

PREMIUMS

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NOVEMBER 2008

Since 2006, Medicare Part D has helped cover the cost of outpatient prescription drugs for beneficiaries enrolled in private stand-alone prescription drug plans (PDPs) and Medicare Advantage prescription drug (MA-PD) plans. As of September 2008, 26 million beneficiaries are enrolled in a Medicare Part D drug plan, of which more than 17 million are enrolled in stand-alone PDPs. The majority of Part D enrollees pay a monthly premium for Medicare drug coverage. Beneficiaries pay, on average, 25.5 percent of the cost for standard drug coverage; the federal government subsidizes the remaining 74.5 percent. In 2008, more than 9 million Part D enrollees do not pay premiums because they receive low-income assistance under Part D, including 6.2 million enrollees who are dually eligible for Medicare and Medicaid. In addition, some beneficiaries are enrolled in Medicare Advantage drug plans that do not charge a monthly premium for drug coverage.

This data spotlight examines PDP premiums in 2009 and trends since 2006. The 2009 analysis is based on data from the Centers for Medicare & Medicaid Services (CMS) on 1,689 PDPs offered around the nation, excluding the territories. This research is part of a broader effort analyzing Medicare Part D plans in 2009 and trends since 2006, with key findings summarized in a series of data spotlights.¹

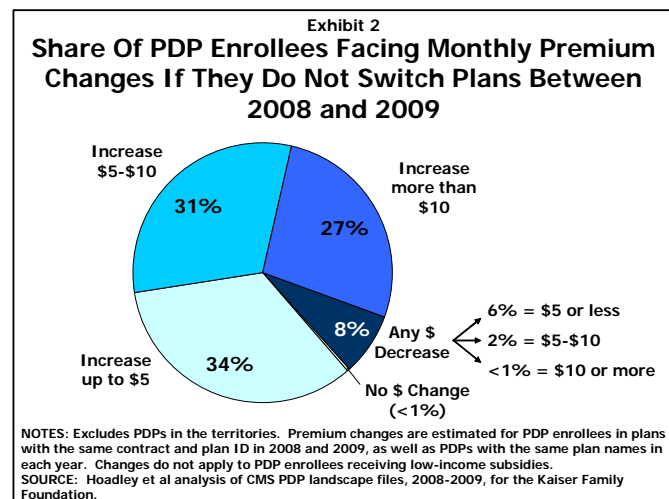
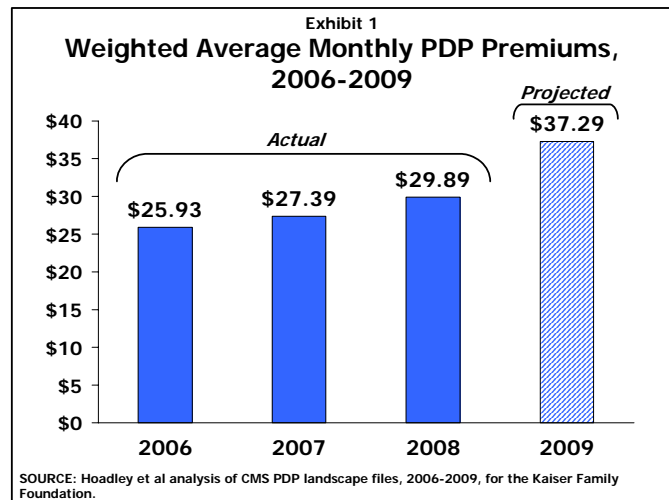
2009 PDP PREMIUMS VARY WIDELY

As in previous years, 2009 PDP premiums vary widely, with higher-premium plans typically offering enhanced benefits. Across all 50 states and D.C., PDP premiums range from \$10.30 to \$136.80 per month. Overall, only 22 percent of plans are priced below \$30 per month in 2009 (compared to 40 percent of PDPs in 2008), while nearly the same share of PDPs (23 percent) have premiums of \$70 or more (versus 11 percent in 2008).

