



The Medicare Drug Benefit: Changes in California for 2008

THE OPEN ENROLLMENT PERIOD FOR THE third year of the Medicare drug benefit (Medicare Part D) begins on November 15, 2007 and ends on December 31, 2007. Medicare beneficiaries may again enroll in one of two types of plans: a stand-alone prescription drug plan (PDP) that provides only drug coverage, or a Medicare Advantage health plan (MA-PD) that provides both medical and drug coverage. Beneficiaries who are already enrolled in either type of plan may use the open enrollment period to switch plans. Certain low-income beneficiaries will be required to change plans in order to remain eligible to receive full premium subsidies.

This fact sheet summarizes several important changes that California Medicare beneficiaries (and those assisting them) should consider during this open enrollment period, even if they are satisfied with their current plan. Among the key findings:

- Medicare beneficiaries in California will have more plans to choose from in 2008, particularly those who want to receive their drug benefit through an MA-PD.
- Most beneficiaries enrolled in PDPs will see a sharp rise in premiums if they choose to remain in their current plan, while most beneficiaries enrolled in MA-PDs will see their premiums decrease or stay the same.
- The average increase in PDP premiums for beneficiaries in California who remain in their current plan is nearly twice the national average.

- More plans will provide generic drug coverage within the Part D “doughnut hole”—the gap between the initial coverage limit and the threshold for catastrophic coverage. Brand-name drug coverage in the doughnut hole will be available only from a few MA-PDs.
- As in 2007, most plans will not require a beneficiary to pay a deductible before receiving drug coverage.
- California’s low-income Medicare population in need of plans with no premium will have fewer options, and a significant proportion will have to switch plans to receive their full federal subsidy and thus avoid paying higher premiums.

Plan Options

Medicare beneficiaries in California and the nation will have more plan choices for 2008. The total number of Part D plans participating in California will increase from 200 to 237 (Figure 1). Of the 37 additional Part D offerings, 36 will be MA-PD plans. The total number of Part D plans available to California beneficiaries in 2008 varies by county, ranging from 69 plans in Lassen County to 118 plans in certain areas of Los Angeles County (see Appendix).

Premiums

Many beneficiaries in California will have to switch plans to avoid large premium increases—particularly those enrolled in PDPs. For 2008, the average PDP premium in California will increase by 19 percent (Table 1). By contrast, the average MA-PD premium will decrease by

Figure 1. Number of Part D Plans in the U.S. and California, 2006–2008



39 percent. (These averages reflect only the premiums charged by the available plans, not the relative number of Californians enrolled in each plan.) The average monthly PDP premium in California will jump by 31 percent if beneficiaries choose to remain in the same plan, climbing from \$20.22 to \$26.53. That increase is dramatically higher than the national average of 17 percent. By contrast, the average enrollment-weighted MA-PD plan premium (encompassing both Part C medical and Part D drug benefits) will decrease by 12 percent, falling from \$35.06 to \$30.88.

The average increase in PDP premiums for beneficiaries in California who remain in their current plan is nearly twice the national average—31 percent versus 17 percent.

There is substantial variation among plans' 2008 premium increases and decreases. These variations reflect differences in plan benefit design, service

Table 1. Part D Monthly Plan Premiums in California and the U.S., 2007–2008

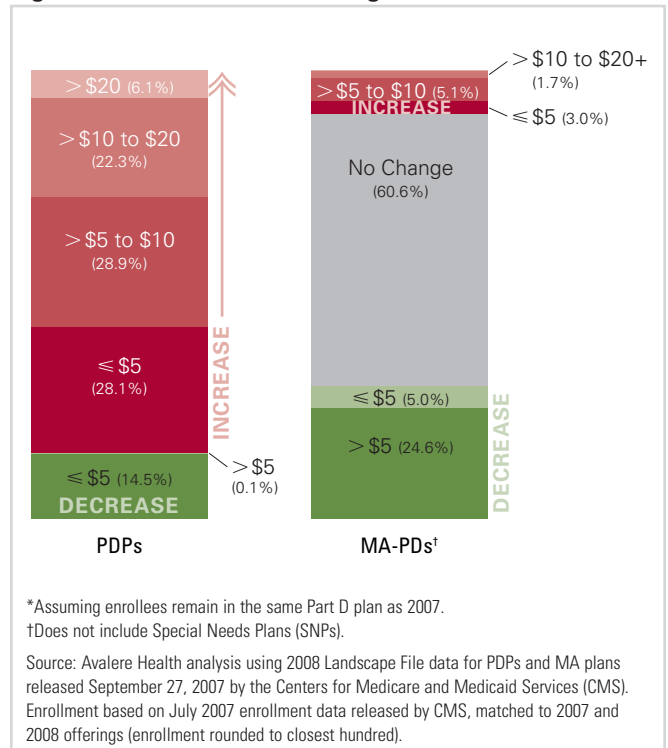
PLAN TYPE	AVERAGE		ENROLLMENT-WEIGHTED AVERAGE*	
	2007	2008	2007	2008
California				
PDPs	\$31.72	\$37.65	\$20.22	\$26.53
MA-PDs†	\$58.48	\$35.87	\$35.06	\$30.88
United States				
PDPs	\$36.79	\$40.02	\$27.39	\$31.99
MA-PDs†	\$52.85	\$47.46	\$36.61	\$36.71

