THE HENRY J. KAISER FAMILY FOUNDATION

BENEFIT DESIGN AND FORMULARIES OF MEDICARE DRUG PLANS: A COMPARISON OF 2006 AND 2007 OFFERINGS

A FIRST LOOK

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EXECUTIVE SUMMARY

In January 2006, many Medicare beneficiaries began receiving prescription benefits through the new Medicare Part D program. To receive benefits, beneficiaries were required to enroll in a private stand-alone drug plan and were able to pick among dozens of plans in any given region. They could also receive benefits through the drug plans affiliated with Medicare Advantage plans. Most low-income beneficiaries (including those dually eligible for Medicare and Medicaid) were auto-enrolled in a plan available to them at zero premium, with the option of switching to a different plan. By the end of the initial open enrollment period on May 15, 2006, about 22.5 million beneficiaries had enrolled though one of these options. With forty or more stand-alone prescription drug plans (PDPs) and numerous Medicare Advantage prescription drug plans offered in most states, beneficiaries had access to plans that varied in terms of monthly premiums, the drugs covered, the cost sharing associated with covered drugs, and any restrictions on that coverage.

In April 2006, we reported on the characteristics of the 35 PDPs offered by 14 organizations on a national or near-national basis.[1] In particular, we examined coverage, tier placement, utilization management tools, and cost sharing for a sample of 152 generic and brand-name drugs. This sample was selected to include drugs commonly used by Medicare beneficiaries, such as those treating high cholesterol and high blood pressure, as well as some less common, high-cost drugs used to treat specific conditions such as osteoporosis and rheumatoid arthritis. Together, the sample of 152 drugs represents nearly 60 percent of the total prescription volume for Medicare beneficiaries, as reported on the 2001 Medicare Current Beneficiary Survey. Data on these drugs for the earlier study were collected from the Centers for Medicare and Medicaid Services (CMS) website in November 2005, and for the present study October 2006. More details on the drug sample are available in the report issued in April of this year.

This report examines PDPs offered for 2007 to see if and how those available to beneficiaries compare to PDPs offered for 2006, using the CMS landscape file and the CMS Plan Finder website on Medicare.gov (for a more detailed description of our methodology, see the Appendix). We present some results for all PDP offerings nationwide and others for the ten PDPs with the highest enrollment in 2006, depending on data availability. We begin by describing attributes of PDP offerings nationwide. We then examine changes in PDP features, such as formularies, cost sharing and utilization management tools, based on the ten PDPs with the highest 2006 enrollment. Together, these top ten PDPs account for more than ten million beneficiaries enrolled in Part D plans and 66% of all beneficiaries enrolled in PDPs in 2006. Each benefit design feature is highlighted in one or more exhibits, and a summary of changes for the top ten PDPs is provided in Exhibit 28.

KEY FINDINGS

Plan Offerings (Exhibits 1-7): Overall, the number of PDPs offered nationwide increased by about 30 percent, from 1,429 PDPs in 2006 to 1,875 PDPs in 2007. The number of PDPs available for auto-enrollment of beneficiaries qualifying for the low-income subsidies at zero premium also increased, from 409 in 2006 to 483 PDPs in 2007. However, there are fewer PDPs available in 2007 for auto-enrollment of low-income beneficiaries in five states: California, Florida, Louisiana, New York, and Texas. As a result of a CMS policy that allows the waiver of de minimis premiums, low-income beneficiaries could choose to enroll or stay in another 157 plans nationally in 2007.

[1] Jack Hoadley, Elizabeth Hargrave, Juliette Cubanski, and Tricia Neuman, "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans," Henry J. Kaiser Family Foundation, April 2006, http://www.kff.org/medicare/7489.cfm.

Premiums (Exhibits 8-12): Over three-fourths (77 percent) of all 2006 PDP enrollees are in plans that are increasing premiums from 2006 to 2007 and over one-fourth (28 percent) are in plans that are raising premiums by at least 25 percent. (Higher premiums would not generally affect enrollees receiving low-income subsidies.) Among the ten PDPs with the highest enrollment in 2006, seven are increasing their monthly premiums (four of them by at least 15 percent) and three are decreasing their premiums on average across the regions.

Plan Benefit Design and Coverage Gap (Exhibits 13-17): In most respects, plan benefit designs are similar in 2007 to those in 2006. The majority of PDPs nationwide (60 percent) have no deductible. Among the ten PDPs with highest 2006 enrollment, most use tiered cost-sharing and have a specialty tier. Most of these PDPs made adjustments to cost sharing levels for 2007. For example, four lowered cost sharing for drugs on the tier for generic drugs, while three have higher cost-sharing levels for non-preferred brand-name drugs. Cost sharing in 2007 among the top ten PDPs ranges from $0 to $7 per month for the generic tier, from $20 to $57 per month for the tier for preferred brand-name drugs, and from $45.75 to $85 for the non-preferred drug tier. Seven of these PDPs continue to use specialty tiers; two of the seven increased the coinsurance level (to 33 percent) and all added drugs from our sample of 152 drugs to the specialty tier.

More plans are offering gap coverage to fill the so-called "doughnut hole" in 2007 than 2006, but nearly all such coverage is for generic drugs only. More than two thirds (71 percent) of the 1,875 PDPs in 2007 do not have gap coverage, about a quarter (27 percent) provide coverage of generic drugs only in the coverage gap, and only 27 PDPs (1 percent) cover both generic and brand-name drugs in the gap. Average premiums for plans with brand-name coverage in the gap are three times greater than for plans without any gap coverage. The average unweighted monthly premium for PDPs without any gap coverage is $30.17, but $51.11 for plans that cover generics in the coverage gap and $93.46 for plans that cover brands in the gap. None of the ten PDPs with highest 2006 enrollment offer coverage of brand-name drugs in the coverage gap in 2007, although one of these PDPs did provide such coverage in 2006 but is dropping it for 2007.

Formulary Coverage, Costs, and Utilization Management for 152 Sample Drugs (Exhibits 18-27): Most of the ten PDPs with highest 2006 enrollment increased slightly the total number of drugs listed on their formularies among the 152 drugs in our sample, while also making changes to their assignment of drugs to formulary tiers. One area of change involved drugs that lost patent protection (e.g., Zocor and Zoloft) that were shifted off formulary or to non-preferred tiers by some (but not all) of these plans. For the ten PDPs with highest 2006 enrollment, the cost in the initial coverage period for the 73 generic drugs in our sample is typically lower in 2007 than 2006. For seven of the top ten PDPs, however, the median cost in the initial coverage period for obtaining the 79 brand-name drugs in our sample is higher. PDPs also made various adjustments to their use of utilization management tools, with some adding restrictions and others reducing their use of these tools.

DISCUSSION

This study profiles Medicare stand-alone prescription drug plans that are available nationwide in 2007, focusing on premiums, deductibles, and coverage gaps. It also takes a more in-depth look at the ten plans with the highest 2006 enrollment, focusing on covered drugs (formularies), cost-sharing amounts, and utilization restrictions. We find that, for 2007, plans vary widely in terms of premiums and benefit design, and made a number of notable changes that could have significant implications for enrollees – both positive and negative.

This analysis of Medicare drug plans presents a mixed picture for current and future part D enrollees. Overall, 77 percent of PDP enrollees in 2006 are in plans that will have higher premiums in 2007; however for many, the premium increases would amount to less than $5 per month if they remain in the same plan. We also find more plans offering coverage in the so-called "doughnut hole" in 2007 than 2006; however, nearly all such coverage is for generic drugs only, with only 1 percent of stand-alone plans offering coverage of brand-name drugs in the coverage gap in 2007. Generic drugs are generally less expensive than brand-name drugs and offer enrollees the potential for out-of-pocket savings, yet many brand-name drugs commonly used by seniors do not have generic alternatives.

Our results underscore the need for beneficiaries to assess the Part D plan choices they made in 2006 for possible changes that could affect their access to needed medications and out-of-pocket costs in 2007. Future research should examine whether some of the trends that are evident for the top ten PDPs, representing two-thirds of 2006 enrollment, persist across the entire PDP market in 2007. Examples include the increased use of the specialty tiers and the pattern of somewhat lower costs for generic drugs and higher costs for brand-name drugs. In other cases, such as the use of utilization management tools, the evidence from the top ten PDPs is mixed and further research can show whether more pronounced patterns are evident in the entire universe of PDPs available in 2007.

LIST OF EXHIBITS

SECTION I: PDP AVAILABILITY

SECTION II: PDP PREMIUMS

SECTION III: PDP BENEFIT DESIGN AND COVERAGE GAP

SECTION I: PDP AVAILABILITY

TYPES OF DRUG BENEFITS

EXHIBIT 1: Distribution of All PDPs and 2006 Enrollment, by Type of Benefit, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Benefit Type	Number	Percent	Percent	Number	Percent
Basic	132	9.2%	22.1%	228	12.2%
Actuarially Equivalent	689	48.2%	61.2%	760	40.5%
Enhanced	608	42.5%	16.8%	887	47.3%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- Overall, the number of PDP offerings for 2007 across the 34 PDP regions has increased from 1,429 plan options in 2006 to 1,875 in 2007, an increase of about 30 percent.

- The proportion of all PDPs that offer enhanced benefits increased only slightly from 2006 to 2007 (from 43 percent to 47 percent of all plans), although the absolute number of enhanced plans increased by more than a third, from 608 in 2006 to 887 in 2007. CMS encouraged the offering of enhanced plans through guidance stipulating that organizations would generally be limited to two plan options per region unless one of the options was an enhanced option with coverage in the gap.

- Enhanced plans attracted only 17 percent of enrollment in 2006. Enhanced plans typically are offered at a higher premium and are not eligible for the auto-enrollment of beneficiaries receiving the full low-income subsidy.

