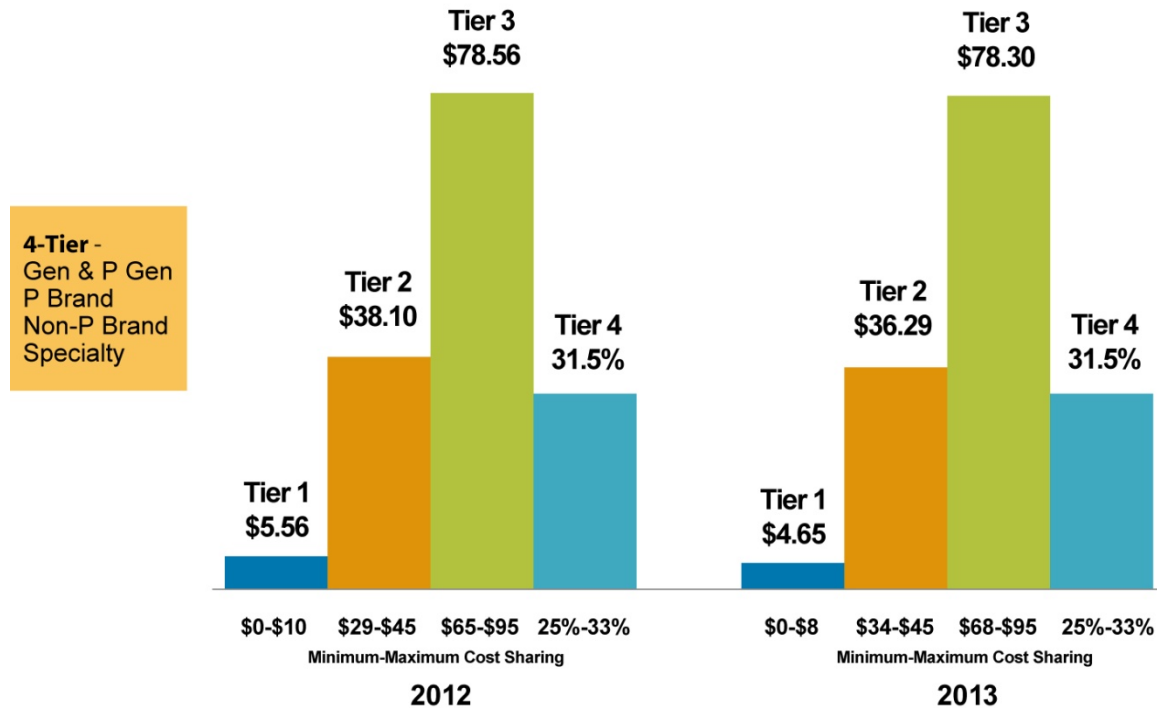
P—Preferred Non-P—Non-Preferred Gen--Generic Specialty—Specialty Tier

\*The 2nd and 3rd most common tier designs represent 4-tier structures that differed only by the naming convention of the generic tier (Preferred Generic vs. Generic) and therefore were combined into a single formulary design.

Percentages show the total number of formulary drugs (drug entities) within each tier relative to the total number of formulary drugs that appeared on at least one Part D MA-PD formulary.

# Cost Sharing for the Most Common 4-Tier MA-PD Design Offered is Decreasing Slightly in 2013

Average Cost-Sharing Among MA-PDs  
(4-Tier Model Plans with 3 Copay Tiers/1 Coinsurance Tier)



