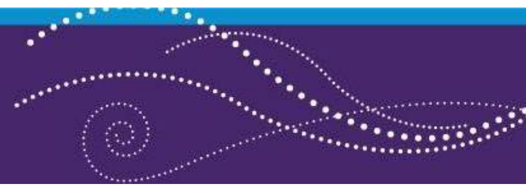


Medicare Part D Coverage Gap Discount Program

Health care reform law makes important changes to the Medicare Part D drug benefit that will help reduce beneficiaries' out-of-pocket spending. Prior to reform, beneficiaries who reached a certain level of spending on prescription medications (the Part D coverage gap or "doughnut hole") had to pay 100% of the cost of their drugs until personal out-of-pocket spending reached a level qualifying them for catastrophic coverage. Medicare Part D Coverage Gap Discount Program uses public and private funding to relieve the financial burden facing beneficiaries who fall into the coverage gap. The Discount Program will provide access to needed medicines by reducing out-of-pocket costs for eligible Medicare beneficiaries. Biopharmaceutical companies have committed to making financial contributions to reduce medication costs for Medicare beneficiaries in the coverage gap.

Background

During the health care reform debate, many policy-makers were especially interested in making health care more affordable by reducing patients' out-of-pocket spending. Toward that end, the Affordable Care Act (ACA)[1] included provisions designed to reduce the cost burden faced by older Americans in the Medicare Part D program, which provides coverage for prescription medications.

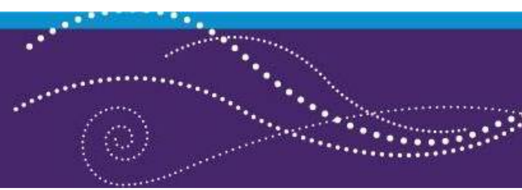
Under the original law creating the Medicare Part D program, beneficiaries initially paid 25% of their medication costs and Medicare paid the rest. However, upon reaching a certain spending limit on prescription medications, beneficiaries entered the coverage gap or "doughnut hole" and were required to pay 100% of their total medication costs until their personal out-of-pocket spending on prescription medications reached the threshold qualifying them for catastrophic coverage.

ACA addresses concerns about the "doughnut hole" by phasing in coverage once beneficiaries reach the coverage gap.[2] The new health care reform law essentially eliminates the coverage gap by 2020. By that time, enrollees will pay 25% on both brands and generics until they qualify for catastrophic coverage. More specifically, the new law:

- Improves coverage of brand-name prescription medications.
  - Beginning in 2011, biopharmaceutical companies will provide a permanent 50% discount on the cost of all brand-name medications used while a beneficiary is in the coverage gap—effectively reducing beneficiaries' liability by half.
  - Beginning in 2013, Medicare will phase-in increases to the government's subsidy to Medicare beneficiaries enrolled in the Part D program.
  - By 2020, the government's subsidy in the coverage gap will reach 25%, resulting in total coverage of 75% of drug costs when added to biopharmaceutical companies' contributions.

- Phases in coverage of generic prescription medications between 2011 and 2020.
  - By 2020, Medicare will pay 75% of the total cost of generic coverage in the coverage gap.
  - To achieve this, Part D plans must start to reduce the coinsurance for generics that beneficiaries must pay in the coverage gap.

Additionally, in 2014, the law begins reducing the out-of-pocket amount that qualifies an enrollee for catastrophic coverage, making it easier for enrollees to qualify for catastrophic coverage.



Key Facts and Figures

- In 2007, 14% of all Medicare enrollees reached the coverage gap. Of those receiving a prescription medication during the year, it was estimated that only 4% entered the doughnut hole and ultimately received the catastrophic coverage.[3]
- An analysis of the Medicare Part D population found that across eight classes of medications used to treat a variety of relatively common chronic conditions, 15% of Part D enrollees who reached the coverage gap stopped their medication therapy for that condition, 5% switched to another medication in the class, and 1% reduced the number of medications they were taking in the class.[4]
- RAND researchers estimate net savings of more than $1 billion annually from reduced hospitalizations and ER visits if copayments were reduced from $10 to $0 for all privately insured U.S. patients at risk of heart disease and currently taking statins.[5] Medicare enrollees constitute a significant portion of this population.
- Researchers at Harvard Medical School found that eliminating copayments for certain medications would result in improved adherence, significantly reducing total health spending per patient.[6]

Pfizer's Position

Pfizer is committed to helping patients achieve the best possible quality of life and health outcomes. Filling the Medicare Part D coverage gap is an important step toward achieving this goal. We have pledged to do our part to reduce costs for Medicare beneficiaries falling into the coverage gap by providing significant discounts on our medicines. Increased coverage for Part D beneficiaries will improve patient health by making it easier and more affordable for patients to adhere to their prescribed treatment program.

How Patients and Health Care Professionals Benefit

Contributions from biopharmaceutical companies and the federal government will reduce the out-of-pocket medication costs facing Medicare beneficiaries. As a result, millions of Medicare beneficiaries will have increased access to important treatments, improving their ability to manage chronic conditions and improve their quality of life. Lower patient financial burdens means health care professionals can be more confident that patients will adhere to prescribed treatment programs.

How the Health Care System Benefits

Increased adherence to medication regimens resulting from coverage gap discounts will reduce the risk of preventable disease and hospitalization for millions of patients. This will help drive down costs for the U.S. health care system as a whole.

What It Means for Pfizer

Contributions from Pfizer and other companies dedicated to reduce the Part D coverage gap will help patients adhere to their medication regimens and lead to better overall health.

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[1] The Patient Protection and Affordable Care Act (PPACA, P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA, P.L. 111-152), is collectively referred to in this paper as the Affordable Care Act of 2010 (ACA).
[2] In addition, the law provides for a $250 rebate for enrollees with any spending in the coverage gap in 2010.
[3] Ibid.
[4] Ibid.
[5] Goldman, D.P., et al. "Varying Pharmacy Benefits with Clinical Status: The Case of Cholesterol-Lowering Therapy." *American Journal of Managed Care.* January 2006: 12(1), 21-28. Available at: http://www.hcplive.com/ajmc/articles/AJMC_06JanGoldman_21to28.
[6] Choudhry, N.K., et al. "Cost Effectiveness of Providing Full Drug Coverage to Increase Medication Adherence in Post-Myocardial Infarction Medicare Beneficiaries." *Circulation: Journal of the American Heart Association.* 11 March 2008: 117(10), 1261-1268. Available at: http://circ.ahajournals.org/cgi/content/full/117/10/1261.