- Just over 10 percent of plans are offering the basic standard benefit (as defined in statute) in 2007, slightly higher than the proportion of such plans in 2006 (although the absolute increase is from 132 PDPs to 228 PDPs. These plans, which tend to have the lowest premiums, attracted 22 percent of enrollment in 2006.

SECTION I: PDP AVAILABILITY

THE PDP LANDSCAPE

EXHIBIT 2: Distribution of All PDPs and 2006 Enrollment, by Scope of Offerings, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Scope of Plans	Number	Percent	Percent	Number	Percent
Plans Offered by Sponsors Serving All Regions	883	61.8%	53.1%	1,428	76.2%
Plans Offered by Sponsors Serving At Least 30 Regions	339	23.7%	26.0%	162	8.6%
Plans Offered by Sponsors Serving Fewer than 30 Regions	207	14.5%	20.9%	285	15.2%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- The number of organizations offering plans in all 34 regions has grown from 10 in 2006 to 17 in 2007 and the number of organizations offering plans on a near-national basis (that is, in at least 30 regions) has increased from 14 to 19 (not shown). In 2007, the organizations sponsoring plans in all regions offer a total of 1,428 plans, while the organizations sponsoring plans on a near-national basis offer another 162 plans.

- In 2007, national and near-national plans represent about 85 percent of all stand-alone drug plans. In 2006, they represented a similar share of the PDP market and nearly 80 percent of all enrollees.

- The remaining 285 plan offerings include a few offered by these same national and near-national sponsor organizations in a smaller number of regions, other organizations offering plans in a smaller set of regions, and organizations operating in a single region (e.g., local Blue Cross Blue Shield plans).

SECTION I: PDP AVAILABILITY

REGIONAL DISTRIBUTION OF PDPS

EXHIBIT 3: Distribution of All PDPs by Region, 2006 and 2007

PDP Region	States	Number of PDPs		Change in Number of Plans	Percent Change
		2006	2007		
TOTAL U.S.		**1,429**	**1,875**	**+446**	**+31%**
1	ME-NH	41	53	12	29%
2	CT-MA-RI-VT	44	51	7	16%
3	NY	46	61	15	33%
4	NJ	44	57	13	30%
5	DE-DC-MD	47	56	9	19%
6	PA-WV	52	66	14	27%
7	VA	41	53	12	29%
8	NC	38	51	13	34%
9	SC	45	59	14	31%
10	GA	42	56	14	33%
11	FL	43	58	15	35%
12	AL-TN	41	57	16	39%
13	MI	40	54	14	35%
14	OH	43	61	18	42%
15	IN-KY	42	54	12	29%
16	WI	45	54	9	20%
17	IL	42	56	14	33%
18	MO	41	53	12	29%
19	AR	40	58	18	45%
20	MS	38	53	15	39%
21	LA	39	53	14	36%
22	TX	47	60	13	28%
23	OK	42	57	15	36%
24	KS	40	53	13	33%
25	IA-MN-MT-NE-ND-SD-WY	41	53	12	29%
26	NM	43	57	14	33%
27	CO	43	55	12	28%
28	AZ	43	53	10	23%
29	NV	44	54	10	23%
30	OR-WA	45	57	12	27%
31	ID-UT	44	56	12	27%
32	CA	47	55	8	17%
33	HI	29	46	17	59%
34	AK	27	45	18	67%

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- The number of PDP options in 2007 ranges from 45 (Alaska) to 66 (Pennsylvania/West Virginia). In 2006, the number of PDP options offered across the 34 regions ranged from 27 to 52.

- More PDPs are available in each region in 2007 than 2006. Most regions gained at least 10 new plans. Alaska, Arkansas, and Ohio had the largest increases (18 PDPs), while the southern New England region gained the fewest PDPs (7).

2007 PDP OFFERINGS AMONG THE SPONSORS OF THE TOP TEN 2006 PDPS

EXHIBIT 4: PDPs Offered in 2006 and 2007 by Organizations Sponsoring the Ten PDPs with Highest 2006 Enrollment

Organization	2006 Plan Offerings	Weighted Average Premium, 2006	2007 Plan Offerings	Weighted Average Premium, 2007
United Healthcare	**AARP Medicare Rx**	$26.31	AARP Medicare Rx	$27.83
	Pacificare Select	$33.88	AARP Medicare Rx Saver	$17.83
	Pacificare Comprehensive	$44.96	AARP Medicare Rx Enhanced	$46.30
	Pacificare Saver	$25.18	United Health Rx Basic	$29.18
	United Medicare MedAdvance	$29.92	United Health Rx Extended	$43.05
Humana	**Humana Standard**	$9.51	Humana Standard	$15.17
	Humana Enhanced	$14.73	Humana Enhanced	$22.03
	Humana Complete	$57.83	Humana Complete	$80.43
Wellcare	*Not offered in 2006*	n/a	Wellcare Classic	$17.73[2]
	Wellcare Signature	$22.12	Wellcare Signature	$23.79
	Wellcare Complete	$41.47	Wellcare Complete	$22.12
	Wellcare Premier	$44.07	*Not offered in 2007*	n/a
Wellpoint	**Medicare Rx Rewards**	$23.62	Medicare Rx Rewards Value	$24.72
	Medicare Rx Rewards Plus	$31.59	Medicare Rx Rewards Plus[1]	$30.91
	Medicare Rx Rewards Premier	$41.07	Medicare Rx Rewards Premier	$44.58
Member Health	**Community Care Rx Basic**	$30.94	Community Care Rx Basic	$29.03
	Community Care Rx Choice	$39.10	Community Care Rx Choice	$37.10
	Community Care Rx Gold	$42.19	Community Care Rx Gold[3]	$45.13
Caremark	**Silverscript**	$28.32	Silverscript	$27.50
	Silverscript Plus	$56.53	Silverscript Plus	$37.41
	Not offered in 2006	n/a	Silverscript Complete	$43.45[2]
Pennsylvania Life Insurance Company	**Prescription Pathway Bronze**	$29.31	Prescription Pathway Bronze	$25.23
	Prescription Pathway Silver	$39.54	*Not offered in 2007*	n/a
	Prescription Pathway Gold	$51.06	Prescription Pathway Gold	$23.49
	Prescription Pathway Platinum	$68.31	Prescription Pathway Platinum	$44.50

NOTES: Ten PDPs with highest 2006 enrollment are highlighted in bold. [1]Only offered in 22 regions in 2007. Average premium weighted across 22 regions in which plan is offered. [2]Not a weighted premium, since there is no 2006 enrollment. [3]Different plan ID in 2007; matched by plan name.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- The ten PDPs with the highest enrollment in 2006 were offered by seven organizations, and several made changes to their plan offerings between 2006 and 2007.
- United Healthcare had the biggest change in part as a result of its acquisition of Pacificare and incorporating its plans. In 2006, United offered two nearly identical plans nationally – one with AARP sponsorship and one under the United name. For 2007, it expanded offerings under the AARP name, including a less expensive option. It also added a second option under the United name for a total of five plan options, sponsoring more than any other organization.
- Humana is offering the same array of plans in 2007 as in 2006. Whereas its plans were offered in only 31 of 34 regions in 2006, they are available on a national basis in 2007.
- Wellcare maintained two of its three options, but replaced its highest-premium Premier plan (only 3,239 enrollees in 2006) with a new lowest-premium Classic plan.
- Wellpoint, sponsor of the Medicare Rx Rewards plans, is only offering two plans on a national basis in 2007. Its mid-priced Plus plan option is available in just 22 of 34 regions.

SECTION I: PDP AVAILABILITY

- Member Health, sponsor of the Community Care Rx plans, has the same basic plan offerings in 2007 as in 2006, although it assigned new regional plan ID numbers to its Gold plan option.

- Silverscript, offered by Caremark, added a third plan option to its portfolio. The Complete plan, like the Plus plan, is an enhanced plan, and it has the highest premium of the three options.

- Pennsylvania Life Insurance Company's Prescription Pathway product dropped its Silver plans, which attracted relatively low enrollment in 2006, while maintaining its other options for 2007. It also stopped offering multiple plan variants under the sponsorship of different partner insurers (Marquette and American Progressive Life).

PDP AVAILABILITY IN 2007 FOR BENEFICIARIES WITH THE LOW-INCOME SUBSIDY

EXHIBIT 5: Distribution of All PDPs and 2006 Enrollment, by Eligibility for Enrollment of Low-Income Subsidy Beneficiaries for Zero Premium, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Eligible for Subsidy	Number	Percent	Percent	Number	Percent
Yes	409	28.6%	77.7%	483	25.8%
Yes, with Premium Waiver up to $2	N/A	N/A	N/A	157	8.4%
No	1020	71.4%	22.3%	1235	65.9%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- The overall proportion of PDPs in 2007 that are available at zero premium to beneficiaries receiving the full low-income subsidy (LIS) is roughly the same as in 2006 (29 percent versus 26 percent), while the absolute number of such plans increased (483 versus 409). Plans are eligible if their premiums are below a benchmark set for each region based on the average premium for basic benefits for both PDPs and Medicare Advantage drug plans. Eligible beneficiaries are auto-enrolled into these plans on a random basis. CMS used its demonstration authority to delay until after 2007 the statutory provision that requires these benchmarks to be based on the average premiums, weighted by enrollment.[2] This change resulted in making more plans eligible for LIS enrollment in the regions.

- A further increase in zero-premium PDPs available to individuals receiving low-income subsidies results from a CMS policy put in place for 2007 that allows LIS beneficiaries already enrolled in a PDP to stay in that plan in 2007 if the monthly premium exceeds the low-income benchmark by no more than $2. These PDPs will not receive new auto-enrollments or facilitated enrollments for 2007, but eligible beneficiaries may select these plans in 2007.[3] This policy affects a total of 157 plans, effectively increasing the share of all PDPs available to LIS recipients in 2007 from 26 percent to 34 percent of all plans.