*Based on July 2007 enrollment data, matched to 2007 and 2008 offerings.
†Does not include Special Needs Plans (SNPs). Includes consolidated C+D premium.
Source: Avalere Health analysis using 2008 Landscape File data for PDPs and MA plans released September 27, 2007 by the Centers for Medicare and Medicaid Services (CMS). 2007 data from October 2006.

areas, enrollment, and prescription drug costs. Nearly 15 percent of PDP enrollees who stay in the same plan will see their premium drop, while 28 percent will see an increase of \$10 or more per month (Figure 2).

Among the ten most popular plans in California in 2007, the change in premiums for 2008 ranges from a

Figure 2. Part D Premium Changes* in California, 2008



decrease of \$25.00 (25 percent) to an increase of \$24.40 (71 percent). The premium for the most popular plan, AARP Medicare Rx Saver, will increase by \$11.20, more than double the 2007 amount and the largest premium increase in percentage terms (Table 2).

Beneficiaries who don't enroll in a Part D plan when they first become eligible will pay a penalty when they do choose to enroll. The penalty equals 1 percent of the national average premium for each month of delay. This amount is added to the person's monthly Part D premium for life. Beneficiaries who were first eligible for the drug benefit during the last open enrollment period but did not take action will pay an additional \$3.30 per month if they enroll during this open enrollment period. The penalty amount is calculated as twelve months' worth of delay, multiplied by one percent of the national average 2007 premium rate of \$27.35, rounded to the nearest ten cents. Actual penalties will vary based on the timing of eligibility and actual enrollment. People who were first eligible for Part D coverage in January 2006, but never enrolled, will pay an even higher penalty should they enroll for 2008.

Table 2. Premiums for Top 10 Plans in California, 2007–2008

PLAN NAME	PDP/MA-PD	2007 ENROLLMENT	MONTHLY PREMIUM		CHANGE IN PREMIUM (2007–2008)	
			2007	2008	AMOUNT	PERCENT
AARP Medicare Rx Saver	PDP	305,500	\$9.80	\$21.00	\$11.20	114%
Humana PDP Standard	PDP	193,300	\$15.70	\$23.00	\$7.30	46%
AARP Medicare Rx Preferred	PDP	150,600	\$24.70	\$28.60	\$3.90	16%
WellCare Signature	PDP	139,700	\$18.20	\$23.60	\$5.40	30%
Kaiser Permanente Senior Advantage [†]	MA-PD*	127,700	\$99.00	\$74.00	–\$25.00	–25%
Health Net Orange Option [†]	PDP	118,900	\$19.90	\$16.70	\$3.20	16%
Sierra Rx	PDP	111,500	\$22.40	\$26.80	\$4.40	20%
Kaiser Permanente Senior Advantage [†]	MA-PD*	91,700	\$0.00	\$0.00	\$0.00	0%
Blue Cross Medicare Rx Value	PDP	80,700	\$19.00	\$17.60	–\$1.40	–7%
Blue Cross Medicare Rx Gold	PDP	64,700	\$34.60	\$59.00	\$24.40	71%

*MA-PD premium is consolidated C+D premium.

[†]Plan is available in Los Angeles, Orange, and Ventura counties.

#Plan is available in Contra Costa, San Joaquin, Santa Clara, Solano, and Stanislaus counties.

Source: Avalere Health analysis using 2008 Landscape File data for PDPs and MA plans released September 27, 2007 by the Centers for Medicare and Medicaid Services (CMS). 2007 data from October 2006. Enrollment based on July 2007 enrollment data released by CMS (enrollment rounded to closest hundred).

Benefit Design

Federal law requires that beneficiary cost sharing under Medicare Part D be raised each year to match the growth in drug spending. For 2008, the standard deductible will increase from \$265 to \$275, which represents the highest amount that Part D plans can charge their enrollees. Most plans in California will offer coverage with no deductible (Table 3).