Source: CMS Data

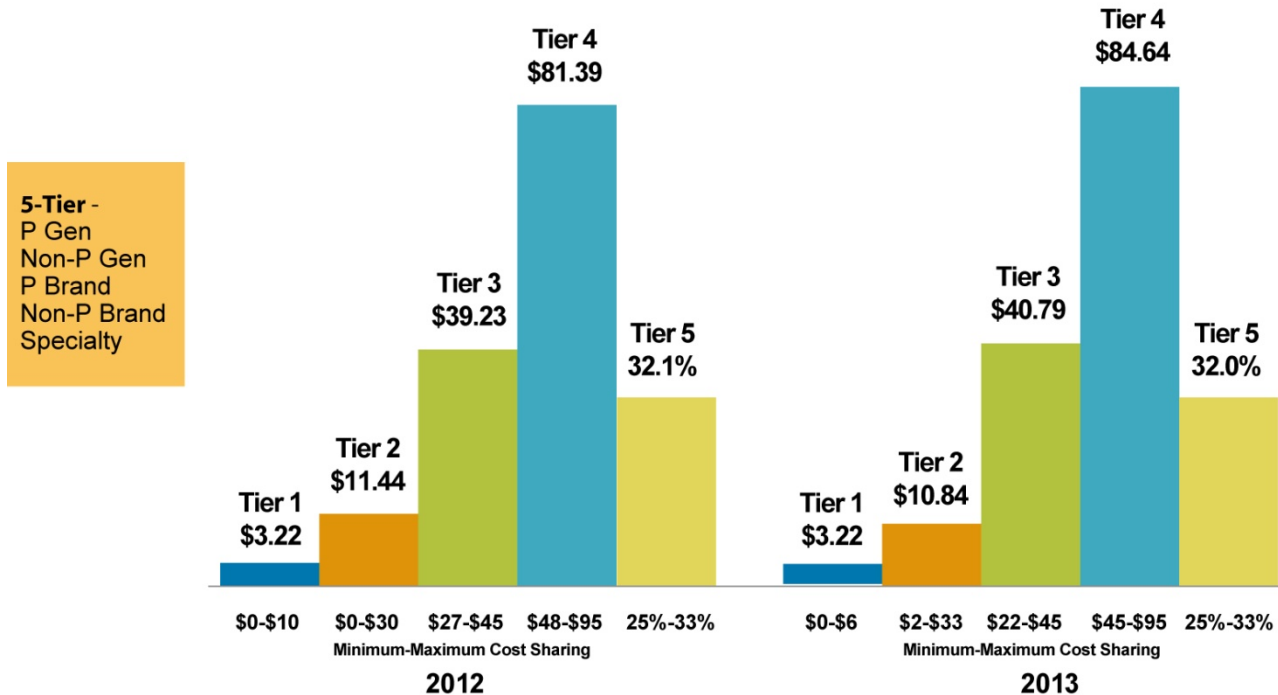
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# Cost Sharing for the Most Common 5-Tier MA-PD Design Offered is Remaining Fairly Stable in 2013

Average Cost-Sharing Among MA-PDs  
(5-Tier Design Plans with 4 Copay Tiers/1 Coinsurance Tier)



Source: CMS Data

P—Preferred Non-P—Non-Preferred Gen--Generic Specialty—Specialty Tier

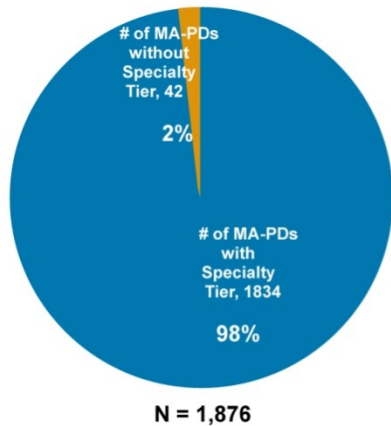
The 4 Copay/1 Coinsurance tier combination is the most common cost-sharing structure for these plans. The other common 5-tier cost-sharing structures have 3 copay and 2 coinsurance tiers or 2 copay and 3 coinsurance tiers. The chart displays, across all plans with this structure, the minimum, maximum, and unweighted plan averages of network retail pharmacy copays and coinsurances for each pre-ICL tier based on a 30-day supply of drugs.