- As a result of both the auto-enrollment of subsidy-eligible beneficiaries and the attractiveness of low premiums to all beneficiaries, the LIS-eligible plans have a disproportionate share (more than three-fourths) of enrollment in 2006.

[2] CMS Memorandum to All Part D Plan Sponsors and MA Organizations, June 8, 2006.
[3] CMS Memorandum to All Part D Plan Sponsors, August 30, 2006.

REGIONAL AVAILABILITY OF LOW-INCOME SUBSIDY ELIGIBLE PLANS

EXHIBIT 6: Distribution of All PDPs Available for Zero Premium for Beneficiaries with the Low-Income Subsidy, by Region, 2006 and 2007

Region	States	Number of Plans, 2006	Number of Plans, 2007 (Based Only on LIS Benchmark[1])	Change in Number of Plans, 2006-2007
TOTAL U.S.		**409**	**483**	**+74**
1	ME-NH	14	18	4
2	CT-MA-RI-VT	11	15	4
3	NY	15	13	-2
4	NJ	14	19	5
5	DE-DC-MD	15	16	1
6	PA-WV	15	20	5
7	VA	16	17	1
8	NC	13	14	1
9	SC	16	16	0
10	GA	14	16	2
11	FL	6	5	-1
12	AL-TN	9	14	5
13	MI	14	15	1
14	OH	10	13	3
15	IN-KY	13	17	4
16	WI	14	19	5
17	IL	15	17	2
18	MO	10	10	0
19	AR	13	18	5
20	MS	12	15	3
21	LA	11	8	-3
22	TX	16	12	-4
23	OK	12	14	2
24	KS	11	16	5
25	IA-MN-MT-NE-ND-SD-WY	14	16	2
26	NM	8	9	1
27	CO	10	15	5
28	AZ	6	8	2
29	NV	7	7	0
30	OR-WA	15	16	1
31	ID-UT	14	18	4
32	CA	10	9	-1
33	HI	8	13	5
34	AK	8	15	7

NOTES: Excludes PDPs in the territories. [1]The number of plans based on the low-income benchmark does not take into account CMS policy for 2007 that waives a de minimis amount (up to $2) of the monthly premium for subsidy-eligible enrollees.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- Most regions saw an increase from 2006 to 2007 in the number of plan options available for auto-enrollment of subsidy-eligible low-income beneficiaries with no premium. However, these plans represent a slightly smaller proportion of all plans in 2007. The number of eligible plans would have been lower without the CMS demonstration that waives the enrollment weighting of the LIS premium benchmark calculation otherwise required by the MMA (see Exhibit 5).[4]

[4] CMS Memorandum to All Part D Plan Sponsors and MA Organizations, June 8, 2006.

SECTION I: PDP AVAILABILITY

- The availability of LIS-eligible plans for auto-enrollment varies considerably by region. Beneficiaries eligible for the low-income subsidy in Florida have only 5 plans available out of 58 total plans, whereas LIS-eligible beneficiaries in the Pennsylvania/West Virginia region have 20 of 66 plans available at zero premium.

- Changes from 2006 to 2007 varied considerably by region as well. The number of subsidy-eligible plans declined in five regions (California, Florida, Louisiana, New York, and Texas), with the largest declines in Louisiana and Texas. The largest increase in availability was for Alaska, which gained seven new LIS-eligible plans.

- As a result of the de minimis policy that allows the waiver of premiums up to $2 for continuing LIS-eligible enrollees or new LIS-eligible enrollees selecting a plan on their own, no region ends up with fewer subsidy-eligible plans compared to 2006. Two regions (Michigan and South Carolina) actually gain 10 additional subsidy-eligible plans in 2007 as a result of the waiver policy (not shown).

LOW-INCOME SUBSIDY PLAN AVAILABILITY BY SPONSOR

EXHIBIT 7: Number of Regions in Which Plans Are Eligible for Low-Income Subsidy Enrollees, 2006-2007, Among Organizations Sponsoring PDPs with Highest 2006 Enrollment

	2006	2007	% Change
TOTAL United Healthcare[1]	***94***	***67***	***-29%***
AARP Basic	33	22	-33%
AARP Saver (was Pacificare Select)	2	34	N/A
United Healthcare Basic (was Pacificare Saver)	31	11	-65%
United Healthcare Basic (2006 plan)	28	N/A	N/A
Humana (Humana Standard)	**31**	**34[2]**	**+10%**
TOTAL Wellcare	***33***	***63***	***+91%***
Wellcare Signature	33	29	-12%
Wellcare Classic	N/A	34	N/A
Member Health (Community Care Rx Basic)	**23**	**14**	**-39%**
Wellpoint (Medicare Rx Rewards Value)	**34**	**23**	**-26%**
Caremark (Silverscript)	**27**	**20**	**-26%**
Prescription Pathway (Bronze)	**26**	**28**	**+8%**

NOTES: The number of plans does not take into account CMS policy for 2007 that waives a de minimis amount (up to $2) of the monthly premium for subsidy-eligible enrollees. [1]Counts include Pacificare plans for 2006. [2]The increase for Humana reflects its expansion to offer plans in three additional regions in 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- For 2007, several organizations sponsoring the ten PDPs with highest 2006 enrollment (including Member Health, Wellpoint, and Caremark) experienced a decline in the number of regions where their plans qualify for auto-enrollment of LIS enrollees at zero premium.

- Wellcare increased the number of plans eligible for LIS enrollment in 2007 by offering a second basic plan at a low premium level. Other organizations (e.g., Aetna and Cigna) became eligible for LIS enrollees for zero premium in a substantial number of regions because of overall decreases in their premium levels (data not shown; these companies were not among the ten PDPs with highest 2006 enrollment).

- For all organizations, the number of plans eligible for auto-enrollment of LIS-eligible beneficiaries would have been considerably smaller had CMS not implemented its demonstration deferring the use of weighted average premiums in calculating the low-income subsidy benchmark. In addition, as a result of the de minimis policy that allows the waiver of premiums up to $2, more plans are available in some cases for continuing enrollees or new enrollees selecting a plan on their own (not shown).

SECTION II: PDP PREMIUMS

PLAN PREMIUM LEVELS, 2006-2007

EXHIBIT 8: Distribution of All PDPs and 2006 Enrollment, by Monthly Premiums, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Monthly Premium	Number	Percent	Percent	Number	Percent
Under $20	90	6.3%	24.7%	104	5.5%
$20 - $30	313	21.9%	47.6%	619	33.0%
$30 - $40	459	32.1%	19.8%	503	26.8%
$40 - $50	334	23.4%	3.3%	432	23.0%
$50 - $60	160	11.2%	2.8%	74	3.9%
$60 - $100	72	5.0%	1.7%	131	7.0%
$100 and up	1	0.1%	0.0%	12	0.6%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- In 2007, the vast majority of all PDPs have premiums between $20 and $50, as in 2006.
- A modestly higher proportion of plans in 2007 are in the $20 to $30 range, compared to 2006. A lower proportion of plans have premiums over $30.
- The proportion of plans with premiums over $50 dropped from 16 percent in 2006 to 12 percent in 2007.
- Most of the enrollment in 2006 is in PDPs that will have premiums below $40 in 2007, and about half of all enrollment is in PDPs with 2007 premiums between $20 and $30.
- There are 12 PDPs offered in 2007 with premiums over $100 per month. Of these, 11 are offered by Sierra and one by the Blue Cross Blue Shield plans of the upper Midwest region. All of these PDPs are among the 27 PDPs that offer full coverage of on-formulary drugs in the coverage gap.

PREMIUM CHANGES FROM 2006 TO 2007

EXHIBIT 9: Distribution of All PDPs and 2006 Enrollment, by Change in Monthly Premiums, 2006 to 2007

	Dollar Change	Number of Plans	% of 2006 Enrollees		Percent Change	Number of Plans	% of 2006 Enrollees[1]
Lower in 2007	< -$10	245	1.7%		< -50%	84	0.2%
	-$10 to -$5	130	3.9%		-50% to -25%	168	1.8%
	-$5 to $0	267	17.8%		-25% to 0%	390	21.4%
Higher in 2007	$0 to $5	372	47.0%		0% to 25%	488	48.1%
	$5 to $10	174	18.5%		25% to 50%	135	16.0%
	$10 to $20	96	9.1%		50% to 100%	28	6.1%
	Over $20	23	2.0%		Over 100%	14	6.4%
TOTAL		**1,307**	**15,227,650**			**1,307**	**15,227,650**
Mean Change, 2006-2007	**$3.10**				**12%**		

NOTE: Excludes PDPs in the territories. Premiums are compared for plans with the same contract and plan ID in 2006 and 2007 (as well as plans that matched based on plan names). [1]This estimate assumes that 2006 Part D enrollees remain in the same plan in 2007.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- Overall, 77 percent of beneficiaries are in plans that are increasing premiums from 2006 to 2007 and thus would face premium increases if they remain in the PDPs in which they enrolled for 2006. Over one-fourth (29 percent) would see increases of at least 25 percent. Of the 23 percent of beneficiaries whose premiums would go down in 2007 if they stay in the same plan, nearly all would see decreases of less than 25 percent in their premiums. However, a substantial number of beneficiaries receiving LIS will not face these increases or decreases because their premiums are fully subsidized. [5]

