

Medicare Part D for PACE Participants without Medicaid - Discussion

Frank Kopenski, Jr., ASA, MAAA
Principal and Consulting Actuary

FEBRUARY 17, 2022

Background

- Of the 142 PACE organizations' roughly 60,000 participants, less than 200 are eligible for Medicare and not Medicaid (i.e., Medicare-only) as of December 2021
 - As a result, PACE enrollment of eligible Medicare-only (MO) participants represents less than 0.5% of total PACE enrollment
- PACE eligible seniors may enroll in traditional Medicare (an unmanaged fee-for-service program), Medicare Advantage (a managed capitated program known as Part C) or PACE (a managed capitated program)
 - The cost to CMS varies by individual, county, and health status
- The benefits provided for Medicare Part D prescription drug coverage and the resulting member premiums vary greatly between PACE and the Medicare marketplace
 - It is this variance that contributes to the low MO participation in PACE and forms the basis for the following actuarial presentation
- The following actuarial opinion is based on actual 2022 projected costs and revenue for PACE compared to the Medicare Part D marketplace national average statistics published by CMS

Topic of Discussion: “Part D Enrollment Option for PACE”

- Under current PACE and Part D regulations, individuals enrolling in PACE must disenroll from their Part D plan and accept the PACE prescription drug benefit
- If this requirement was removed, allowing the individual to enroll in PACE but have the option of remaining in a Part D plan or selecting the PACE prescription drug benefit, what cost impact would there be to financial stakeholders’?
 - CMS
 - PACE eligible individual
 - Part D plan sponsor
 - Drug manufacturers
- Since nearly 100% (less ~ 200 in PACE) of PACE eligibles are currently enrolled in a local Part D Plan rather than PACE, they have no material impact on financial stakeholders’ prescription drug cost responsibility if enrolling in PACE and keeping their Part D benefit coverage, other than any cost difference between an MA-PD and stand-alone PDP (since Medicare medical coverage must be dropped with PACE enrollment)
- It is only the existing PACE MO participants (less than 200), who create a cost shift to other financial stakeholders if they opt out of the PACE prescription drug benefit

Stakeholder Responsibility (Not Enrolled in PACE)

	PACE Eligible Medicare Eligible Member Not Enrolled in PACE Stakeholder Responsibility			
	Member	Drug Manufacturer	Part D Plan Sponsor	CMS
Part D Benefit Cost:				
Deductible	Yes	No	No	No
Initial Coverage	Yes	No	Yes	No
Coverage Gap	Yes	Yes	Yes	No
Catastrophic Coverage	Yes	No	Yes	Yes
Manufacturer Plan Rebates	No	Yes	No	No
Administrative Cost	No	No	Yes	No
Profit Margin	No	No	Yes	No
Part D Benefit Funding				
Basic Benefit Member Premium	Yes	No	Yes	No
CMS Subsidized Premium	No	No	Yes	Yes
Enhanced Benefit Member Premium	Maybe	No	Maybe	No

Stakeholder Responsibility (Enrolled in PACE)

	PACE Eligible Medicare Eligible Member Enrolled in PACE Stakeholder Responsibility			
	Member	Drug Manufacturer	Part D PACE Sponsor	CMS
Part D Benefit Cost:				
Deductible	No	No	Yes	No
Initial Coverage	No	No	Yes	No
Coverage Gap	No	No	Yes	No
Catastrophic Coverage	No	No	Yes	No
Manufacturer Plan Rebates	No	Yes	No	No
Administrative Cost	No	No	Yes	No
Profit Margin	No	No	Yes	No
Part D Benefit Funding				
Basic Benefit Member Premium	Yes	No	Yes	No
CMS Subsidized Premium	No	No	Yes	Yes
Enhanced Benefit Member Premium	Yes	No	Yes	No

