



Medicare Part D Open Enrollment: Tough Choices for 2011 as Plans Change, Costs Shift

Medicare beneficiaries should closely examine 2011 plan choices during open enrollment – starting November 15, 2010 – for prescription drug coverage under Part D. Some plans are increasing cost-sharing, even as the Affordable Care Act's 50 percent discount on brand-name drugs take effect for enrollees who hit the “doughnut hole” coverage gap. Protection from high cost-sharing remains for “Extra Help” enrollees, who will see a greater number of plan choices.

To make the most of Medicare Part D, beneficiaries will need to closely investigate changes in plan benefits and choices.

Many enrollees will face higher cost-sharing and higher premiums; some may find that their current plan will not be offered in 2011. While more drug plans will offer gap coverage, the vast majority of most popular plans will not. Also, several Affordable Care Act provisions affecting Part D enrollees begin next year (Tables 1 and 2).

The Centers for Medicare & Medicaid Services (CMS) has announced that the average premium for Part D plans will be \$30 in 2011.¹ But, a new analysis of Part D plans by AARP’s Public Policy Institute (PPI) shows that premiums for many popular plans will be above \$30 (Appendix A). PPI also found that enrollees will face a wide range of out-of-pocket costs for commonly used prescription drugs, depending on which plan they choose. (Appendix B and C).

New CMS regulations, designed to eliminate redundant plan offerings and plans with low enrollment, have reduced the number of stand-alone Part D plans to 1,109 in 2011, nearly 30 percent fewer than in 2010.² Still, enrollees

will still have an average of 33 plans to choose from in 2011.³ Many of the enrollees in discontinued plans will be automatically moved into a similar Part D plan offered by the same sponsor. For enrollees who receive “Extra Help” through Part D’s low-income subsidy (LIS), more plans will be available in 2011 than in 2010,⁴ an increase resulting from several new CMS policies.

Plan Benefit Designs Vary Greatly in 2011

PPI’s review of ten Part D plans with the highest enrollment⁵ in 2010⁶ (Appendix A) found that none will have a monthly premium under \$30. Eight will require annual deductibles ranging from \$150 to \$310.

As in the past, some enrollees will also face substantial cost-sharing for certain medications, especially brand-name products assigned to third and fourth tiers. In 2011, some popular plans will require copayments of \$90 or more for Tier 3 drugs that usually represent “nonpreferred” brand-name medications. Other plans will require coinsurance of 35 percent to 59 percent. Such cost-sharing differences greatly influence enrollees’ potential out-of-pocket costs from plan to plan.

For example, PPI's analysis of common brand-name drugs found that an enrollee in one popular plan could pay between \$2 and \$45 monthly for Lipitor 10 mg (high cholesterol), depending on their plan. Similarly, using Aricept 10 mg (dementia) could involve cost-sharing ranging from \$41 to more than \$138 per month (see Appendix B). Some popular plans do not cover all of the brand name prescription drugs analyzed by PPI; in these instances, enrollees will typically pay the full cost of the prescription themselves.⁷

PPI found similar variation in cost-sharing for common generic drugs (see Appendix B). An enrollee taking simvastatin 20 mg (high cholesterol) could pay \$0 to \$8 per month. Monthly costs for hydrocodone-acetaminophen 5-500 mg (pain) ranged from \$0 to more than \$10 (see Appendix C).

Many plans typically reserve a fourth tier ("specialty" tier) for biologics and injectable drugs, with cost-sharing determined by coinsurance that represents a percentage of the drug's price, rather than a fixed-amount copayment.

Coinurance can lead to markedly higher enrollee costs. For example, the monthly out-of-pocket Part D cost of rheumatoid arthritis biologic Enbrel 25 mg ranges from \$211 to \$296, depending on the plan. Enrollees in popular plans that do not cover Enbrel 25 mg face monthly costs of \$686 to \$891 (see Appendix B).