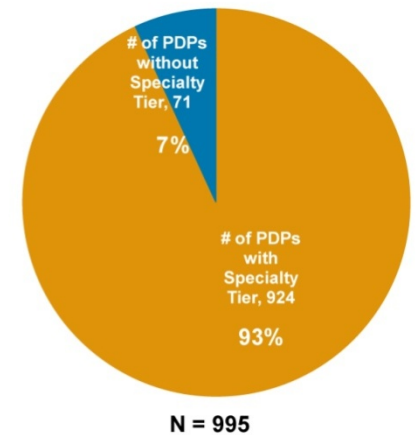
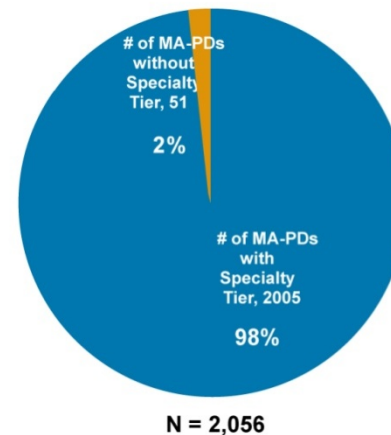
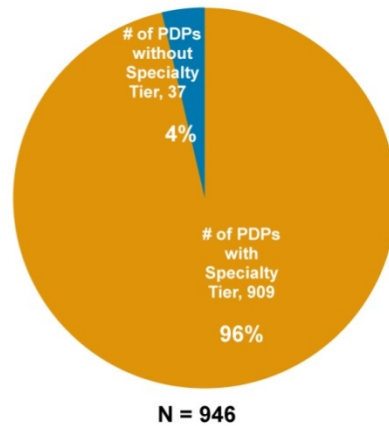


# MA-PDs Continue to Offer Specialty Tiers Almost Universally; the Proportion of PDPs Using Specialty Tiers is Declining Slightly in 2013