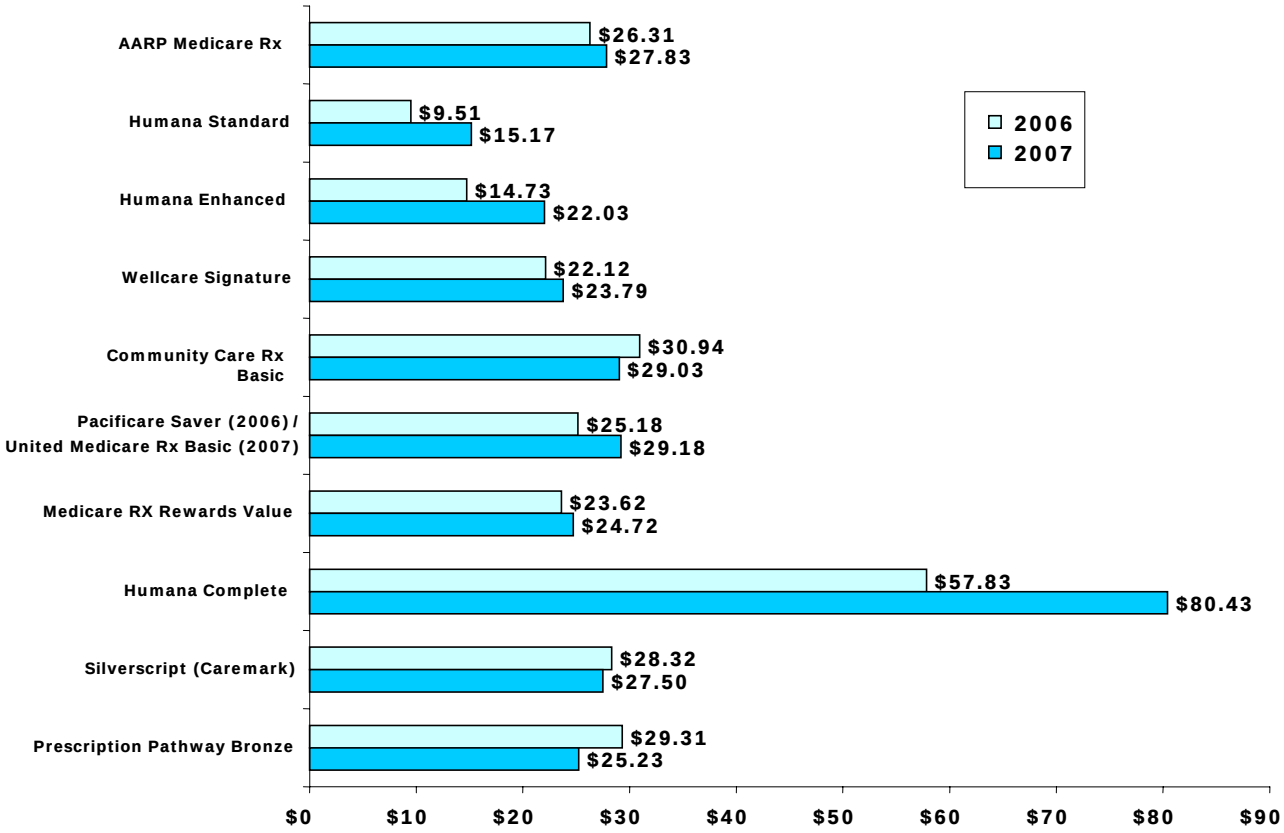
- The enrollment-weighted mean monthly premium for the 1,307 plans that are available in both 2006 and 2007 has increased from $26.05 to $29.15 (an increase of $3.10 or 12 percent), assuming PDP enrollees in 2006 stay in their same plan in 2007 (not shown).[6]

- The calculations of premium changes, like all the analysis in this report, consider only PDPs and not Medicare Advantage drug plans. Taking into account both types of plans (and only factoring in the proportion of the premium attributable to the basic benefit), CMS reports that the average Part D premium is essentially unchanged.[7]

[5] Data are not available to estimate how many total LIS-eligible enrollees will actually face a premium increase.
[6] Premium change can measured in several different ways. For example, the median dollar change in the monthly premium, assuming no change in enrollment, is an increase of $2.44.
[7] "Medicare Releases Data on 2007 Drug Plan Options," CMS press release, September 29, 2006.

PREMIUMS IN THE TOP TEN 2006 PDPs, 2006-2007

EXHIBIT 10: Average Monthly Premium of Ten PDPs with Highest 2006 Enrollment, 2006-2007



NOTE: Average is calculated across regions where plan is offered in each year.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

EXHIBIT 11: Change in Enrollment-Weighted Average Monthly Premiums for Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Change in Weighted Average Premium, 2006-2007		Number of Regions with Change in Premium, 2006-2007	
	Change in Dollars	Percentage Change	Lower in 2007	Higher in 2007
AARP Medicare Rx	$1.52	5.8%	6	28
Humana Standard[1]	$5.67	59.6%	2	29
Humana Enhanced[1]	$7.30	49.6%	2	29
Wellcare Signature	$1.67	7.6%	11	22
Community Care Rx Basic	-$1.90	-6.3%	23	11
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	$4.00	15.9%	6	28
Medicare RX Rewards Value	$1.11	4.7%	7	27
Humana Complete[1]	$22.60	39.1%	0	31
Silverscript (Caremark)	-$0.82	-2.9%	33	1
Prescription Pathway Bronze[2]	-$4.08	-13.9%	31	1

NOTES: Excludes PDPs in the territories. Averages are calculated based on 2006 plan enrollments by region, thus 2007 averages assume that beneficiaries do not change plans. [1]Only offered in 31 regions in 2006. [2]Only offered in 32 regions in both 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

SECTION II: PDP PREMIUMS

HIGHLIGHTS

- Among the ten PDPs with the highest enrollment in 2006, seven increased their monthly premiums for 2007 and three decreased their premiums on average across the regions. Unless beneficiaries qualify for the full low-income subsidy, many PDP enrollees who decide not to change plans for 2007 will face a higher premium next year.

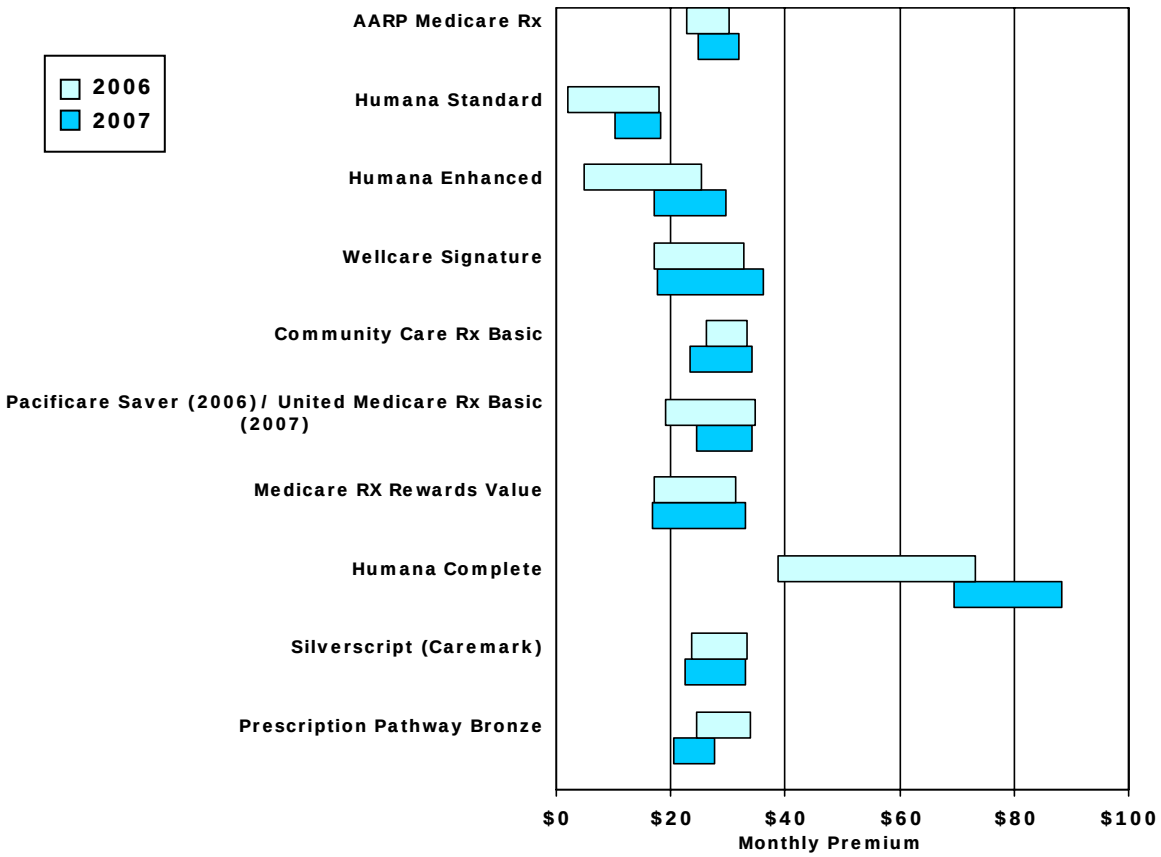
- The seven national plans with overall increases in premiums raised their premiums in at least two-thirds of the regions. By contrast, Community Care Rx Basic has a higher premium in 11 regions and a lower premium in 23 regions. Silverscript and Prescription Pathway Bronze raised premiums in only one region each.

- Among the ten PDPs with the highest enrollment in 2006, the largest premium increases for 2007 were for the three plans offered by Humana. For example, those enrolled in Humana Complete face an average monthly premium increase of $22.60 (39 percent) over their premiums in 2006. Those enrolled in Humana Standard face a smaller average increase in dollar terms ($5.67), but a larger increase in percentage terms (60 percent).

- The largest average decrease in monthly premiums from 2006 to 2007 among the top ten PDPs was for Prescription Pathway Bronze, which decreased by $4.08 or 14 percent.