Some Part D enrollees using brand-name prescription drugs could reduce their out-of-pocket costs by switching to generics, if available, or to lower-cost brand-name drugs. For example, an enrollee treating their high cholesterol with Lipitor could save over \$400 in annual out-of-pocket costs by switching to simvastatin, assuming that the prescriber has

determined that the switch is clinically appropriate.⁸

In its review of popular plans, PPI found several benefit designs enrollees should note (see Appendix A):

- Three plans (Community CCRx, Advantage Star, First Health) will require coinsurance for branded drugs regardless of tier, but will charge \$8 copayments for generics.
- Cost-sharing varies within each tier for Humana's plans, depending if prescriptions are filled at preferred or nonpreferred pharmacies.
- Two plans (HealthSpring and Medco) will require 25 percent coinsurance for all drugs, regardless of tier.
- Wellcare provides generic drugs with no co-pay.

Gap Coverage Offerings Rise, Except in Most Popular Plans

The Part D benefit includes a coverage gap, also known as the "doughnut hole," where enrollees are responsible for all of their prescription drug costs. In 2011, the gap begins after enrollees' total prescription drug spending reaches \$2,840 and continues until out-of-pocket costs exceed \$4,550.

Since Part D began, the number of plans that offered coverage in the gap has steadily declined, but that trend will reverse in 2011: 27 percent of plans will offer some sort of gap coverage, compared to 20 percent in 2010.⁹ Almost all will limit such coverage to generic drugs.

Among the 10 popular Part D plans reviewed by PPI, however, only the Humana Enhanced plan will provide any coverage in the gap in 2011, and only for "preferred" generics. The

copayment for these drugs will also be higher in the gap.

Technically, the number of plans in 2011 covering any brand-name drugs in the gap has more than tripled since 2010.¹⁰ This development has been linked to CMS' new meaningful differences regulations, which allow plan sponsors to offer two enhanced plans in a given region – provided that one enhanced plan has a higher value and at least some gap coverage of brand-name drugs. Another factor is the Affordable Care Act coverage gap discounts (see Table 1) that save plans from passing along to enrollees the full cost for brand-name drugs.¹¹

Protection for "Extra-Help" Enrollees Persist; Greater Plan Selection in 2011

Currently, more than 10 million persons receive the Part D low-income subsidy¹² that covers some or all of their monthly Part D premiums, plan deductible, copayments and the cost of

drugs in the coverage gap. In 2011, regardless of which Part D plan they select, these enrollees will still be protected from additional cost-sharing. Further, the number of plans serving them will increase eight percent (25 new plans) – despite a decrease in the total number of all Part D prescription drug plans.¹³ This increase also stems from provisions in the Affordable Care Act (Table 2). However, the 332 prescription drug plans that will offer LIS coverage in 2011 are not distributed equally among the states: LIS plan availability will actually decline in 10 regions.¹⁴ These changes could push some low-income beneficiaries into Part D plans that offer reduced coverage for their medical needs. For example, a new research study has suggested that in the future, plans that intend to serve subsidized enrollees might offer limited lists of preferred drugs, or more stringent management, compared to plans that do not serve low-income subsidy enrollees.¹⁵

Overall, in 2011, approximately

Table 1

Affordable Care Act Provisions That Affect Non-Low-Income Part D Enrollees in 2011

Coverage gap discounts – Non-LIS Part D enrollees will receive a 50 percent discount on brand-name drugs and a 7 percent discount on generic drugs while they are in the coverage gap. These discounts will gradually increase until 2020, when enrollees will be responsible for 25 percent of their prescription drug costs while they are in the coverage gap. This will effectively eliminate the doughnut hole, as enrollees will have the same level of coverage from the time they meet their deductible until they reach catastrophic coverage.

Income-related Part D premium – Higher-income Medicare Part D enrollees will be required to pay more of their monthly premiums due to a provision that reduces Part D premium subsidies for individuals making more than \$85,000 per year and couples making more than \$170,000 per year. These income limits will be frozen until 2020, meaning a larger percentage of Medicare beneficiaries will be paying a higher Part D premium over time.

Annual enrollment period – For 2011 plans, the period is November 15 - December 31, 2010. For 2012 plans, the period will be October 15 - December 7, 2011.