The initial coverage limit will increase from \$2,400 in 2007 to \$2,510 in 2008. To qualify for catastrophic coverage, where the program pays 95 percent of the cost

Table 3. Deductible and Coverage Gap Structure in California, 2007–2008 (Percentage of Plans)

PLAN TYPE	\$0 DEDUCTIBLE		COVERAGE IN GAP FOR...			
	2007	2008	ANY DRUGS		BRAND NAME DRUGS	
			2007	2008	2007	2008
PDPs	60%	59%	25%	27%	2%	0%
MA-PDs*	93%	89%	33%	43%	8%	9%

*Does not include Special Needs Plans (SNPs).

Source: Avalere Health analysis using 2008 Landscape File data for PDPs and MA plans released September 27, 2007 by the Centers for Medicare and Medicaid Services (CMS). 2007 data from October 2006.

of drugs, the beneficiary's out-of-pocket costs must reach \$4,050 and total drug purchases exceed \$5,726. Both figures are higher than the 2007 amounts of \$3,850 and \$5,451, respectively.

The gap between the initial coverage limit and the catastrophic coverage threshold is referred to as the "doughnut hole." More MA-PD plans in California will offer coverage in the doughnut hole in 2008 than in 2007, but there is little change in this coverage among PDPs. No PDPs and only 9 percent of MA-PDs will offer some coverage for brand-name drugs in the doughnut hole.

Low-Income Medicare Beneficiaries

The federal government fully subsidizes Part D premiums for most beneficiaries who receive the low-income subsidy (LIS), provided they enroll in any basic PDP that charges no more than \$1.00 above the LIS benchmark for 2008 (set at \$19.80 per month in California). LIS-enrolled beneficiaries are required to pay an additional premium if they choose plans with premiums that exceed the subsidy benchmark by more than \$1.00. In 2008, there are nine PDPs in California that charge premiums below the LIS benchmark, but no other PDPs with premiums within \$1.00 of the benchmark. This reflects a sharp drop in plan options from 2007, when individuals in California receiving the LIS were permitted to receive the full premium subsidy for 14 plans, including nine with premiums below the LIS benchmark and five that charged no more than \$2.00 above the benchmark. Only seven—or half—of the 2007 plans will remain eligible for full premium subsidy in 2008; two new plans will become available for 2008.¹

The Centers for Medicare and Medicaid (CMS) is the federal agency in charge of Medicare. CMS automatically enrolls individuals newly eligible for both Medicare and Medi-Cal into basic PDPs that charge premiums below the LIS benchmark. Due to PDP premium changes in 2008, many low-income beneficiaries in California

will need to switch to an LIS-eligible PDP offered by a different company in order to avoid paying a monthly premium of \$1.20 to \$13.10. CMS will have reassigned approximately 400,000 dually eligible Californians into plans that have raised their 2008 premiums above the LIS-benchmark.² CMS will randomly enroll these beneficiaries into other PDPs offered by different companies. These individuals may be enrolled in plans that offer formularies that are more or less restrictive than their current plan.

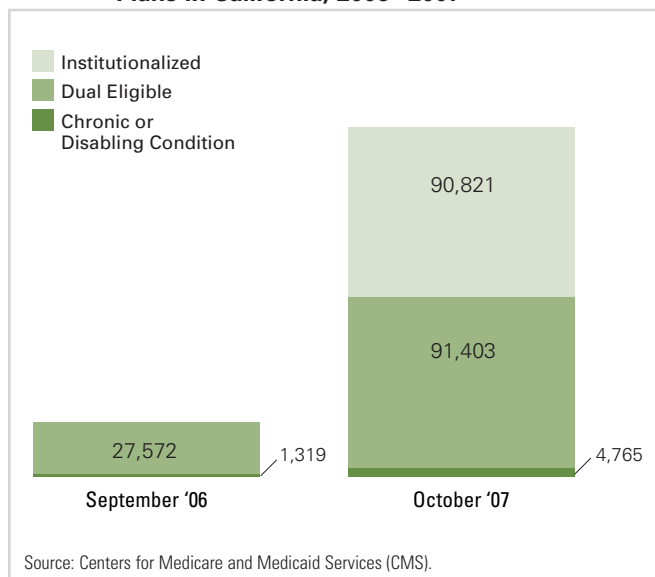
Nearly 100,000 dual eligibles elected to switch from their randomly assigned plans into plans that will no longer be eligible for the full premium subsidy in 2008.³ These individuals will not be automatically enrolled into a different plan by CMS. Instead, CMS will send them a letter that explains that their current plan is no longer eligible for the full premium subsidy. In order to continue receiving the subsidy, they must enroll themselves in a new plan or face monthly premium charges ranging from \$1.20 to \$13.10 beginning January 2008.

California's low-income Medicare population in need of plans with no premium will have fewer options, and a significant proportion will have to switch plans to avoid paying a monthly premium of \$1.20 to \$13.10.