## Percentage of MA-PDs and PDPs with Specialty Tier, 2012

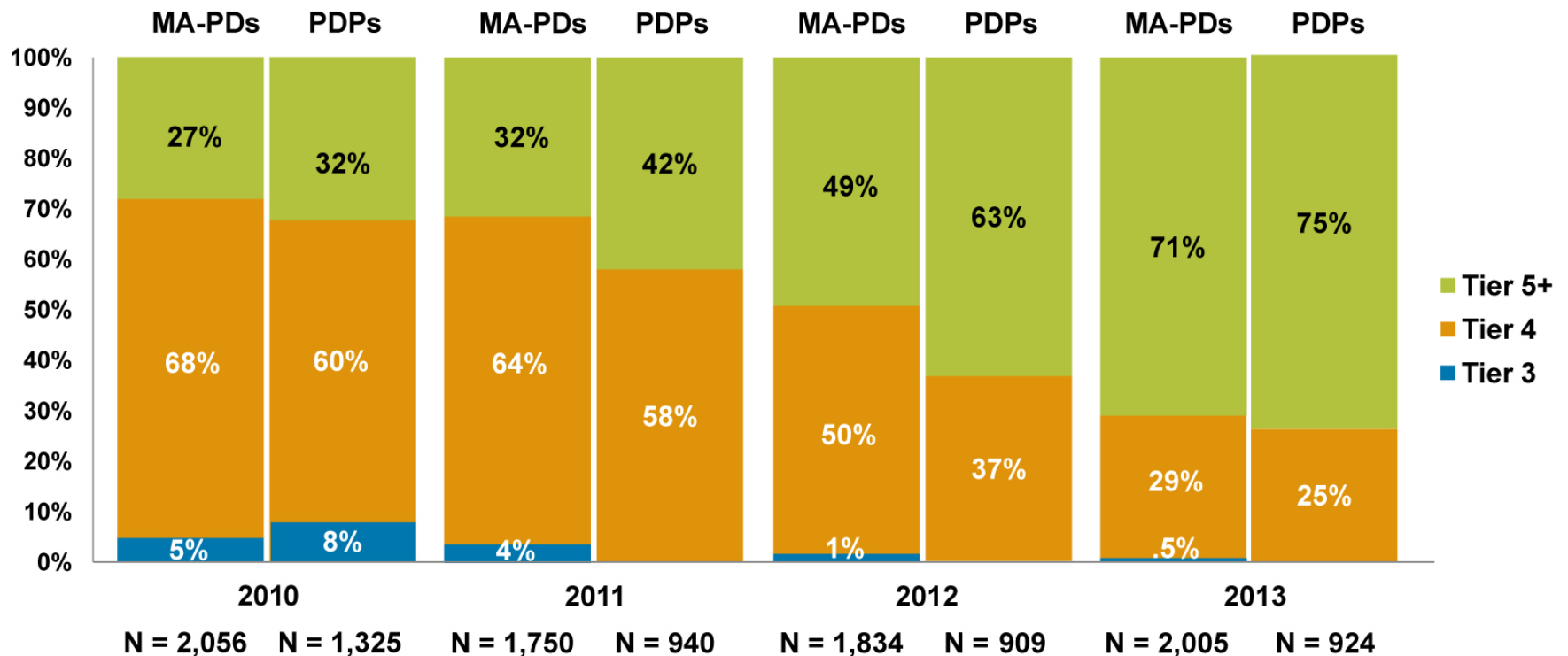


## Percentage of MA-PDs and PDPs with Specialty Tier, 2013



# For Both MA-PDs and PDPs, More Plans Continue to Designate Tier 5 or Higher as the Specialty Tier in 2013

Distribution of Specialty Tiers Among Plans That Designate Specialty Tiers, 2010-2013



# Use of Utilization Management Tools from 2010 to 2013

Average Percentage of PDP-Covered Drugs with Utilization Management Tools,  
2010-2013

		2010*	2011*	2012**	2013**
<b>Prior Authorization</b>	<b>Total</b>	<b>12.5%</b>	<b>13.6%</b>	<b>14.4%</b>	<b>15.4%</b>
	Brand	20.9%	22.0%	23.2%	25.2%
	Generic	5.8%	7.2%	7.5%	8.5%
<b>Step Therapy</b>	<b>Total</b>	<b>2.2%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.5%</b>
	Brand	4.6%	4.4%	3.8%	3.3%
	Generic	0.3%	0.2%	0.3%	0.2%
<b>Quantity Limits</b>	<b>Total</b>	<b>16.8%</b>	<b>18.4%</b>	<b>19.5%</b>	<b>21.0%</b>
	Brand	26.1%	28.0%	27.6%	29.6%
	Generic	9.6%	11.1%	13.2%	15.0%

Source: CMS Data

\* Brand/Generics are defined by the Plan Formulary.

\*\*Brand/Generics are defined by FDA-based Applicable/Non-Applicable definitions.

Percentages are number of drugs (RXCUIs) in PDP formularies covered by the Utilization Management categories, relative to all drugs in plan formularies. RXCUIs (RxNorm concept unique identifier codes) are drug definitions developed by the National Library of Medicine.



# Utilization Management Changes Between CY 2010 and CY 2013

- Quality Bonus Payments based on CMS' Plan Ratings, including High Risk Medication (HRM) use.
  - Increased use of prior authorization (PA) for HRM.
- CY 2011 bundled Prospective Payment System (PPS) for renal dialysis services.
  - Increased use of Part B versus Part D PA.
- CY 2013 Call Letter - Improving drug utilization controls in Part D.
  - Increased use of PA and quantity limits (QL) on opioids.

# Drug Coverage of PDPs with Below the Benchmark Premiums for LIS Beneficiaries Is Slightly Lower than Coverage for Other Plans in 2013

## Drug Coverage Among PDPs with Below the Benchmark Premiums for LIS Beneficiaries, 2013

	PDPs with Below the Benchmark Premiums for LIS Beneficiaries, 2013	All Other PDPs, 2013
Average % of drugs covered*	79.6%	82.2%
Average % of drugs that are brands**	38.6%	42.2%
Average % of drugs with prior authorization***	16.0%	15.1%
Average % of drugs with step therapy***	1.1%	1.6%
Average % of drugs with quantity limits***	21.1%	20.9%

Source: CMS Data

\* Drug counts are based on the number of unique drug entities.

\*\* Brand drugs defined by FDA-based Applicable/Non-Applicable definitions.

\*\*\*Drug counts are based on the number of RXCUIs.

Percentages are the number of drugs in plan formularies relative to all drugs in plan formularies.

