



# The **Part D Penalty** for Medicare PACE Participants: How Can We *Erase* It?

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# FOCUS: Integrated Care for Complex Older Adults w/ Disabilities



- ▲ Altarum provides consulting & analytic services for designing efficient integrated care arrangements for a fast-growing complex care population.
  - In many states, **middle-class Medicare beneficiaries lack good options for highly-integrated care**, yet many need LTSS as they “age in place.”
  - The federal government is in a good position to expand high-quality Medicare integrated care by making PACE more available to the middle-class “pre-duals” population.
  - PACE is a well-established program, high-quality, flexible model of integrated care that has significant potential to slow middle-class spend-down to Medicaid – but there are barriers that stymie the ability of PACE to attract middle-class Medicare beneficiaries.
- ▲ Once addressed, more Medicare beneficiaries who are willing to pay their state’s Medicaid capitation rate for LTSS would opt to buy into PACE, if they can access affordable prescription drug coverage -- which they cannot access today.

## OVERVIEW:



- ▲ Medicare beneficiaries (“pre-duals”) **represent less than 1% of PACE enrollment** today.
- ▲ Most who are potentially eligible for PACE enroll in either a Medicare Advantage (MA) plan or in the traditional FFS Medicare program together with a stand-alone Part D prescription drug plan (PDP).
- ▲ FFS beneficiaries have a choice among various prescription drug benefits ranging from the defined Standard Part D benefit to enhanced plans with richer benefits (the latter require payment of a supplemental premium).
- ▲ **Medicare beneficiaries receive substantial cost assistance** to make their prescription drug coverage affordable from drug manufacturers and CMS, via point-of-service drug rebates, federal reinsurance, and premium subsidies. ***Unfortunately, Medicare-only PACE participants are denied this cost assistance.***

## OVERVIEW (2):



- ▲ In 2006, Congress enacted Medicare Part D. Decision was made that PACE programs would offer their own versions of Part D plans as the only choice for Medicare-only participants.
- ▲ PACE Part D plans are an enhanced (100%) drug benefit that must be purchased from the PACE plan sponsor, which Medicare-only PACE participants must purchase, incurring extremely high premiums that average over \$900 per month.
- ▲ Uniquely among all Medicare beneficiaries, Medicare-only PACE participants are saddled with exorbitantly high costs for their Part D coverage, creating a prohibitive barrier to expanded PACE enrollment among the pre-duals.
- ▲ Altarum and the National PACE Association have designed solutions to reduce or remove the Part D penalty and lower the barrier for expanded PACE enrollment:  
<https://altarum.org/projects/policy-reforms-needed-expand-program-all-inclusive-care-elderly-pace>

## SOLUTION 1: Waiver to *PACE Plans* under BIPA 903



- ▲ An actuarially-sound waiver approach was designed by Altarum and Huron Valley PACE in 2018 to allow a Medicare-only participant to enroll in PACE, while simultaneously obtaining Rx coverage from a local Part D PDP.
- ▲ There is a precedent: The waiver approach builds on a BIPA 903 waiver approved by CMS to help VA-eligible Medicare-only PACE participants retain access to much more affordable VA drug coverage in 2011.
- ▲ Under the Altarum-Milliman BIPA 903 waiver approach, **the PACE plan would coordinate with the PDP**, which would permit the Medicare-only PACE participant to gain access to drug manufacturer point-of-service rebates and federal reinsurance.
- ▲ CMS did not approve this approach, as the agency could not determine the impact to stakeholders, or how the waiver could be approved under current PACE and Part D regulations. **We will show that the costs are quite similar for the local Part D Plan sponsor, for CMS and for drug manufacturers, and that costs to Medicare-only PACE participants drop substantially.**

## SOLUTION 2: Legislation - Grant **Medicare-only PACE Participants** the Ability to Choose an Affordable Local Part D Drug Plan