REGIONAL PREMIUM VARIATION

EXHIBIT 12: Range of Monthly Premiums Across Regions for Ten PDPs with Highest 2006 Enrollment, 2006-2007



SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- Plan sponsors charge different monthly premiums across the 34 regions for identical PDPs, based on competitive factors and sponsors' expectations for different patterns of utilization (beyond the risk adjustments that are aimed at accounting for health status differences). For example, PDP premiums tend to be lower in regions with a higher penetration of Medicare Advantage plans by region.

- Typically, the range in monthly premiums is about $10 from lowest to highest across regions for the ten PDPs with highest 2006 enrollment, although premiums for some vary more than others. Monthly 2007 premiums for Wellcare Signature, for example, range from $17.80 in Florida to $36.30 in Alaska, while Medicare Rx Rewards (offered by Wellpoint) ranges from $16.90 in Arizona to $33.10 in Georgia and North Carolina.

- By contrast, AARP Basic, Humana Standard, and Prescription Pathway Bronze have more uniform premiums from one region to another, varying modestly by about $7 to $8 across the regions.

- For about half of the top ten PDPs, the regional premium variation is smaller in 2007 than in 2006, while for other plans it is greater.

SECTION III: PDP BENEFIT DESIGN AND COVERAGE GAP

DEDUCTIBLES

EXHIBIT 13: Distribution of All PDPs and 2006 Enrollment, by Deductible Amount, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Deductible	Number	Percent	Percent	Number	Percent
None	834	58.4%	56.1%	1,127	60.1%
Less than Standard Deductible	112	7.8%	1.7%	157	8.4%
Standard Deductible ($250 in 2006, $265 in 2007)	483	33.8%	42.2%	591	31.5%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

EXHIBIT 14: Deductible Amount of Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	2006	2007
AARP Medicare Rx	$0	$0
Humana Standard	$250	$265
Humana Enhanced	$0	$0
Wellcare Signature	$0	$0
Community Care Rx Basic	$250	$265
Pacificare Saver (2006)/United Medicare Rx Basic (2007)	$0	$0
Medicare Rx Rewards Value	$250	$265
Humana Complete	$0	$0
Silverscript (Caremark)	$250	$265
Prescription Pathway Bronze	$250	$265

SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from CMS PDP landscape files for 2006 and 2007.

HIGHLIGHTS

- About a third of all PDPs offer the standard deductible in 2006 and 2007. The standard deductible, which is indexed to grow annually with per capita Part D spending, increased from $250 in 2006 to $265 in 2007.

- In 2007, the majority of PDPs (60 percent) do not have a deductible, as in 2006. An additional 8 percent of plans have a deductible lower than the standard amount in both years. For 2007, a few PDPs hold the deductible level at the $250 standard amount, sheltering their enrollees from the indexed increase to $265.

- Among the ten PDPs with the highest enrollment in 2006, five are available with no deductible in both 2006 and 2007. The remaining five PDPs with the standard $250 deductible in 2006 are raising their deductibles to the standard amount of $265 in 2007.

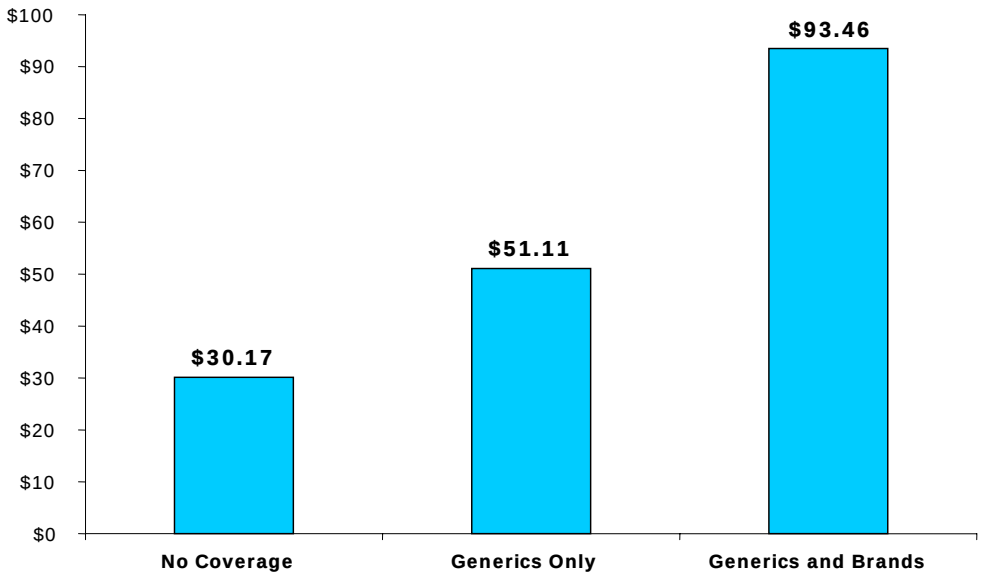
COVERAGE IN THE BENEFIT GAP

EXHIBIT 15: Distribution of All PDPs and 2006 Enrollment, by Coverage in the Gap, 2006-2007

	2006			2007	
	Plans		Enrollees	Plans	
Gap Coverage	Number	Percent	Percent	Number	Percent
None	1209	84.6%	94.1%	1337	71.3%
Generics only	187	13.1%	2.9%	511	27.3%
Generics & Brands[1]	33	2.3%	3.1%	27	1.4%
TOTAL	**1,429**	**100.0%**	**100.0%**	**1,875**	**100.0%**

NOTE: Excludes PDPs in the territories. [1]Of the 27 PDPs covering brand-name drugs in the coverage gap in 2007, 25 cover all formulary drugs and two cover brands and preferred generics.
SOURCE: Authors' analysis of CMS PDP landscape files for 2006 and 2007.

EXHIBIT 16: Average Monthly Unweighted Premiums for All PDPs by Type of Gap Coverage, 2007



SOURCE: Authors' analysis of CMS PDP landscape file for 2007.

HIGHLIGHTS

- The total number of PDP options with any gap coverage has increased from 220 to 538 plans nationwide, likely due in part to CMS guidance that generally limited organizations' ability to offer a third plan option unless it provided enhanced coverage. However, over two-thirds (71 percent) of all PDPs provide no gap coverage.

- Most PDPs with gap coverage in 2007 offer generic-only coverage; only 27 plans (less than 2 percent) cover brand-name drugs in the gap. Beneficiaries in 7 regions have no such option. Most of these PDPs are Sierra Rx Plus plans, available in 24 regions. The average monthly premium for these 27 plans is $93.46 (ranging from $72.80 to $135.70). By contrast, the average premium for PDPs with coverage of generics only in the gap is $51.11, while the average premium for PDPs without gap coverage is $30.17.[8]

[8] Because most of these plans are new offerings in 2007, we do not present averages weighted by enrollment. In fact, the weighted averages are similar to those presented.

SECTION III: PDP BENEFIT DESIGN AND COVERAGE GAP

- If PDP enrollees in 2006 stay in the same PDP in 2007:
  - Nearly 94 percent of beneficiaries would have no changes in their gap coverage.
  - About 3 percent of beneficiaries would gain generic-only gap coverage.
  - About 3 percent of 2006 enrollees would lose at least some of their gap coverage if they remain in the same plan in 2007.
- Most PDP enrollees facing reduced gap coverage if they stay with their same plan are those enrolled in Humana's Complete plan in 2006, which is reducing gap coverage from brands and generics to generics only. This is the only PDP in the ten PDPs with highest 2006 enrollment that offered any type of coverage in the gap. This plan's weighted-average monthly premium is $80.43 in 2007, up from $57.83 in 2006.

COST SHARING BY FORMULARY TIER AMONG THE TOP TEN PLANS

EXHIBIT 17: Cost Sharing Designs for the Initial Coverage Period, Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Year	Tier 1 (Generics)	Tier 2 (Preferred Brands)	Tier 3 (Non-preferred Brands)	Specialty Tier
AARP Medicare Rx	2006	$5	$28	$55	25%
	2007	$6		$69.10	33%
Humana Standard	2006	Standard Benefit (25% Coinsurance)			
	2007				
Humana Enhanced	2006	$7	$30	$60	25%
	2007	$5			
Wellcare Signature	2006	$0	$66	No Tier	31%
	2007		$57	$85	33%
Community Care Rx Basic	2006	$0	25%	45%	No Tier
	2007			50%	
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	2006	$7.50	$22	$52.70	33%
	2007	$7	$20	$45.75	
Medicare Rx Rewards Value	2006	$5	$25	No Tier	25%
	2007		$29		
Humana Complete	2006	$7	$30	$60	25%
	2007	$5			
Silverscript (Caremark)	2006	$9	25%	No Tier	25%
	2007	$5	$37		
Prescription Pathway Bronze	2006	Standard Benefit (25% Coinsurance)			
	2007				

NOTES: Some plans charge slightly different cost-sharing amounts by region; amounts shown here are for the Maryland region. Shaded cells are parameters that changed from 2006 to 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Among the ten PDPs with the highest 2006 enrollment, the two that follow the standard benefit design (Humana Standard and Prescription Pathway Bronze) are the only PDPs with no change to the cost-sharing design for 2007. All of the other PDPs have made changes to cost-sharing amounts for at least some of their formulary tiers.

- One PDP (AARP) increased its copayment for generic drugs for 2007, while four PDPs lowered their generic copayments. The largest such change was by Silverscript, which lowered its generic copayment from $9 to $5.

- Of the three PDPs among the top ten that did not establish separate tiers for preferred and non-preferred brand-name drugs in 2006, two made significant changes for 2007. Wellcare Signature has added a new third (non-preferred) tier with a copayment of $85, while lowering the copayment for preferred brands from $66 to $57. Silverscript charged 25% coinsurance for brands in 2006, but has changed to a flat copayment of $37 in 2007.