2022 Stakeholder Financial Impact Analysis

Benefits Available:	2022 Stakeholder Financial Impact Analysis			
	PACE MO Eligible (Not enrolled in PACE)	PACE MO Eligible (Enrolled in PACE)	Part D Option Cost Impact	Assume 200 MO Enrolled in PACE
Standard Part D	Yes	No	N/A	N/A
Equivalent Alternative	Yes	No	N/A	N/A
Enhanced Alternative	Yes	No	N/A	N/A
100% Drug Coverage	Unlikely	Yes	N/A	N/A
Participant Estimated Average Cost PMPY:				
Benefit Annual Cost Sharing	\$2,256.48	\$0.00	\$2,256.48	
Benefit Annual Premium	\$400.44	\$11,398.80	(\$10,998.36)	
Total Out-of-Pocket	\$2,656.92	\$11,398.80	(\$8,741.88)	(\$1,748,376)
CMS Estimated Average Cost PMPY:				
Federal Reinsurance	\$2,186.40	\$0.00	\$2,186.40	
Premium Subsidy	\$387.46	\$2,041.69	(\$1,654.23)	
Total CMS Cost	\$2,573.86	\$2,041.69	\$532.17	\$106,434
Drug Manufacturer Estimated Cost PMPY:				
Coverage Gap Direct Rebates	\$1,281.28	\$0.00	\$1,281.28	
CMS and Part D Sponsor Rebates	\$2,358.37	\$531.61	\$1,826.75	
Total Manufacturer Cost	\$3,639.65	\$531.61	\$3,108.03	\$621,607
Part D Sponsor Average Cost PMPY:				
Premium Shortfall	\$1,622.08	\$0.00	\$1,622.08	
Total Part D Sponsor Cost	\$1,622.08	\$0.00	\$1,622.08	\$324,417

Sources: 2022 CMS published national average Medicare Part D statistics and 2022 average PACE MO Part D bid results.

2022 Stakeholder Financial Impact Summary

- CMS and drug manufacturers have a large stake in the drug benefit costs
- The Part D plan sponsor, on average, does not receive enough benefit funding (i.e., revenue) from the individual participant to compensate for the PACE eligible beneficiary drug cost
- The CMS premium subsidy, while risk adjusted, is often not adequate to cover the above average PACE participant drug spend
- Financial impact of 200 current PACE enrollees selecting a local Part D plan:
 - Drug manufacturers: $200 \times \$3,108.03 \sim \$621,600$
 - CMS: $200 \times \$532.17 \sim \$106,000$
 - Part D plan sponsor: $200 \times \$1,622.08 \sim \$324,000$
- Given the large number of drug manufacturers and plan sponsors in the Medicare Part D market, the impact of 200 PACE MO participants on any one entity is very small

Federal Government Future Part D Benefit Redesign Considerations

- Potential future Part D benefit changes, such as those under discussion and listed below, are unlikely to materially impact the magnitude of the financial stakeholders' cost shift presented here for 2022. The actual values may change for each stakeholder depending upon the redesign.
- Ideas for restructuring of the Part D standard benefit design currently under discussion in Washington D.C. include these general themes:
 - Hard out-of-pocket cap (\$2000-\$3500 range in 2024)
 - Reduce reinsurance to ~20%
 - Eliminate coverage gap phase
 - Move manufacturer liability to the catastrophic phase (and potentially Initial Coverage Corridor)
 - Changes to drug formulary requirements

Caveats And Limitations

I, Frank Kopenski Jr., am a member of the American Academy of Actuaries and meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. To the best of my knowledge and belief, this discussion is accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

This presentation is intended to provide estimated stakeholder impact information that can complement future conversations with Congressional staff about Medicare Part D and a PACE Part D enrollment option. The information contained in this presentation is not complete and may not be appropriate, and should not be used, for other purposes. These slides should be reviewed along with the accompanying verbal comments, and not independently.

We do not intend this information to benefit any third party even if we permit the distribution of our work product to such third party.



Thank you

Frank Kopenski, Jr., ASA, MAAA

frank.kopenski@milliman.com