Many Changes for Medicare Part D in 2011

500,000 persons will have to be reassigned to a new “benchmark” prescription drug plan that enables them to avoid paying a premium.¹⁶ These reassessments are substantially lower than in prior years: in 2010, CMS reassigned 800,000 beneficiaries, versus 1.6 million in 2009, and 2.1 million in 2008.¹⁷

Use Open Enrollment to Review Medication Usage, Plan Choices

Returning Part D enrollees, who can best predict prescription drug usage in the coming year, are best equipped to consider their plan choices for 2011. New enrollees may wish to enlist the help of a family member or friend to evaluate plan options. The multitude of plan changes (some subtle, others more obvious) for 2011, plus a wide variety of benefit designs and annual out-of-pocket costs, require examining all Part D-related prescription drug costs—not just premiums—when choosing a plan.

Beneficiaries should talk with doctors, pharmacists, and other clinicians about

their medication options, and should review Part D plan choices before open enrollment ends on December 31.

Table 2

Affordable Care Act Provisions That Help Protect Part D Enrollees Who Receive the Low-Income Subsidy in 2011

Re-determination for widows/widowers – The surviving spouse of a LIS-eligible couple will be allowed to delay reassessment of LIS eligibility for one year after the death of their spouse.

Improved information for LIS beneficiaries automatically assigned to a Part D plan – CMS will provide beneficiaries with information on formulary differences between their former plan and their new plan, as well as information on the new plan’s coverage determination, exception, appeal and grievance processes.

Modification to determination of Part D LIS benchmark and voluntary de minimis policy – Medicare Advantage rebates and quality bonus payments will be removed from the calculation of the LIS benchmark. Also, Part D plans that bid a nominal amount above the regional LIS benchmark will be able to absorb the difference in order to remain a \$0 premium LIS plan. These provisions are designed to promote more stability among the number of LIS benchmark plans.

Prescription Drug Plan	Appendix A Characteristics of National Medicare Part D Plans with Highest Enrollment, 2011 ¹						
	Monthly Premium	Annual Deductible	Coverage in Gap	Copays (\$) or Coinsurance (%) Preferred pharmacy/nonpreferred pharmacy			
				Tier 1	Tier 2	Tier 3	Tier 4
AARP MedicareRx Preferred	\$38.60	\$0.00	No	\$7.00	\$45.00	\$82.00	33%
Advantage Star Plan by RxAmerica	\$31.40	\$310.00	No	\$5.75	25%	Lesser of \$95 or 35%	25%
CIGNA Medicare Rx Plan One	\$33.50	\$310.00	No	\$3.00	\$31.00	\$78.00	25%
Community CCRx Basic	\$30.20	\$310.00	No	\$2.00	31%	59%	25%
CVS Caremark Value	\$33.50	\$310.00	No	\$5.00	\$42.00	\$95.00	25%
First Health Part D-Premier	\$48.10	\$150.00	No	\$8.00	20%	36%	29%
WellCare Classic	\$33.40	\$310.00	No	\$0.00	\$41.00	\$90.00	25%
Humana-Walmart	\$14.80	\$310.00	No	\$2.00/\$10.00	\$5.00/\$10.00	20%/37%	35%/50%
				Tier 1	Tier 2	Tier 3	
Humana Enhanced	\$45.50	\$0.00	Yes (preferred generics) ²	\$8.00/\$13.00	\$44.00/\$49.00	34%/39%	
				All Drugs			
HealthSpring PDP	\$35.00	\$310.00	No		25%		
Medco Medicare Rx Plan-Value	\$34.50	\$310.00	No		25%		

Note: All data are for 2011. New York (ZIP code 12144) was used as a constant.

¹ Prescription drug plans that will not be offered in 2011 were excluded (AARP MedicareRx Saver, PrescribaRx Bronze, and AdvantraRx Value). Enrollees in those plans will have the option of being automatically moved into another Part D plan offered by the same sponsor. The Humana-Walmart plan was included because it will have the lowest monthly premium in 2011.

² Preferred generics, or Tier 1 drugs, have a higher copay in the coverage gap.