Special Needs Plans

In addition to the PDP and MA-PD choices described above, certain Medicare beneficiaries may have already enrolled—or may yet choose to enroll—in a Special Needs Plan (SNP). A SNP is a type of MA-PD plan that offers additional benefits tailored to specific segments of the Medicare population: individuals with dual eligibility for Medicare and Medicaid, institutionalized individuals, or those with severe chronic conditions. Both the number of SNPs and their enrollment has grown rapidly in California over the past year, mirroring national trends. For 2008, California will have 60 SNPs operating in at least some parts of California, the majority of which are geared to dual eligibles. According to CMS, approximately 187,000 Californians are now enrolled in a SNP (Figure 3). It appears that the increase in the number of SNPs is due to the health plans' interest in serving dual eligibles and other special needs populations, as well as interest among these beneficiaries in the tailored benefits these plans offer.

Figure 3: Enrollment Growth Among Special Needs Plans in California, 2006–2007



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ENDNOTES

1. The seven plans eligible for the full subsidy in 2007 and 2008 are Advantage Star Plan, Blue Cross MedicareRx Value, Bravo Rx, Health Net Orange Option 1, HealthSpring PDP, MedicareRx Rewards Value, and WellCare Classic. The two plans that will become eligible for the full subsidy in 2008 are First Health Premier and MedicareRx Rewards Standard. The seven plans eligible for the full subsidy in 2007 but not in 2008 are AARP MedicareRx Saver, Cigna Medicare Rx Plan One, Humana PDP Standard, Prescription Pathway Bronze, Sierra Rx, Sierra Rx Basic, and WellCare Signature.
2. Centers for Medicare and Medicaid Services, *Year 2007 Premium Increase Re-assignment Data*, November 2007, available at www.cms.hhs.gov/limitedincomeandresources.
3. Centers for Medicare and Medicaid Services, *Year 2007 Chooser Data*, November 2007, available at www.cms.hhs.gov/limitedincomeandresources.

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Appendix: California Part D Plans by County, 2008

COUNTY	PDP	NON-SNP MA-PD	SNP MA-PD	TOTAL PLANS
Alameda	56	24	6	86
Alpine	56	21	0	77
Amador	56	23	1	80
Butte	56	17	0	73
Calaveras	56	22	0	78
Colusa	56	22	0	78
Contra Costa	56	25	6	87
Del Norte	56	20	0	76
El Dorado	56	22	1	79
Fresno	56	29	1	86
Glenn	56	16	0	72
Humboldt	56	20	0	76
Imperial	56	18	0	74
Inyo	56	16	0	72
Kern	56	25	5	86*
Kings	56	20	1	77
Lake	56	22	0	78
Lassen	56	13	0	69
Los Angeles	56	38	24	118 [†]
Madera	56	27	1	84
Marin	56	18	1	75
Mariposa	56	15	1	72
Mendocino	56	22	0	78
Merced	56	16	0	72
Modoc	56	17	0	73
Mono	56	18	0	74
Monterey	56	17	0	73
Napa	56	25	2	83
Nevada	56	18	0	74

COUNTY	PDP	NON-SNP MA-PD	SNP MA-PD	TOTAL PLANS
Orange	56	31	14	101 [‡]
Placer	56	29	1	86
Plumas	56	19	0	75
Riverside	56	31	17	104 [§]
Sacramento	56	29	1	86
San Benito	56	18	0	74
San Bernardino	56	33	21	110
San Diego	56	33	8	97
San Francisco	56	26	6	88
San Joaquin	56	26	2	84
San Luis Obispo	56	20	0	76
San Mateo	56	20	2	78
Santa Barbara	56	27	0	83
Santa Clara	56	22	2	80
Santa Cruz	56	19	0	75
Shasta	56	17	0	73
Sierra	56	16	0	72
Siskiyou	56	17	0	73
Solano	56	27	2	85
Sonoma	56	24	1	81
Stanislaus	56	18	1	75
Sutter	56	20	1	77
Tehama	56	17	0	73
Trinity	56	16	0	72
Tulare	56	24	1	81
Tuolumne	56	14	0	70
Ventura	56	22	1	79
Yolo	56	29	2	87
Yuba	56	21	1	78

*Two additional MA-PD plans available in select areas of Kern County

[†]Five additional MA-PD plans available in select areas of Los Angeles County

[‡]Five additional MA-PD plans available in select areas of Orange County

[§]Four additional MA-PD plans available in select areas of Riverside County

Source: Avalere Health analysis using 2008 Landscape File data for PDPs and MA plans released September 27, 2007 by the Centers for Medicare and Medicaid Services (CMS).