UPWARD TREND IN PDP PREMIUMS, 2006-2009

Between 2006 and 2008, average monthly PDP premiums increased by just under \$4 (weighted by each year's enrollment) (Exhibit 1). If PDP enrollees do not switch plans between 2008 and 2009, the average monthly premium for PDPs will increase by \$7.40 per month, from \$29.89 in 2008 to \$37.29 in 2009.² This represents a 25 percent increase. In 2008, the increase in the average monthly premium would have been 17 percent if no beneficiaries had changed plans, but after enrollment shifts (primarily due to the reassignment of low-income beneficiaries), the average premium increased by only 9 percent.

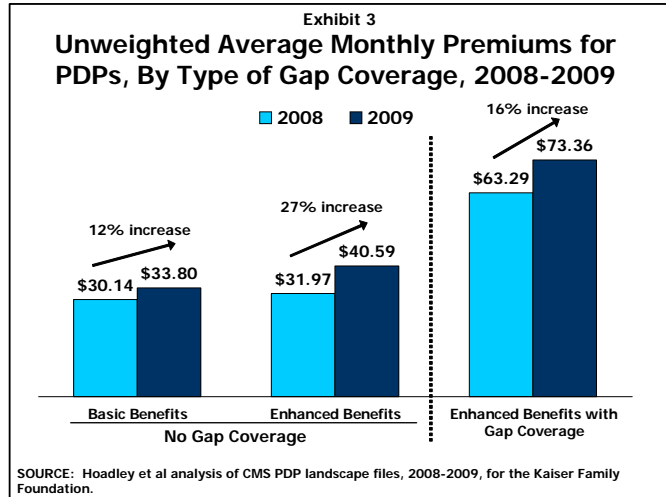
More than nine in ten PDP enrollees face higher premiums in 2009 unless they switch to a lower-premium plan (up from 74 percent in 2007) (Exhibit 2). Over half of PDP enrollees (58 percent) face monthly premium increases of more than \$5 in 2009 if they do not switch plans, up from 47 percent in 2008. More than one-fourth (27 percent) face monthly premium increases of more than \$10, up from 11 percent in 2007 and 19 percent in 2008. Only 8 percent of PDP enrollees face lower monthly premiums if they stay in the same plan in 2009; for most, the decrease is no more than \$5 per month. Overall, from 2006 to 2009, about half of those PDP enrollees who have not switched plans since first enrolling in 2006 will end up facing a premium increase of at least 50 percent across the four-year period.



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HIGHER PREMIUMS FOR GAP COVERAGE IN 2009

A key factor influencing Part D premiums is whether the plan pays for any drug costs in the coverage gap (sometimes called the “doughnut hole”). As in prior years, gap coverage offered in 2009 is primarily restricted to generic drugs. Only three PDPs (in Florida, Michigan, and Wisconsin) offer limited coverage of a “few” brand-name drugs in the coverage gap (defined as less than 10 percent of brands on formulary). In 2009, monthly average premiums for PDPs that offer some gap coverage (\$73.36) are twice as much as for PDPs offering basic benefits with no gap coverage (\$33.80) and nearly double that for plans with enhanced benefits but no gap coverage (\$40.59) (Exhibit 3).³ The average monthly premium for PDPs with enhanced benefits that includes gap coverage increased by 16 percent from 2008 to 2009, a higher rate of increase than for plans offering basic benefits (12 percent), but lower than the increase for enhanced benefits but no gap coverage (27 percent).



