



How Congress Can Ensure Affordability for Patients in **MEDICARE PART D**

Medicare Part D provides prescription drug coverage for more than 46 million Americans.¹ The program allows enrolled Medicare beneficiaries the ability to access medically necessary prescription drugs.

While tens of millions of Medicare beneficiaries get access to the prescription drugs they need through Medicare Part D, challenges persist as a result of the program's benefit structure. According to the Kaiser Family Foundation, more than one million Medicare beneficiaries are classified as "having high out-of-pocket costs." **These beneficiaries experience an average of more than \$3,200 in out-of-pocket (OOP) expenses for prescription drug costs each year – a considerable financial challenge since many older Americans live on limited, fixed incomes.**²

[Project LOOP \(Lowering Out-of-Pocket\) Costs](#), a coalition of patient advocacy groups led by the [Alliance for Aging Research \(the "Alliance"\)](#), recommends Congress enact two key modifications to the Part D benefit structure:

- 1. Create an annual OOP cap.**
- 2. Implement a smoothing mechanism to spread beneficiaries' financial liability over a longer timeframe.**

These two changes will promote health and access by ensuring that Medicare beneficiaries can afford their medically necessary medications.

PATIENTS FACE HIGH OUT-OF-POCKET COSTS IN PART D

Despite the many advances in coverage allowed by Part D, a significant number of older adults still face extraordinarily high OOP costs for prescription medications.⁴ **In 2017, over one million Part D enrollees with high OOP costs spent an average of \$3,214 annually for their prescription drugs.**⁵

2021 MEDICARE PART D BENEFIT STRUCTURE³

DEDUCTIBLE

PHASE 1

Beneficiaries pay the full cost for their drugs, up to \$445 in 2021.

INITIAL COVERAGE PERIOD

The plan pays for covered drugs; patient pays copayment or coinsurance.

PHASE 2

This phase ends once a beneficiary accrues \$4,130 in total drug costs in the plan year.

COVERAGE GAP

Beneficiary pays 25% coinsurance on Part D drugs

PHASE 3

This phase ends once a patient has paid \$6,550 in out-of-pocket drug costs in the plan year.

CATASTROPHIC COVERAGE

Patient pays 5% coinsurance

PHASE 4

All OOP drug expenditures above \$6,550 are categorized as catastrophic. Currently, there is no limit on a patient's OOP costs.

OOP costs for prescription drugs can be so high that many patients forgo their prescribed medications. **Even before the COVID-19 pandemic, 23 percent – equivalent to 58 million Americans – reported an inability to pay for a prescription within the previous year.**⁶ Not filling, delaying, or curtailing the use of prescription medications can have life-threatening consequences and lead to increases in other health care costs. As a result, excessive OOP costs can lead to patients making difficult choices between financial solvency and their health. An Alliance survey found one in four adults with a chronic condition has stopped taking their prescription medication due to cost concerns.⁷

ENSURING OLDER ADULTS CAN AFFORD MEDICATIONS

Congress and the Administration must improve the benefit structure of Medicare Part D and ensure beneficiaries can access their prescribed medications to live healthy, productive lives. To address affordability, Congress should pass legislation that includes the following two modifications:

1. Create an annual out-of-pocket limit that caps beneficiary out-of-pocket expenses,

The current absence of an OOP annual limit exposes Medicare beneficiaries to potentially devastating costs that can jeopardize their finances and health. There is a broad agreement among Members of Congress and patient groups that a “hard cap” on annual OOP costs is necessary for Medicare Part D beneficiaries who reach the catastrophic threshold of their insurance benefit. Including an OOP cap in Part D is a sensible evolution of the program that will limit patients’ financial exposure for costs associated with needed care.

In the previous Congress several bills, one of which was bipartisan, proposed to cap OOP costs once Medicare Part D beneficiaries hit a defined limit. These bills would have capped annual OOP expenditures (at either \$2,000⁸ or \$3,100⁹) and limited the growth of OOP costs for Part D beneficiaries. We support a cap structure that minimizes patients’ financial exposure, as many Medicare beneficiaries live on limited, fixed incomes.

2. Implement a smoothing mechanism to allow patients to spread costs over time.

In combination with an annual OOP cap, Congress should implement a provision to allow patients to spread costs over time, which will increase beneficiaries’ ability to pay for medications. A smoothing mechanism in the Medicare Part D program would allow beneficiaries to pay drug expenses in installments over the course of a plan year. At the beginning of a plan year or the initiation of a course of treatment, the cost of some medications can “burn through” the enrollee’s initial deductible and initial coverage phase very quickly, creating OOP costs that can quickly result in thousands of dollars of bills for covered drugs. A smoothing mechanism would distribute these OOP costs evenly over time and protect patients from receiving a single lump-sum bill for necessary medicines. For example, if a beneficiary accrues \$2,400 in Part D OOP prescription drug costs in January, a smoothing mechanism would allow the beneficiary to pay for their medication through 12 monthly installments of \$200.

During the previous Congress, Senate legislation¹⁰ included provisions to enable Medicare Part D and Medicare Advantage drug plans to spread beneficiary OOP costs throughout the benefit year. We encourage Congress to enact a smoothing mechanism to provide all beneficiaries enrolled in these types of drug plans access to an installment payment option.

WHAT YOU CAN DO TO HELP

We are calling on Congress to advance these critical Part D modifications, which will protect the most vulnerable older adults from exorbitant prescription drug costs. We also must work together to ensure that reforms to promote affordability avoid the incorporation of provisions that have a discriminatory impact on older adults and patients with chronic conditions or disabilities. The Alliance stands ready to work with you to ensure that all Medicare beneficiaries with chronic, severe, life-threatening, or disabling conditions have access to the care and treatment they need and deserve.



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2. Cubanski, Juliette, and Tricia Neuman. "How Many Medicare Part D Enrollees Had High Out-of-Pocket Drug Costs in 2017?" Kaiser Family Foundation, KFF, 25 July 2019. www.kff.org/medicare/issue-brief/how-many-medicare-part-d-enrollees-had-high-out-of-pocket-drug-costs-in-2017/.
3. MedPAC Part D Payment System: Payment Basics. http://medpac.gov/docs/default-source/payment-basics/medpac_payment_basics_17_partd_final86a411adfa9c665e80adff00009edf9c.pdf?sfvrsn=0.
4. Medicare Today. 2018 Senior satisfaction survey. <http://medicaretoday.org/wp-content/uploads/2016/07/8.13.18-Senior-Satisfaction-Survey-Fact-Sheet-NL-002.pdf>. Published August 2018.
5. Cubanski, Juliette, and Tricia Neuman. "How Many Medicare Part D Enrollees Had High Out-of-Pocket Drug Costs in 2017?" Kaiser Family Foundation, KFF, 25 July 2019. www.kff.org/medicare/issue-brief/how-many-medicare-part-d-enrollees-had-high-out-of-pocket-drug-costs-in-2017/.
6. Witters, Dan. "Millions in U.S. Lost Someone Who Couldn't Afford Treatment." Gallup.com. 20 May 2020.
7. "New Survey Shows Older Adults Are Willing to Pay More in Monthly Medicare Premiums to Ensure a Cap on Out-Of-Pocket Prescription Drug Costs." Alliance for Aging Research, 16 July 2019. www.agingresearch.org/press-release/new-survey-shows-older-adults-are-willing-to-pay-more-in-monthly-medicare-premiums/.
8. H.R. 3 (116th Congress).
9. S. 5433, S. 3129, S. 4199, and H.R. 19 (116th Congress).
10. S. 2543, S. 4199, S. 2911, H.R. 19, H.R. 3 (116th Congress).