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Analysis of Part D Senior Savings Model

March 11, 2020

On March 11, 2020, the Centers for Medicare & Medicaid Services announced a new Part D Senior Savings Model ("the Model") to test whether insurance companies and pharmaceutical corporations would voluntarily lower insulin out-of-pocket costs through restructuring the benefit design structure of participating Medicare Part D plans.[1] This document provides key takeaways, an overview of the Model, and a brief analysis.

Key takeaways:

- The Model would not help any of the millions of people who need insulin who are not covered by Medicare, such as those on employer-sponsored plans and those without insurance.
- The Model makes narrow tweaks to the benefit design structure of participating Medicare Part D plans that could help lower out-of-pocket costs for insulin sold by participating manufacturers for some Medicare beneficiaries.
- The Model does not address the ability of pharmaceutical corporations to set exorbitant prices for insulin. Solving the insulin crisis requires curbing the high and rising prices charged by pharmaceutical corporations.

Contours of the Model:

- Pharmaceutical manufacturers and so-called enhanced Part D plan providers may apply to participate in the Model.
    - Currently about 54% of beneficiaries are enrolled in these sorts of plans, which have higher premiums than basic Part D plans (in 2020, an average of $49.02 per month vs $32.09 per month).
- Plans participating in the Model cover insulin products of manufacturers participating in the Model with a maximum $35 copay per 30-day supply in deductible, initial coverage, and coverage gap phases.
- Plans participating would be able to obtain the full 70% manufacturer discount even if they offer lower cost-sharing in the coverage gap phase.
    - Currently, if plans offer more generous benefits in the coverage gap phase, plan providers face increase costs, while pharmaceutical manufacturer discounts are reduced.
- Plans participating in the Model have an option of receiving additional "risk corridor" protection in 2021 and 2022 for plans that have higher-than-average enrollment from insulin-dependent patients, presumably meaning the government will pick up a greater share of costs if actual plan spending is greater than expected.

[1] Part D Senior Savings Model, https://innovation.cms.gov/initiatives/part-d-savings-model (2020).

Trump Administration's claims of benefits of the Model:

- Beneficiaries who take insulin and enroll in a participating plan should save an average of $446 in annual out-of-pocket costs for insulin, or over 66%, relative to their average cost-sharing for insulin today.
- The administration projects the Model would generate more than $250 million in savings for the federal government over 10 years, largely resulting from manufacturers paying additional coverage gap discounts.

Analysis:

- The administration projects that the benefits of this plan would accrue to beneficiaries through lower out-of-pocket costs for insulin, and to the federal government, primarily through increased discounts from pharmaceutical manufacturers. This means that either beneficiaries will face higher premium costs, plans will face increased expenses, pharmaceutical companies will face increased discounts, or some combination thereof.
- Sanofi and Eli Lilly have expressed willingness to participate, but it's unclear whether Novo Nordisk or Part D insurance plan providers will be willing.
- The Model could help lower out-of-pocket costs for some Medicare beneficiaries who use insulin, but it risks increasing costs for other Medicare beneficiaries through higher premiums.
- While 3.3 million people with diabetes who use insulin are enrolled in Medicare Part D, many millions throughout the country would still receive no relief from price gouging of drug corporations that sell insulin.
- The Model does not get at the underlying cause of the insulin access and affordability crisis: the high and rising prices charged by pharmaceutical corporations.