Source: AARP Public Policy Institute analysis of Part D plan offerings for 2011. Accessed from plan websites and the Medicare Plan Finder, October 19, 2010.

	Appendix B 2011 Plan Coverage and Out-of Pocket Costs for 10 Popular Brand Name Drugs and 1 Popular Specialty Drug Among Medicare Part D Plans with Highest Enrollment ¹											
	# of Drugs on Plan Formulary	Out-of-Pocket Costs per Monthly Prescription										
Prescription Drug Plan		Lipitor 10 mg	Plavix 75 mg	Diovan 80 mg	Zetia 10 mg	Synthroid 100 mcg	Aricept 10 mg	Nexium 40 mg	Vytorin 10-20 mg	Actonel 35 mg	Crestor 10 mg	Enbrel 25 mg
AARP MedicareRx Preferred	11	\$45.00	\$45.00	\$45.00	\$45.00	\$18.27	\$45.00	\$45.00	\$82.00	\$45.00	\$45.00	\$279.38
Advantage Star Plan by RxAmerica	8	\$23.31	\$41.88	\$18.16	\$28.05	\$4.43	\$56.09	\$41.76	\$120.23 ²	\$110.85 ²	\$30.08	\$880.98 ²
CIGNA Medicare Rx Plan One	10	\$31.00	\$31.00	\$31.00	\$31.00	\$18.23	\$31.00	\$31.00	\$78.00	\$86.74 ²	\$31.00	\$211.17
Community CCRx Basic	9	\$2.00	\$52.05	\$23.95	\$36.70	\$10.54	\$138.71	\$54.40	\$95.54 ²	\$88.24 ²	\$2.00	\$216.82
CVS Caremark Value	8	\$42.00	\$42.00	\$42.00	\$42.00	\$17.73	\$42.00	\$42.00	\$93.79 ²	\$86.49 ²	\$42.00	\$832.10 ²
First Health Part D-Premier	10	\$34.39	\$34.28	\$26.80	\$41.35	\$6.60	\$185.25 ²	\$34.18	\$23.27	\$38.62	\$24.63	\$245.18
HealthSpring PDP	10	\$23.39	\$42.28	\$18.16	\$28.21	\$4.19	\$56.74	\$42.16	\$92.54 ²	\$26.32	\$30.28	\$211.28
Humana Enhanced ³	10	\$44.00	\$57.21	\$44.00	\$44.00	\$18.48	\$185.75 ²	\$44.00	\$44.00	\$35.87	\$44.00	\$283.17
Medco Medicare Rx Plan-Value	10	\$23.88	\$42.86	\$18.61	\$28.72	\$4.59	\$57.38	\$42.73	\$94.04 ²	\$26.82	\$30.79	\$211.36
WellCare Classic	6	\$41.00	\$41.00	\$75.00	\$90.00	\$18.66	\$90.00	\$138.28 ²	\$94.29 ²	\$86.99 ²	\$99.80 ²	\$685.98 ²
Humana-Walmart ³	9	\$18.98	\$59.64	\$14.78	\$22.83	\$3.61	\$185.05 ²	\$137.83 ²	\$23.13	\$37.30	\$24.48	\$296.24

Note: All data are for 2011. New York (ZIP code 12144) was used as a constant. Out-of-pocket costs are based on enrollee costs during the initial coverage period.

¹ Prescription drug plans that will not be offered in 2011 were excluded (AARP MedicareRx Saver, PrescribaRx Bronze, and AdvantraRx Value). Enrollees in those plans will have the option of being automatically moved into another Part D plan offered by the same sponsor. The Humana-Walmart plan was included because it will have the lowest monthly premium in 2011.

² Drug is not on the plan's formulary. Payments for off-formulary drugs do not count towards the deductible, initial coverage limit or out-of-pocket costs unless the plan approves a formulary exception.

³ Costs are based on purchase at a preferred pharmacy. Costs at a non-preferred pharmacy would be higher.

Source: AARP Public Policy Institute analysis using the Medicare Plan Finder, October 19, 2010. Popular prescription drugs were drawn from CMS data file, 2008 Part D Top 100 Drugs By Total Fills for Non-LIS Beneficiaries, June 2010, available at: http://www.cms.gov/PrescriptionDrugCovGenIn/09_ProgramReports.asp.