PREMIUMS FOR PDPs WITH HIGH ENROLLMENT

In 2008, six PDPs (sponsored by four companies), all with at least 600,000 enrollees, accounted for half of all PDP enrollment. These six PDPs, or companion plans offered by the same four companies, have dominated the stand-alone drug plan market since the inception of Part D in 2006. Although low monthly premiums were a major source

of their initial appeal to beneficiaries (along with brand recognition for some PDPs), premiums for most of these PDPs have risen substantially (Exhibit 4). In particular, premiums for the Humana PDPs were among the lowest in the country in 2006, but between 2006 and 2009, the average premium for the Humana Standard plan quadrupled (from \$9.51 to \$40.83) and more than doubled for the Enhanced plan (from \$14.73 to \$38.21) – with a 60 percent increase for both plans from 2008 to 2009 alone. The monthly premium for the plan with the highest enrollment in 2008, AARP MedicareRx Preferred plan (sponsored by UnitedHealthcare), has increased by 41 percent since 2006 – less than the Humana plans, but a substantial increase nevertheless. Among the six PDPs with the highest enrollment in 2008, only one has an average monthly premium in 2009 that is lower than its 2006 premium: Community CCRx Basic plan, sponsored by Universal American, with a 2009 average monthly premium of \$30.18, 3 percent lower than the \$30.94 monthly premium in 2006. The premium for this plan was actually reduced by larger amounts in both 2007 and 2008, but increased for 2009.

DISCUSSION

The vast majority of Part D enrollees who do not qualify for the low-income subsidy and who do not switch plans between 2008 and 2009 face an increase in their monthly Part D premium; more than one-fourth (27 percent) face premium increases of at least \$120 per year. In addition, Part D enrollees may experience other changes in their drug coverage that could affect out-of-pocket costs and access to needed medications. A central idea behind the structure of Medicare Part D is that enrollees will respond to changes in the Part D marketplace to minimize their out-of-pocket drug costs. However, experience to date indicates that a majority of Part D enrollees have remained in their same plan from one year to the next rather than switch plans during the annual open enrollment period. Measures that make it easier for beneficiaries to choose Part D plans offering coverage that best meets their needs could make the market operate more efficiently and effectively for consumers.

Exhibit 4: Premiums in Medicare PDPs with Highest 2008 Enrollment, 2006-09

Name of PDP	2008 Enrollment (of 16.5 million)		Weighted Average Monthly Premium*			% Change	
	Number	% of Total	2006	2008	2009	2008-2009	2006-2009
AARP MedicareRx Preferred	2,745,266	16.6%	\$26.31	\$32.07	\$37.03	16%	41%
Humana PDP Standard	1,500,758	9.1%	\$9.51	\$25.52	\$40.83	60%	329%
Humana PDP Enhanced	1,426,756	8.7%	\$14.73	\$23.54	\$38.21	64%	159%
Community CCRx Basic	1,097,581	6.7%	\$30.94	\$24.93	\$30.18	21%	-3%
AARP MedicareRx Saver	829,585	5.0%	\$14.43**	\$26.57	\$28.69	8%	99%
WellCare Classic	616,255	3.7%	\$15.80**	\$24.76	\$28.93	17%	83%

NOTES: *Average premiums are weighted by enrollment in each region for each year (2008 enrollment used for 2009 weighting). ** Premium amount is for 2007, since plan was not offered in 2006.

SOURCE: Georgetown/NORC analysis of 2006-09 CMS PDP landscape files for the Kaiser Family Foundation.

¹ Other Medicare Part D 2009 Data Spotlights, based on the authors' analysis of CMS data, are available at <http://www.kff.org/medicare/med110608pkg.cfm>.

² Estimates are weighted by PDP enrollment in plans available in both years. They are higher than CMS estimates because they focus exclusively on PDPs, and the weighted average calculations are based on the assumption that PDP enrollees do not switch plans between years. According to CMS, more than 90 percent of PDP enrollees did not switch plans for either 2007 or 2008. Premium changes discussed in this spotlight and shown in Exhibit 2 do not apply to Part D enrollees receiving low-income subsidies (LIS). LIS recipients will not pay the higher premiums if they switch or are switched to a cheaper plan or if the higher premium in 2009 remains below the qualifying LIS benchmark.

³ These estimates are not weighted by enrollment.