PRESCRIPTION DRUG PLANS

What is a PDP?

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Prescription Drug Plans: What is a PDP?

PDP

Since Original Medicare does not have prescription drug coverage built into it, Medicare beneficiaries must enroll into a plan that offers that coverage.

- Beneficiaries may purchase a standalone Prescription Drug Plan (PDP) from a private insurer. These plans are also referred to as Medicare Part D plans
- Prescription drug coverage can also be acquired by enrolling into a Medicare Advantage Plan, with drug coverage built into the plan (MA-PD).
- Beneficiaries will need Part D coverage, not only to avoid penalties, but also to protect themselves from potentially high out-of-pocket drug expense.

Plan Basics?

- PDPs are regulated by CMS and must meet federal guidelines for coverage and benefits.
- Each plan may set its own copays/coinsurance, premium, and deductible (up to $435) – as long as they meet those guidelines for coverage and benefits
- Each plan has a contracted network of pharmacies

Standard Part D Phases

Prescription Drug Plan Benefits are divided into Phases

Deductible Phase (if applicable)

- When enrolled in a PDP, beneficiaries begin by paying the plan's deductible
  - Many carriers choose not to include a deductible in their plans

Initial Phase

- After the deductible has been paid, beneficiaries enter the Initial Coverage phase, where they pay the plan's set copays/coinsurance for their drugs
- This phase continues until the member and plan have combined to pay $4020* in drug costs during a given year the consumer enters the Coverage Gap

*Values represent 2020 cost-sharing figures

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Standard Part D Phases

Coverage Gap – or "Donut Hole" – Phase

- During the Coverage Gap, the member will pay 25% of the cost for generics* and 25% of the cost for brand drugs*
- The Coverage Gap lasts until the member and plan contributions meet or exceed $6,350*
  - Generic Drugs – only the 25% of cost counts toward exiting the Coverage Gap
  - Brand Drugs – 95% of the cost counts toward exiting Coverage Gap
- Items that count to exit the Coverage Gap
  - Deductible and Coinsurance/Copays
  - Discounts on Brand Drugs during the Coverage Gap
  - Client payments on drugs
- Items that do not count to exit the Gap
  - Pharmacy dispensing fees
  - PDP Premiums
  - Payments on drugs that aren't on the formulary

*Values represent 2020 cost-sharing figures

Standard Part D Phases

Catastrophic Coverage

- Once the member reaches $6,350 in qualifying contributions, they enter the Catastrophic Coverage Phase
  - In this phase, the consumer pays very little for prescription drugs
    - Generic Drugs: $3.60 or 5% (whichever is greater) *
    - Brand Drugs: $8.95 or 5% (whichever is greater) *

*Values represent 2020 cost-sharing figures

How Do PDPs Help in the Gap?

Some PDPs, with "enhanced" gap coverage, will help lower members' costs during this time by having equal cost-sharing, in and out of the coverage gap.

- This kind of coverage will come at the expense of a higher plan premium.
- While these plans are more expensive, they are usually used by beneficiaries whose drug costs are certain to enter the coverage gap.
    - Because of the higher premium cost, most beneficiaries will not benefit by selecting this type of plan

The Formulary

Formularies are plan-specific and provide a comprehensive list of what drugs are covered under each plan.

- The list of drugs can change year-to-year – or mid-year

Formularies will generally be divided into 3-5 tiers, based on drug cost:

- Each tier must include at least 2 drugs in each therapeutic class.
- The lowest cost tier will usually include the plan's preferred generic drugs, while the highest would include specialty drugs.
- Each tier in the formulary will have a different level of cost sharing.
- 5-tier formularies are currently the most common with MAPDs and standalone PDPs

Exclusions

PDPs will not cover:

- Drugs covered under Medicare parts A and B - given at a hospital or doctor's office
- Drugs not on the formulary
  - Exceptions can be requested but are extremely rare and are generally only granted after step therapy.
  - Other exploratory studies can determine that an excluded drug is absolutely medically necessary and cannot be substituted.
- Drugs used for
  - Weight control
  - Fertility
  - Cosmetics
  - Cough or cold symptom relief

Other PDP Restrictions

The plan is required to denote the drugs that will require preauthorization, quantity limits, or step therapy.

- Preauthorization
  Plans can require a physician to sign off on a prescription, deeming the drug medically necessary.
- Quantity Limit
  Plans can limit the amount of a drug that will be covered or issued at one time.
- Step Therapy
  Step therapy would require that a member try one or more generic or less expensive drugs, before the plan will cover the requested drug.

Why Sell PDPs?

- Prescription Drug Plans are an integral part of the Medicare market because drug costs are a major concern for most beneficiaries.
- While sorting through various drug plans, PDPs can become a complex product because of drug formularies.
- Taking the time to sit with a beneficiary and find a plan that best suits them can truly make a difference and generate future business