- Among the five PDPs in the top ten that did distinguish between preferred and non-preferred brands in their formulary tier structure in 2006, one plan (United Medicare Rx Basic) lowered the copayment for both preferred and non-preferred brands. Two PDPs (AARP and Community Care Rx Basic) raised cost sharing for non-preferred brands.

- Among the top ten PDPs, three of the seven that have specialty tiers charge 33 percent coinsurance for drugs in this tier. For two of these three plans (AARP and Wellcare Signature), this represents an increase over the 2006 coinsurance level.[9]

[9] Although the general rule for specialty tiers is that coinsurance should be 25 percent, plans are allowed to raise coinsurance in this tier above 25 percent if it is offset on an actuarially equivalent basis, typically by a lower deductible.

COVERAGE OF 152 SAMPLE DRUGS

EXHIBIT 18: Coverage of 152 Sample Drugs in Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	ALL SAMPLE DRUGS (n=152)			GENERIC DRUGS (n=73)		BRAND-NAME DRUGS (n=79)	
	Number Covered, 2006	Number Covered, 2007	Net Change from 2006	Number Covered, 2007	Change from 2006	Number Covered, 2007	Change from 2006
AARP Medicare Rx	145	152	+7	73	+1	79	+6
Humana Standard	146	152	+6	73	+4	79	+2
Humana Enhanced	146	152	+6	73	+4	79	+2
Wellcare Signature	106	107	+1	73	+8	34	-7
Community Care Rx Basic	116	119	+3	68	+2	51	+1
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	107	140	+33	73	+12	67	+21
Medicare RX Rewards Value	109	115	+6	73	+5	42	+1
Humana Complete	146	152	+6	73	+4	79	+2
Silverscript (Caremark)	109	112	+3	62	+2	50	+1
Prescription Pathway Bronze	117	115	-2	71	0	44	-2

NOTE: Includes same set of 152 drugs for 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- All but one of the ten PDPs with the highest 2006 enrollment cover more of the 152 sample drugs in our analysis than they did in 2006.[10] Prescription Pathway Bronze covers two fewer brand-name drugs in 2007 than in 2006. Five of the ten PDPs with the highest 2006 enrollment have less extensive formularies in 2007 than the other five, covering between 70 percent and 80 percent of sample drugs.

- The net change in coverage of all 152 sample drugs sometimes understates larger changes between formulary coverage of the sample generics and brands across the two years. For example, Wellcare Signature has a net increase of one sample drug, but this represents an increase of 8 generic drugs and a decrease of 7 brand-name drugs.

- United's AARP plan and the three Humana plans cover all of the 152 drugs in our sample. Three additional PDPs cover all of the sample generic drugs. In our analysis of 2006 formularies, no PDP covered all drugs in our sample, nor did any plan cover all generics.

- Beneficiaries enrolled in Pacificare Saver plan in 2006 who will shift to United Medicare Rx Basic in 2007 (unless they choose to enroll in a different plan) will see a particularly large increase in the number of sample drugs covered on formulary – a net increase of 33 drugs.

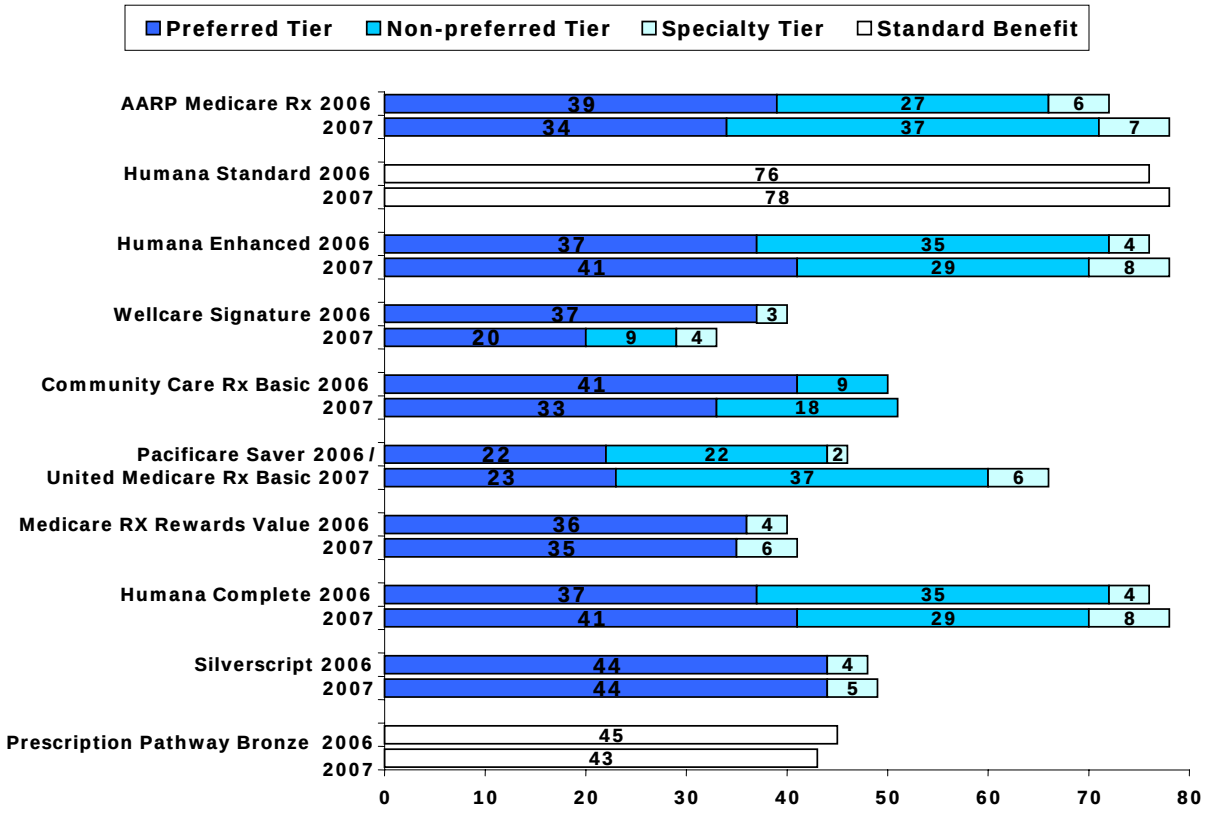
- Among sample drugs, the three drugs most commonly removed from top ten PDP formularies for 2007 are Zithromax (an antibiotic), Zocor (for high cholesterol), and Zoloft (an antidepressant). For all three drugs, generic equivalents have recently become available after the brand-name drug lost patent protection, and plans typically placed these new generic drugs on formulary.

- Among studied drugs, the three drugs most commonly added to plan formularies for 2007 are Dynacirc CR (a calcium channel blocker used to treat high blood pressure), Pamidronate (a hormonal agent used to treat osteoporosis), and Amoxicillin with Clavanulate Potassium (an antibiotic). Amoxicillin with Clavanulate Potassium and Pamidronate are both relatively expensive generic drugs.

[10] See Hoadley et al, pages 30-32 for a list of the 152 sample drugs.

TIER PLACEMENT OF BRAND-NAME DRUGS

EXHIBIT 19: Tier Placement of Sample Brand-Name Drugs in Ten PDPs with Highest 2006 Enrollment, 2006-2007



NOTES: Includes same 78 brand-name drugs for 2006 and 2007 (Levoxyl, a branded generic drug, is excluded because most plans cover it on the generic tier). Wellcare Signature did not have different cost sharing for preferred and non-preferred brands in 2006 though it labeled the drugs in two different tiers.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Six of the ten PDPs with the highest 2006 enrollment have a three-tier formulary (not counting the specialty tier) that separates brand-name drugs into preferred and non-preferred tiers (along with a separate tier for generic drugs). In 2007, these plans cover between 20 and 41 of the 79 brand-name drugs in our sample on the preferred tier, with the remainder either on the non-preferred tier or not covered.

- United Medicare Rx Basic substantially increased the number of studied drugs on its formulary compared to Pacificare Saver. However, the formulary only had a net gain of one drug on the preferred tier; the other additions were to the non-preferred and specialty tiers.

- The two three-tier Humana PDPs (Enhanced and Complete) increased the number of studied drugs on their preferred tiers, reduced the number on their non-preferred tiers, and increased the number on their specialty tiers, for a net increase in the number of covered drugs.

- AARP, Wellcare, and Community Care Rx all have fewer studied drugs on their preferred brand tier in 2007 than they did in 2006. Wellcare is the only PDP of these three that has fewer drugs overall.

- For 2007, Wellcare Signature is charging different copayments for its preferred and non-preferred tiers, and has placed fewer studied drugs on the preferred tier than any of the other top ten PDPs.

- The number of on-formulary brand-name drugs on our list for the two PDPs with two-tier formularies (Medicare Rx Rewards Value and Silverscript) is similar to the number of preferred-tier drugs for most of the other plans.

- The two standard benefit PDPs have very different formularies. Humana Standard now covers all 73 sample brand-name drugs (as well as all 79 generics), while Prescription Pathway Bronze covers just over half (55 percent) of the brand-name drugs in our sample.