Drug indications: Lipitor 10 mg tablets (high cholesterol); Plavix 75 mg tablets (blood clot inhibition); Diovan 80 mg tablets (high blood pressure); Zetia 10 mg tablets (high cholesterol); Synthroid 100 mcg tablets (hypothyroidism); Aricept 10 mg tablets (dementia); Nexium 40 mg capsules (acid reflux); Vytorin 10-20 mg tablets (high cholesterol); Actonel 35 mg tablets (osteoporosis); Crestor 10 mg tablets (high cholesterol); Enbrel 25 mg inj (rheumatoid arthritis/psoriasis).

		Appendix C 2011 Plan Coverage and Out-of Pocket Costs for 10 Popular Generic Drugs Among Medicare Part D Plans with Highest Enrollment ¹									
Prescription Drug Plan	# of Drugs on Plan Formulary	Out-of-Pocket Costs per Monthly Prescription									
		simvastatin 20 mg	lisinopril 10 mg	levothyroxine sodium 100 mcg	furosemide 40 mg	amlodipine besylate 2.5 mg	atenolol 50 mg	HCTZ 25 mg	hydrocodone-acetaminophen 5-500 mg	metoprolol succinate 50 mg	metoprolol tartrate 50 mg
AARP MedicareRx Preferred	10	\$7.00	\$6.98	\$7.00	\$2.90	\$7.00	\$3.70	\$2.42	\$7.00	\$7.00	\$4.34
Advantage Star Plan by RxAmerica	10	\$5.75	\$4.88	\$5.75	\$2.45	\$5.75	\$2.80	\$2.24	\$5.75	\$5.75	\$4.22
CIGNA Medicare Rx Plan One	10	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$2.03	\$3.00	\$21.79	\$3.00
Community CCRx Basic	10	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
CVS Caremark Value	10	\$5.00	\$4.88	\$5.00	\$2.45	\$5.00	\$2.80	\$2.24	\$5.00	\$5.00	\$4.22
First Health Part D-Premier	10	\$8.00	\$7.66	\$8.00	\$4.83	\$8.00	\$4.83	\$3.62	\$8.00	\$8.00	\$4.83
HealthSpring PDP	10	\$2.18	\$1.36	\$1.48	\$0.45	\$1.98	\$0.83	\$0.33	\$3.90	\$5.61	\$0.90
Humana Enhanced ²	10	\$8.00	\$5.76	\$8.00	\$3.14	\$8.00	\$3.68	\$2.90	\$10.08	\$8.00	\$4.01
Medco Medicare Rx Plan-Value	10	\$3.01	\$1.92	\$2.48	\$0.81	\$6.25	\$1.02	\$0.86	\$3.45	\$6.02	\$1.21
WellCare Classic	10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Humana-Walmart ²	10	\$5.00	\$2.00	\$2.00	\$2.00	\$5.00	\$2.00	\$2.00	\$2.01	\$5.00	\$2.00

Note: All data are for 2011. New York (ZIP code 12144) was used as a constant. Out-of-pocket costs are based on enrollee costs during the initial coverage period.

¹ Prescription drug plans that will not be offered in 2011 were excluded (AARP MedicareRx Saver, PrescribaRx Bronze, and AdvantraRx Value). Enrollees in those plans will be automatically moved into another Part D plan offered by the same sponsor. The Humana-Walmart plan was included because it will have the lowest monthly premium in 2011.

² Costs are based on purchase at a preferred pharmacy. Costs at a non-preferred pharmacy would be higher.

Source: AARP Public Policy Institute analysis using the Medicare Plan Finder, October 19, 2010. Popular prescription drugs were drawn from CMS data file, 2008 Part D Top 100 Drugs By Total Fills for Non-LIS Beneficiaries, June 2010, available at: http://www.cms.gov/PrescriptionDrugCovGenIn/09_ProgramReports.asp.

