

FLAT COPAYMENT MODEL SERVES AS PROTOTYPE FOR ADDITIONAL REFORMS TO ADVANCE AFFORDABILITY IN MEDICARE PART D



Recent studies illustrate that growing out-of-pocket costs for prescription drugs are harmful to people's health and result in reduced medication compliance regardless of income level.¹ Importantly, reduced compliance is observed across therapeutics when patients face higher out-of-pocket costs, including drugs that are widely prescribed and of high perceived clinical value. Broadly, lack of medication adherence can lead to deteriorating health, increased incidence of costly hospitalizations, and reliance on increased care supports, illustrating the need for policies to address beneficiaries' out-of-pocket cost burden.

BACKGROUND ON FLAT COPAY MODEL FOR MEDICARE BENEFICIARIES WITH DIABETES

On January 1, 2021, the Centers for Medicare and Medicaid Services began testing the Part D Senior Savings Model, a voluntary plan available to Medicare beneficiaries that ensured patients would pay no more than \$35 for a one-month supply of insulin. This is known as a flat copay, or a limit on the amount a patient pays out-of-pocket for their prescriptions. The goal of the flat copay is to ensure that the bulk of the cost of medications does not fall on patients. If patients are unable to pay for their medications, they are less likely to take them, leading to costly and potentially fatal complications down the road.

The broken market for insulin² that resulted in rising costs for the life-saving drug served as an ideal testing ground to test the new model. The flat copay framework in the Senior Savings Model was immediately successful. In the first two years of the model, participating enrollees were more likely to fill

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an insulin prescription than their counterparts enrolled in non-participating plans.³ By 2022, all U.S. insulin manufacturers participated in the model.⁴

Some private insurers and pharmacy benefit managers (PBM) have also tested models with designs similar to the Senior Savings Model, resulting in increases in adherence and reductions in costs as a result of lower need for hospital care. One PBM expanded their flat copay model to include other common diabetes medications and cardiovascular medications, resulting in expected total savings of \$60 million in 2022.⁵

The success of the Senior Savings Model indicated that a cap on monthly cost sharing for prescription drugs is a promising model to reduce patient out-of-pocket costs. The \$35 limit for insulin was codified into law in the Inflation Reduction Act of 2022 (IRA) and will take effect for all Medicare beneficiaries with Part D coverage in January 2023.

INFLATION REDUCTION ACT PROVISIONS ADVANCE PATIENT AFFORDABILITY, YET CHALLENGES REMAIN

The IRA included additional policies to reduce Medicare beneficiaries' out-of-pocket costs, including the establishment of an annual out-of-pocket maximum

capped at \$2,000 annually. The IRA also created a “cost-smoothing” flexibility that allows beneficiaries to opt-in to a no-interest payment installment option within a plan year. These new provisions will help address financial barriers to access, especially for beneficiaries that incurred thousands of dollars of out-of-pocket costs annually.

A \$35 MAXIMUM COPAY FOR PART D BENEFICIARIES WITH INCOMES OF UP TO 500% OF THE FEDERAL POVERTY LEVEL WOULD DECREASE BENEFICIARIES’ AVERAGE OUT-OF-POCKET COSTS BY 45 PERCENT.

However, millions of Medicare beneficiaries are unlikely to experience immediate direct benefit from the annual cap, as they accrue less than \$2,000 in out-of-pocket years each year.⁶ Additionally, the law was written so that the cap rises with annual Part D spending per beneficiary in each year after 2025,⁷ which will increase beneficiary exposure to costs. Congress also deferred many of the implementation parameters of the cost smoothing program to CMS, while including language that would allow plans to disallow beneficiaries from future use of the payment flexibility. Without regulatory guidance to

establish patient protections in the cost smoothing program – in addition to a significant patient education initiative around the opt-in nature of the benefit – beneficiaries may experience challenges in accessing the new flexibility.

PROPOSED FLAT COPAY WOULD BENEFIT MILLIONS OF BENEFICIARIES, STREAMLINE BENEFIT DESIGN

The creation of a flat maximum copayment of \$35 would further lower out-of-pocket expenses and eliminate current complexities in determining beneficiaries’ financial responsibility in the different phases of the Part D benefit. A new study from Avalere found that the creation of a \$35 maximum copay for Part D beneficiaries with incomes of up to 500% of the federal poverty level would decrease beneficiaries’ average out-of-pocket costs by 45 percent, while increasing federal outlays for Part D by only 3 percent.

The flat copay policy would work in combination with the annual cap and cost smoothing mechanism to help limited-income beneficiaries afford needed care. More importantly, it would serve as a continued promise that improving the health of Medicare beneficiaries is worth the cost.

ENDNOTES

- 1 Chandra, Amitabh; et al. The Health Costs of Cost-Sharing. National Bureau of Economic Research, Working Paper 28439. February 2021. <https://www.nber.org/papers/w28439>
- 2 Glied, Sherry; et al. Not So Sweet: Insulin Affordability Over Time. The Commonwealth Fund, Issue Brief. September 2020. <https://www.commonwealthfund.org/publications/issue-briefs/2020/sep/not-so-sweet-insulin-affordability-over-time>
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- 4 Centers for Medicare and Medicaid Services. Findings at a Glance: Part D Senior Savings Model. November 2022. <https://innovation.cms.gov/data-and-reports/2022/pdss-first-eval-aag-rpt>
- 5 Minemyer, Paige. Express Scripts sees lower costs, better adherence in program to cap diabetes drug costs. Fierce Healthcare. June 2022. <https://www.fiercehealthcare.com/payers/express-scripts-sees-lower-costs-better-adherence-program-cap-diabetes-drug-costs>
- 6 Parasrampur, Sonal; et al. Effects of an Out-of-Pocket Maximum in Medicare Part D. The American Journal of Managed Care. February 2022. <https://www.ajmc.com/view/effects-of-an-out-of-pocket-maximum-in-medicare-part-d>
- 7 Cubanski, Juliette; et al. Explaining the Prescription Drug Provisions in the Inflation Reduction Act. Kaiser Family Foundation. September 2022. <https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/>