USE OF SPECIALTY TIERS AMONG THE TOP TEN PDPs

EXHIBIT 20: Cost Sharing and Number of Sample Drugs on Specialty Tiers in Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Cost Sharing for Specialty Tier		Number of Sample Drugs on Specialty Tier	
	2006	2007	2006	2007
AARP Medicare Rx	25%	33%	6	7
Humana Standard	No Tier	No Tier	N/A	N/A
Humana Enhanced	25%	25%	4	8
Wellcare Signature	31%	33%	3	4
Community Care Rx Basic	No Tier	No Tier	N/A	N/A
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	33%	33%	2	6
Medicare Rx Rewards Value	25%	25%	4	7
Humana Complete	25%	25%	4	8
Silverscript (Caremark)	25%	25%	4	5
Prescription Pathway Bronze	No Tier	No Tier	N/A	N/A

NOTE: Includes same set of 152 drugs for 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Seven of the ten PDPs with highest 2006 enrollment place some drugs on a specialty tier (unchanged from our 2006 analysis). The remaining three PDPs either have a standard benefit design or use coinsurance for brand-name drugs, which enables them to charge at least 25 percent for specialty drugs without assigning them to a separate tier.

- All seven of the top ten PDPs with a specialty tier increased the number of the 152 sample drugs on the specialty tier from 2006 to 2007.

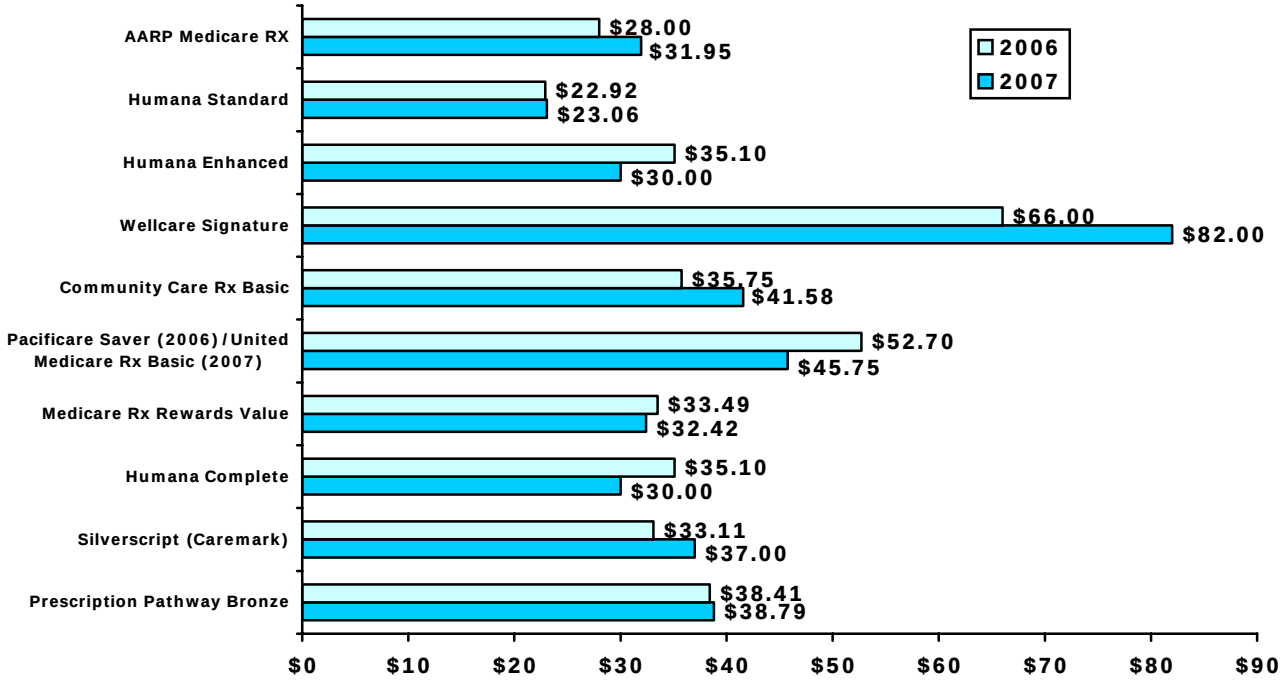
- Six of the 152 sample drugs that were placed on specialty tiers in 2006 remain on specialty tiers in 2007: Enbrel, Humira, and Remicade (all tumor necrosis factor inhibitors used to treat rheumatoid arthritis); Forteo (for osteoporosis) and Zometa (for cancer patients with elevated calcium levels in the blood); and Nimotop (a calcium channel blocker used for a brain hemorrhage). Some PDPs have added Aredia, Skelid, and Pamidronate (all in the class of hormonal agents) to their specialty tiers.

- Enbrel, Forteo, Humira, and Remicade are on the specialty tier in all seven of the top ten PDPs that have such a tier.

- CMS issued guidance for 2007 that drugs placed on specialty tiers should have a negotiated price of at least $500 per month. All of the specialty tier drugs identified in our previous analysis met that criterion.

COST FOR BRAND-NAME DRUGS IN THE INITIAL COVERAGE PERIOD

EXHIBIT 21: Median Cost for Sample Brand-Name Drugs in Ten PDPs with Highest 2006 Enrollment, 2006-2007



NOTES: Includes same 79 brand-name drugs for 2006 and 2007. Includes the full cost of off-formulary drugs.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- In 2007, median cost for brand-name drugs during the initial coverage period varies considerably among the ten PDPs with highest 2006 enrollment.[11] The lowest cost levels are for Humana's three PDPs, with median cost of $24 and $30. The highest cost sharing is for Wellcare Signature, with median cost of $85 in 2007.[12]

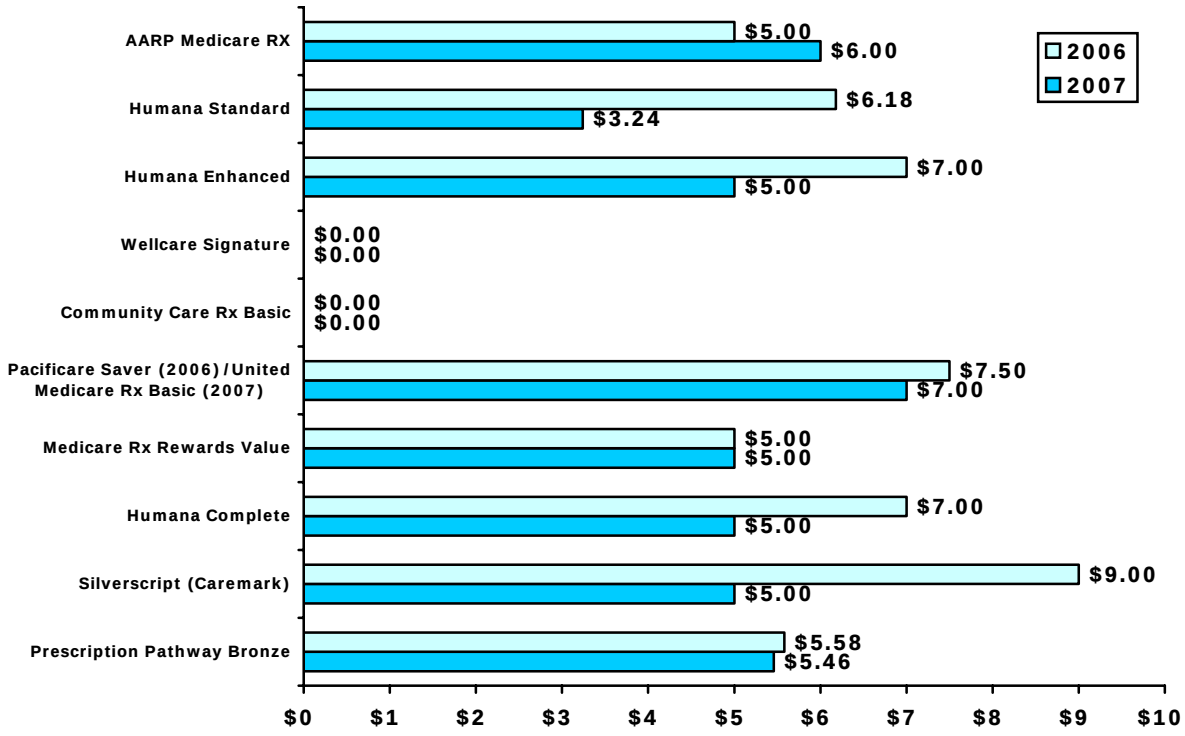
- For our sample of 79 brand-name drugs, the median cost increased in seven of the top ten PDPs, while decreasing for the other three.

- Changes from 2006 to 2007 range from a drop of 15 percent in the median cost for brands in Humana Enhanced and Complete PDPs to a 33 percent increase in the median cost in AARP Medicare Rx. The largest absolute increase is for Wellcare Signature, possibly due to the addition of a third formulary tier with an $85 copayment.

[11] Cost-sharing amounts for drugs do not take into account the impact of a deductible (if the plan has one), the coverage gap, or catastrophic coverage. Amounts reflect either cost sharing for on-formulary drugs or the full negotiated price for off-formulary drugs.
[12] The median is sensitive to the range of values in these bimodal distributions. Thus, for example, AARP's median for 2007 falls between the second-tier and third-tier cost-sharing amounts.

COST FOR GENERIC DRUGS IN THE INITIAL COVERAGE PERIOD

EXHIBIT 22: Median Cost for Sample Generic Drugs in Ten PDPs with Highest 2006 Enrollment, 2006-2007



NOTE: Includes same 73 generic drugs for 2006 and 2007.
SOURCE: Authors' analysis of 10 PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Among the ten PDPs with highest 2006 enrollment, median cost in the initial coverage period for the 73 generic drugs in our sample increased in 2007 for one PDP, decreased in six plans, and was unchanged for the remaining three.

- Decreases in the cost of generic drugs from 2006 to 2007 tend to reflect changes in the copayment for the generic tier. Because these PDPs cover most generic drugs, the median cost is the same as the cost-sharing amount for the generic tier in all plans with tiered designs.

