

# Seniors Weigh New Options On Medicare Drug Benefit

**With Most Medicare Plans Raising Costs, Enrollees Need To Shop Around This Year**

By JANE ZHANG *November 13, 2007*

As the open-enrollment period for Medicare approaches, seniors may have more reason than ever this year to revisit their prescription-drug coverage and consider a change.

Most of the private insurers that provide the drug benefit are raising premiums for 2008 -- with the average premium from the top three plans set to rise 27% from 2007 levels, according to a new analysis of data from the federal government and private insurers. Many plans will require beneficiaries to shoulder a larger share of the costs of drugs that are covered. And many people will see significant cutbacks on coverage of their medications during the "doughnut hole" gap in coverage.

The changes may make some previously more-expensive plans look more attractive. At the same time, a few insurers do plan to lower premiums. Some 90% of beneficiaries will have access to at least one plan with lower premiums than what they pay in 2007, says Herb Kuhn, deputy administrator of the Centers for Medicare and Medicaid Services, the federal agency that manages Medicare.

To help beneficiaries weigh options during the six-week enrollment period that begins Thursday, CMS is offering some new online tools. Medicare this week will offer new tools on the Plan Finder page of its Web site (findable at [www.mymedicare.gov](http://www.mymedicare.gov) or [www.medicare.gov](http://www.medicare.gov)). The tools will include report cards that rate plans based on a range of factors, such as customer service, drug pricing and how easy it is to get prescriptions filled. Plan Finder also lets beneficiaries compare out-of-pocket costs and pharmacy networks in their areas. Beneficiaries who prefer not to use the Web can call 1-800-medicare or ask for help from state assistance groups and advocacy programs.

About 24 million seniors and other eligible Medicare beneficiaries are signed up for the Medicare drug benefit, which was begun in 2006 to provide subsidized coverage of prescription drugs through private insurers. Each year during the fall open-enrollment period, beneficiaries may elect to change plans, though they don't have to. Last year, only a small percentage of them switched plans, despite a flurry of new offerings, especially in Medicare Advantage -- which provides an alternative to government-run Medicare health benefits through managed-care companies. The market is still highly concentrated, with United Health Group and Humana Inc. holding 44% of the drug-benefit market.

## 'Look Again'

With premiums rising, insurers are testing the loyalty of their enrollees. Some of the steepest hikes are coming from some big plans that lured early enrollees with low monthly premiums in 2006, according to Avalere Health, a Washington consulting firm that analyzed recently released data from CMS. For example, the basic stand-alone plan from Humana will carry an average premium of \$25.82 in 2008, compared with \$15.14 in 2007 and \$9.51 in 2006. UnitedHealth's Rx Basic plan will carry an average premium of \$40.36 next year, compared with \$29.57 for 2007 and \$25.18 in 2006.

"If you went to the market to look for the least-expensive plan, you need to look again," says Dan Mendelson, Avalere's president.

Nearly one in five of those enrolled in stand-alone drug plans, if they don't switch, will see increases of more than \$10 a month in 2008, according to the Kaiser Family Foundation. About 25% of all

enrollees who have stayed with the same plan since 2006 will face a minimum 50% increase in those original premiums.

## CMS's Formula

The premium increases are the most striking at Humana, which aggressively competed for market share with low premiums. Tom Noland, a senior vice president at Humana, blamed the increases mainly on the new formula CMS used to determine bid prices, as well as increased drug costs and high usage. "It's not that we are intentionally increasing premiums," he says.

Still, Mr. Noland doesn't expect a mass exodus among his consumers. Humana premiums, especially for its enhanced plan, are still low in many areas. In 2008, he says, Humana will also require no co-payment for eligible enrollees ordering preferred generics from its mail-order service.

## Bargain Hunting

Seniors, many on fixed incomes, have shown that when it comes to drug plans, they like to look for bargains. That could benefit some of the few top plans that are bucking the trend by lowering premiums. The average monthly premium for SilverScript, offered by CVS Caremark Corp., will be 24% lower in 2008, or \$20.71, according to Avalere.

Universal American Financial Corp.'s Community Care Rx Basic plan will decrease its average premium 12% to \$25.39 in 2008. Gary Jacobs, senior vice president of corporate development, says the company's strategy will help keep current beneficiaries and attract new ones. "We feel like we had appropriate pricing this year," he says.