Drug indications: simvastatin 20 mg tablets (high cholesterol); lisinopril 10 mg tablets (high blood pressure); levothyroxine sodium 100 mcg tablets (hypothyroidism); furosemide 40 mg tablets (fluid retention); amlodipine besylate 2.5 mg tablets (high blood pressure); atenolol 50 mg tablets (high blood pressure); hydrochlorothiazide (HCTZ) 25 mg tablets (fluid retention); hydrocodone-acetaminophen 5-500 mg tablets (pain); metoprolol succinate 50 mg tablets ER (high blood pressure); metoprolol tartrate 50 mg tablets (high blood pressure).

Many Changes for Medicare Part D in 2011

¹ U.S. Department of Health and Human Services (U.S. DHHS), Centers for Medicare and Medicaid Services (CMS), “Premiums for Medicare Prescription Drug Plans Remain Low in 2011,” Press Release, August 18, 2010, available at http://www.cms.hhs.gov/apps/media/press_releases.asp.

² J. Hoadley et al., “Medicare Part D Spotlight: Part D Plan Availability in 2011 and Key Changes Since 2006,” Kaiser Family Foundation, Oct. 2010, <http://www.kff.org/medicare/upload/8107.pdf>

³ Ibid.

⁴ Ibid.

⁵ Based on AARP Public Policy Institute analysis of Centers for Medicare & Medicaid Services’ monthly enrollment by plan data (September 2010).

⁶ Each plan’s (1) monthly premium, (2) annual deductible (if applicable), (3) offering of any coverage in the gap (“doughnut hole”), and (4) the associated copayment or coinsurance level was determined using information provided on each organization’s Web site. Since premiums vary by state (even among national plans), New York (ZIP code 12144) was used as a constant.

⁷ Spending on non-formulary drugs is not counted towards the deductible, initial coverage limit, or out-of-pocket costs unless the plan approves a formulary exception. Thus, taking a non-formulary drug increases enrollees’ out-of-pocket costs substantially.

⁸ AARP Public Policy Institute calculation based on cost-sharing data from popular Part D plans.

⁹ J. Hoadley et al., “Medicare Part D Spotlight: Plan D Plan Availability in 2011 and Key Changes Since 2006,” Kaiser Family Foundation, October 2010, available at <http://www.kff.org/medicare/upload/8107.pdf>

¹⁰ Avalere Health, “Medicare Program Improves Gap Coverage, Access to Brand-Name Drugs for Millions of Beneficiaries in 2011,” Press Release, September 29, 2010.

¹¹ “Medicare Program Improves Gap Coverage, Access to Brand-Name Drugs for Millions of Beneficiaries in 2011,” Press Release, Avalere Health, Sept. 29, 2010, <http://www.avalerehealth.net>

¹² U.S. DHHS, CMS, “Premiums for Medicare Prescription Drug Plans to Remain Low in 2011,” Press Release, August 18, 2010.

¹³ J. Hoadley et al., “Medicare Part D Spotlight: Plan D Plan Availability in 2011 and Key Changes Since 2006,” Kaiser Family Foundation, October 2010, op cit.

¹⁴ Ibid.

¹⁵ J. Hsu, V. Fung, et al., “Fixing Flaws in Medicare Drug Coverage That Prompt Insurers to Avoid Low-Income Patients,” *Health Affairs*, Vol. 29, No. 12 (Dec. 2010); web-first accessed at <http://content.healthaffairs.org/cgi/content/abstract/hlthaff.2009.0323>

¹⁶ U.S. DHHS, CMS, “Premiums for Medicare Prescription Drug Plans to Remain Low in 2011,” Press Release, August 18, 2010.

¹⁷ L. Summer et al., “Medicare Part D 2009 Data Spotlight: Low-Income Subsidy Plan Availability,” Kaiser Family Foundation, November 2008, available at: <http://www.kff.org/medicare/7836.cfm>.

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Written by N. Lee Rucker, MSPH, and Leigh Purvis, MPA
AARP Public Policy Institute,
601 E Street, NW, Washington, DC 20049
www.aarp.org/ppi
202-434-3890, ppi@aarp.org
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