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CMS PART D SENIOR SAVINGS MODEL

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INTRODUCTION

In 2019, more than 90% of Medicare Part D members were enrolled in a plan that offered the Defined Standard coinsurance for Insulin products in the coverage gap (25%), meaning that a non-low income (non-LIS) beneficiary would pay $125 for a $500 Insulin drug in this benefit phase. On March 11th, CMS announced the release of the Part D Senior Savings Model for CY2021. This is a **voluntary opt-in model, which reduces financial disincentives for plans to offer enhanced gap coverage for brand Insulin drugs, while also capping Insulin cost sharing at a $35 copay for non-LIS beneficiaries for a 30-days supply through all phases of the benefit**, except for the catastrophic phase. CMS estimates that approximately 1.3 million non-LIS beneficiaries enrolled in individual Medicare Advantage (MAPD) and Part D Prescription Drug Plans (PDP) are Insulin-dependent, and most of those beneficiaries are already enrolled in an Enhanced Alternative plan. The key considerations are the following:

- For the majority of Part D plans that currently do not offer enhanced gap coverage for Insulin products, participation would require an **increase in supplemental premium to participate**; however, the magnitude of that increase is much smaller than it would be if these copays were offered outside the demonstration, as explained in the example below

  > The magnitude of the supplemental premium change would vary by plan based on current coverage for Insulin drugs in the deductible, initial coverage, and coverage gap benefit phases, the prevalence of Insulin dependent diabetics, and average costs in the plan's population

- For almost all Part D plans, participation would **reduce cost sharing for Insulin-dependent diabetics with no change to cost sharing for other member subgroups**

- CMS is offering **more narrow risk corridors** for participating plans who enroll a disproportionate number of Insulin-dependent diabetics in the demonstration

EVALUATING THE IMPACT

The demonstration program design acknowledges that, **under the current Part D benefit design, there is a financial disincentive for plans to offer enhanced coverage of brand drugs in the coverage gap.** The example below demonstrates that, while the Part D plan would collect $114.50 less in cost sharing by enhancing the coverage for brand drugs, the Part D plan would also collect $325.50 less in manufacturers' discount, and thus would see a massive $440.00 increase in plan liability on a single Insulin fill. This liability increase occurs because, when a plan utilizes a copay benefit structure for a brand drug in the coverage gap under current rules, the manufacturer's discount is calculated after the application of the enhanced benefit, as seen in the table below.

Table 1: Current Rules

Component	Defined Standard Gap Coverage	Enhanced Gap Copay	Difference
Drug Cost	$500	$500	$0
Member Cost Sharing	$500 × 0.25 = $125	$35 × 0.30 = $10.50	-$114.50
Manufacturer's Liability	$500 × 0.70 = $350	$35 × 0.70 = $24.50	-$325.50
Part D Plan Liability before Rebates	**$500 - $125 - $350 = $25**	**$500 - $10.50 - $24.50 = $465**	**$440**

The CMS Senior Savings Model is intended to reduce this disincentive **for participating Part D plans for Insulin drugs only**. Under this model, the manufacturer's discount would be calculated prior to the application of the enhanced benefit, therefore requiring drug manufacturers to incur the same share of costs as under Defined Standard coverage. A revision to the example, showing the distribution of costs across members, plans, and manufacturers under this model is shown in Table 2 below. Although the Part D plan would still incur an additional $90 in costs relative to Defined Standard coverage, that additional cost is much less than what it would be under current rules.

Table 2: Demonstration

Component	Defined Standard Gap Coverage	Enhanced Gap Copay	Difference
Drug Cost	$500	$500	$0
Member Cost Sharing	$500 × 0.25 = $125	$35	-$90
Manufacturer's Liability	$500 × 0.7 = $350	$500 × 0.7 = $350	$0
Part D Plan Liability before Rebates	**$500 - $125 - $350 = $25**	**$500 - $35 - $350 = $115**	**$90**

Note that the distribution of costs would still look like that shown in Table 1 for all other brand drugs that had enhanced coverage in the coverage gap. CMS would also require participating plans to cover Insulin at the same copay through the deductible and initial coverage phases.

CONSIDERATIONS FOR PART D PLANS

Beyond the impact to plan liability, there are a number of additional considerations for Part D plans:

- CMS is defining an applicable drug as *"a drug **classified as Insulin in the American Hospital Formulary Service (AHFS) Drug Information or the DRUGDEX Information System compendia** and are labeled by pharmaceutical manufacturers that apply to participate and voluntarily agree to the terms of the Model"*
- Drug manufacturers must submit an application to participate in the model and **must include all NDCs** for Insulin products, or other products that contain Insulin
- Part D sponsors are **not required to include all PBPs** in the demonstration; D-SNPs and EGWPs are ineligible to participate
- Participating plans will be required to cover **at least one vial and one pen per dosage form** on the formulary
- If the plan decides to offer a cost sharing amount less than $35 as part of this demonstration, they will be **required to offer that same copay in all three benefit phases**: deductible, initial coverage, and coverage gap
- CMS' intention is not for these drugs to be placed on their own formulary tier; a supplemental file will need to be submitted to indicate the cost sharing for the relevant Insulin drugs. Plans also will not be required to have a separate formulary for PBPs participating in the demonstration
- Part D sponsors will be able to **exclude participating Insulin drugs from the tiering exception process**
- The inner portion of the **risk corridors would shift from +/-5% to +/-2.5%** only for plans who enrolled a disproportionate share of Insulin-dependent diabetics
- Participation in the model **can be renewed on an annual basis**; plans are not locked-in for the full five years of the demonstration
- There may be some **offsetting medical savings for MAPD plans** due to increased drug adherence; whereas, this same incentive would not exist for participating standalone PDPs
- There will also be some potential **PR considerations for plans to ponder** as noted in the following section of the application: *"While this Model is voluntary, CMS will make readily available, through multiple avenues, the list of participating Part D sponsors and pharmaceutical manufacturers that are innovating to provide beneficiaries lower out-of-pocket costs and improved access, affordability, and adherence to the prescription drugs their health relies on."*

Deadlines for pharmaceutical manufacturers and Part D plans are as follows:

*"Pharmaceutical manufacturers will have through March 18, 2020 to apply to participate in the Model. **On or around March 20, 2020, CMS will make available to Part D plan sponsors the list of pharmaceutical manufacturers participating in the Model for CY 2021."***

*"CMS is also releasing an RFA for **Part D sponsors who may submit a letter of intent by April 10, 2020 and must apply by May 1, 2020** to participate in the Model."*

CONCLUSION

The potential benefits of participation in this model will have to be weighed against the corresponding increase in supplemental premium that will be required, as well as the impact those higher premiums may have in hyper-competitive markets. Although CMS offers the possibility of more narrow risk corridors for some Part D plans, participation in the demonstration will result **in increased supplemental liability which will continue to fall outside the risk corridors.** Ultimately, Part D plans should take a holistic approach in evaluating their decision to participate, which should include careful analysis of the impact to premium and the population which will likely be enrolled.

For more information, the CMS fact sheet can be found here:
https://www.cms.gov/newsroom/fact-sheets/part-d-senior-savings-model

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