When comparing plans, beneficiaries should also consider other factors, such as the list of drugs a plan covers and the cost-sharing requirement. The class of drugs most severely affected is "nonpreferred" brand-name drugs. These drugs cost more than generics and don't enjoy the discounts each insurer negotiated for the brand-name drugs on their "preferred" list. The nonpreferred lists vary -- some carriers have negotiated discounts on drugs such as the statin Zocor or the arthritis drug Celebrex, while others may list such drugs as nonpreferred. But the category often includes medications that patients with chronic illnesses rely on.

## Higher Co-Pays

For example, WellCare Signature, from WellCare Health Plans Inc., will increase its co-payment on nonpreferred drugs to \$105, an increase of up to \$25 from 2007, according to Avalere.

| Going Up  |                           |                                   |                                   |                                   |                      |
|---|---------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|
| A look at average monthly premiums from the top 10 Medicare drug-benefit plans, in terms of enrollment: |                           |                                   |                                   |                                   |                      |
| Plan  | July 2007 Plan Enrollment | 2006 Average Premium <sup>1</sup> | 2007 Average Premium <sup>2</sup> | 2008 Average Premium <sup>1</sup> | % Change (2007-2008) |
| AARP MedicareRx Preferred*  | 3,060,513                 | \$26.31                           | \$27.93                           | \$32.33                           | +16%                 |
| Humana PDP Standard   | 2,133,187                 | 9.51                              | 15.14                             | 25.82                             | +71                  |
| Humana PDP Enhanced   | 1,075,965                 | 14.73                             | 22.02                             | 23.95                             | +9                   |
| Community Care Rx Basic   | 959,726                   | 30.93                             | 28.92                             | 25.39                             | -12                  |
| AARP MedicareRx Saver**   | 900,780                   | 33.88                             | 14.43                             | 23.85                             | +65                  |
| WellCare Signature  | 890,711                   | 22.12                             | 23.74                             | 29.49                             | +24                  |
| MedicareRx Rewards Value***   | 544,754                   | 23.62                             | 24.59                             | 25.18                             | +2                   |
| UnitedHealth Rx Basic****   | 468,056                   | 25.18                             | 29.57                             | 40.36                             | +36                  |
| SilverScript  | 348,723                   | 28.32                             | 27.40                             | 20.71                             | -24                  |
| First Health Part D-Premier*****  | 258,002                   | 24.98                             | 26.70                             | 25.83                             | -3                   |
| <b>Top 3 Plans</b>  |                           |                                   | 22.56                             | 28.68                             | +27                  |
| <b>Top 10 Plans</b>   |                           |                                   | 23.22                             | 28.05                             | +21                  |

<sup>1</sup>2006 offerings enrollment-weighted with July 2006 enrollment data. 2007 and 2008 offerings enrollment-weighted with July 2007 enrollment data.  
 \*AARP MedicareRx Plan in 2006 and 2007 \*\*PacifiCare Select plan in 2006 \*\*\*Medicare Rewards in 2006 \*\*\*\*PacifiCare Saver plan in 2006  
 \*\*\*\*\*First Health Premier in 2006 and 2007  
 Source: Avalere Health

UnitedHealth, meanwhile, will increase the nonpreferred co-payment on its MedicareRx AARP plan by \$9. The Community Care Rx Basic plan will also increase patients' share of costs on nonpreferred brand-name drugs to 70%, from 50% in 2007.

CVS Caremark's SilverScript will switch from requiring enrollees to pay a 25% share of nonpreferred drug costs -- so-called co-insurance -- to requiring a flat co-payment of up to \$94 in 2008.

In another shift, many insurers are limiting the number of generics they cover in the plans that provide some benefits during the doughnut hole coverage gap. The gap begins after beneficiaries and their plans pay \$2,510 in drug costs, at which point plans aren't required to pay benefits until the enrollee has spent \$4,050 out of pocket. Then benefits kick in again.

### **Filling the Gap**

Nearly one-third of stand-alone plans and roughly half of plans in Medicare Advantage offer some coverage during the gap, according to Kaiser Family Foundation. In 2007, most plans that had gap coverage included all generic drugs in their benefit. But in 2008, about half of the plans will reduce their benefits and cover only some generics.

The average premium for stand-alone plans with gap coverage will be more than twice that of the basic plans, raising the question of whether the coverage -- now with reduced benefits -- is worth the money in 2008, says Tricia Neuman, the Kaiser foundation's director of Medicare policy project.