- ▲ HR 4941 (Reps. Blumenauer, Walorski, Dingell) proposes to allow a Medicare-only PACE participant to enroll in PACE AND to choose: standard Part D coverage, alternative Part D coverage, or enhanced Part D coverage from a local PDP – or the PACE drug benefit.
- ▲ A PACE organization would coordinate drug orders through care planning and by working directly with prescribing doctors, and would retain responsibility for this coordination for all Medicare beneficiaries who opted to choose a PDP. PACE would also exchange claims information with PDPs to monitor and manage participant medications.
- ▲ Also, if Medicare-only PACE participants elected a local Part D PDP, they would gain access to drug manufacturer point-of-service rebates and federal reinsurance.
- ▲ Similar costs would accrue to the PDP, to CMS and to drug manufacturers, and costs would drop substantially for PACE participants who chose to opt out of PACE Part D plan. The PACE plan would not collect PACE participant cost sharing, consistent with PACE regulations.
- ▲ To date, CMS' response to this solution is not known.

# PACE Part D Plans Impose Huge Costs on Medicare Beneficiaries



## PACE Part D Choice Case Study

Comparing 2021 Average PACE Prescription Drug Plan Costs Compared to 2021 Medicare Part D Standalone Prescription Drug Plans for a Medicare-only Beneficiary in Fee for Service Medicare Taking 10 Prescription Drugs

Annual PACE Plan Costs at Top, Remainder Sorted by Lowest Annual Total Participant Out of Pocket for All Plans Available in Zip Code

	Monthly Premium	Annual Deductible	Annual Estimated Cost-Sharing Responsibility at Preferred Pharmacy	Total Annual Patient Out of Pocket (Premium + Deductible + Cost-Sharing)	All Drugs on Formulary?	Any Drug Restrictions?	Star Rating (out of 5, with 5 being best)
<b>PACE Part D Plan National Average</b>	<b>\$907.76</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$10,893.12</b>	<b>Y</b>	<b>N</b>	<b>n/a</b>
SilverScript Choice PDP	\$26.70	\$380.00	\$0.00	\$700.40	Y	Y	3.5
Humana Basic Rx Plan PDP	\$27.90	\$445.00	\$364.44	\$1,144.24	Y	Y	3.5
Express Scripts Medicare-Value PDP	\$53.00	\$445.00	\$285.00	\$1,366.00	Y	Y	3.5
AARP MedicareRx Preferred PDP	<b>\$83.40</b>	<b>\$0.00</b>	<b>\$804.96</b>	<b>\$1,805.76</b>	<b>Y</b>	<b>Y</b>	<b>3.5</b>

### The chart makes the following assumptions:

- Participant lives in zip code 22314;
- 30 day supply of each drug at the dosages and frequencies listed below; and
- Drugs would be purchased from one of these local retail pharmacies, whichever one was considered to be in network, preferred by each plan, and offered the cheapest monthly total out of pocket drug cost. The pharmacies used for this chart are CVS Store #1086, Harris-Teeter Store #398 and Walgreens #12359.

### Drug List

Simvastatin 20mg, 1 x day  
 Sertraline HCL 100mg, 1 x day  
 Lisinopril 10mg, 1 x day  
 Carbidopa/Levodopa 25-100mg, 3 x day  
 Furosemide 40mg, 1 x day  
 Escitalopram Oxalate 10mg, 1 x day  
 Levetiracetam 500mg, 2 x day  
 Finasteride 5mg, 1 x day  
 Meclizine HCL 25mg, 1 tablet as needed, with a maximum of 10 tablets per 30 days  
 Gabapentin 300mg, 3 x day

## TWO POSSIBLE SOLUTIONS ARE AVAILABLE:



- ▲ Evidence shows that for complex older adults, PACE results in
  - ▲ fewer hospitalizations and less institutional care;
  - ▲ consistently high levels of satisfaction.
- ▲ There are two options for solving the PACE Part D dilemma for middle-class complex Medicare beneficiaries who wish to enroll in PACE. The current Medicare census is only 172 participants across the country, since very few beneficiaries are willing to pay premiums averaging more than \$900 per month (about **\$10K per year**, or **38% of the average Medicare beneficiary's annual income**) for their Part D coverage, as compared to a national average of less than \$35.
- ▲ 142 PACE plans in 30 states now serve 60K adults. In order for PACE to scale to reach a Medicare middle-class population, the Part D Penalty needs to be removed.



# Milliman Presentation

# Questions Now or Later Are Welcome!



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