- Two of the top ten PDPs (Wellcare Signature and Community Care Rx Basic) charge no cost sharing for covered generic drugs and thus have a median cost of $0. The plan with the highest median cost for the sample generic drugs in 2007 is United Medicare Rx Basic, which has a $7 copayment for its generic tier.

- In the two PDPs with 25 percent coinsurance, the cost for our sample of generic drugs decreased in dollar terms from 2006 to 2007. For one of them (Humana Standard), the resulting median cost ($3.24) is the lowest among those that charge cost sharing.

COST FOR POPULAR BRAND-NAME DRUGS IN THE INITIAL COVERAGE PERIOD

EXHIBIT 23: Cost for Ten Popular Brand-Name Drugs in Ten PDPs with Highest 2006 Enrollment, 2007

PDP Name	Actonel	Diovan	Fosamax	Lipitor	Nexium	Norvasc	Plavix	Toprol XL	Zocor	Zoloft
AARP Medicare Rx	$28.00	$28.00	$28.00	$28.00	$28.00	$28.00	$69.10	$26.55	$69.10	$69.10
Humana Standard	$17.97	$12.94	$17.97	$18.47	$33.40	$15.76	$30.87	$6.44	$34.61	$19.27
Humana Enhanced	$30.00	$30.00	$30.00	$30.00	$30.00	$30.00	$30.00	$25.76	$60.00	$60.00
Wellcare Signature	$57.00	$51.32	$57.00	$87.81	$170.24	$57.00	$85.00	$25.15	$165.68	$106.16
Community Care Rx Basic	$18.81	$13.72	$18.81	$19.31	$34.42	$16.57	$31.86	$7.14	$168.85	$109.41
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	$20.00	$20.00	$20.00	$45.75	$20.00	$45.75	$45.75	$26.55	$166.85	$78.48
Medicare RX Rewards Value	$29.00	$29.00	$29.00	$29.00	$136.20	$29.00	$29.00	$26.44	$141.16	$29.00
Humana Complete	$30.00	$30.00	$30.00	$30.00	$30.00	$30.00	$30.00	$25.76	$60.00	$60.00
Silverscript (Caremark)	$37.00	$37.00	$37.00	$37.00	$37.00	$37.00	$37.00	$25.90	$166.35	$37.00
Prescription Pathway Bronze	$18.62	$13.44	$18.62	$19.14	$34.51	$16.34	$31.91	$6.75	$166.85	$107.41
MEDIAN FOR ALL PLANS	**$28.50**	**$28.50**	**$28.50**	**$29.50**	**$33.91**	**$29.50**	**$31.89**	**$25.76**	**$153.42**	**$64.55**

NOTES: Shaded cells represent off-formulary drugs. Includes the full cost of off-formulary drugs.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- The cost faced by beneficiaries for ten popular brand-name drugs (shown in the table above) varies considerably across the top ten PDPs. Differences are primarily a result of tier status and the cost-sharing levels associated with the tiers for a particular plan, but differences can also result from negotiated price differentials across PDPs. For example:
    - Actonel is covered on the formulary of all top ten PDPs in 2007, but cost sharing in the initial coverage period for Actonel ranges from $17.97 to $57.00.
    - Nexium is not covered on the formulary for two of the ten PDPs; as a result its cost ranges from $20.00 (when covered) to $170.24 (when not covered).
- PDPs also made changes in the formulary status of these popular brands. One plan added a drug (Fosamax) to its formulary in 2007 that was not covered in 2006. In at least one plan, other drugs that were on the 2006 formulary were dropped from the 2007 formulary. These changes are likely a result of changes in patent protection of certain brands.
    - Zocor went off patent in 2006 and was removed from the formulary of four PDPs (it was already off formulary for two other plans) and was shifted to non-preferred status for one other plan. In 2007, it is off formulary or on a non-preferred tier for all of the top ten PDPs (except in one plan that does not use tiers). Lipitor (a major competitor to Zocor) was also removed from one PDP's formulary.
    - Zoloft also went off patent in 2006 and was removed from the formulary of four plans and shifted to non-preferred status by two other plans. As a result, it lacks preferred status on any of the top ten PDP formularies.
    - All plans covered the generic versions of Zocor (simvastatin) and Zoloft (sertraline) on their generic tiers.
- For six of these ten commonly prescribed brand-name drugs, the range of cost-sharing amounts among the top ten PDPs has increased from 2006 to 2007. For example, the cost in the initial coverage period for Plavix will range from $29 to $85 in 2007, compared to a range of $28 to $66 in 2006.

CHANGES IN COST FOR POPULAR BRAND-NAME DRUGS, 2006-2007

EXHIBIT 24: Difference in Cost for Ten Popular Brand-Name Drugs in Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Actonel	Diovan	Fosamax	Lipitor	Nexium	Norvasc	Plavix	Toprol XL	Zocor	Zoloft
AARP Medicare Rx	**-$27.00**	$0.00	$0.00	$0.00	$0.00	$0.00	$41.10	$1.06	$41.10	$41.10
Humana Standard	$0.52	$0.48	$0.52	$0.80	$0.54	$0.21	$0.65	$0.07	$1.26	-$0.34
Humana Enhanced	$0.00	**-$19.82**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.29	$0.00	$30.00
Wellcare Signature	**-$9.00**	**-$11.26**	**-$9.00**	$21.81	$5.72	**-$3.73**	$19.00	$0.71	$99.68	$40.16
Community Care Rx Basic	$0.83	**-$2.74**	$0.83	$0.25	$1.13	$0.48	$0.84	$0.11	$135.07	$89.29
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	**-$2.00**	**-$2.00**	**-$49.91**	**-$6.95**	**-$2.00**	**-$6.95**	$23.75	$4.55	$144.85	$25.78
Medicare RX Rewards Value	$4.00	$4.00	$4.00	$4.00	$4.54	$4.00	$4.00	$1.44	$116.16	$4.00
Humana Complete	$0.00	**-$19.82**	$0.00	$0.00	$0.00	$0.00	$0.00	$0.29	$0.00	$30.00
Silverscript (Caremark)	$19.55	$24.54	$19.55	$19.33	$4.15	$21.45	$6.78	$19.53	$13.23	$17.39
Prescription Pathway Bronze	$0.84	$0.72	$0.84	$1.14	$1.15	$0.49	$1.21	$0.19	$31.40	$87.45
DIFFERENCE OF 2006 AND 2007 MEDIANS FOR ALL PLANS	**$5.00**	**$5.00**	**$2.00**	**$3.00**	**$1.05**	**$3.00**	**$1.78**	**$2.54**	**$106.53**	**$38.05**

NOTES: Shaded cells indicate increases from 2006 to 2007 of at least $1. Bold type indicates decreases from 2006 to 2007 of at least $1. Includes the full cost of off-formulary drugs.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Overall, the median cost sharing paid by beneficiaries for all ten of these commonly prescribed brand-name drugs is higher in 2007 than in 2006. Cost-sharing changes from 2006 to 2007 may result from a PDP changing the formulary status or tier placement of a drug, or it may result from changes to a plan's negotiated prices for a particular drug.

- Generally, increases in median cost sharing from 2006 to 2007 range from $2 to $5, but increases are larger for Zocor and Zoloft because of changes in their patent status as noted in the discussion of Exhibit 23. The cost of obtaining Zocor or Zoloft is higher in 2007 for nearly all of the top ten PDPs.

- In 43 of the 100 drug-plan combinations shown in the table above, the cost to a beneficiary who stays in the same plan will be at least $1 higher in 2007 than in 2006, while 14 cases will be at least $1 lower in 2007.

- For two PDPs (Medicare RX Rewards Value and Silverscript), beneficiaries enrolled in 2006 would see higher costs for all ten of the popular brand-name drugs in 2007 if they remain in those plans.

UTILIZATION MANAGEMENT: PRIOR AUTHORIZATION

EXHIBIT 25: Number of Sample Drugs Subject to Prior Authorization in Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Number of Drugs with Prior Authorization		Change, 2006-07
	2006	2007	
AARP Medicare Rx	5	4	-1
Humana Standard	6	3	-3
Humana Enhanced	6	3	-3
Wellcare Signature	3	8	+5
Community Care Rx Basic	7	5	-2
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	3	5	+2
Medicare RX Rewards Value	6	4	-2
Humana Complete	6	3	-3
Silverscript (Caremark)	11	14	+3
Prescription Pathway Bronze	4	4	--

NOTE: Table based on same set of 152 drugs for 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Among the ten PDPs with the highest 2006 enrollment, overall use of prior authorization restrictions decreased in six plans and increased in three plans from 2006 to 2007.

- Prior authorization was used on 3 percent of the 152 sample drugs, on average, in 2007 compared to 4 percent in 2006.

- Among the 152 sample drugs, the top 10 PDPs apply prior authorization to 17 drugs in total. Only three drugs in the sample require prior authorization in all top ten PDPs: Enbrel, Humira, and Remicade (all Tumor Necrosis Factor (TNF) inhibitors used for treating rheumatoid arthritis). Forteo (a hormonal agent used for treating osteoporosis) requires prior authorization in seven of the top ten PDPs. For the other 13 drugs in our sample that require prior authorization, only one or two PDPs require it.

- Seven drugs that were subject to prior authorization requirements in 2006 are no longer subject to it in 2007. These drugs include five antidepressants (Cymbalta, Nardil, Parnate, Paxil CR, and Prozac Weekly), Chlorpropamide (for treating diabetes), and Pravachol (for treating cholesterol). Pravachol went off patent in 2006.

- Five drugs that were not subject to prior authorization in 2006 have had the requirement added by one of the top ten PDPs in 2007: Advair Diskus (for asthma), Ambien (a sleeping pill), Plavix (a heart medication), Razadyne (an anti-dementia drug), and Zetia (for cholesterol).

UTILIZATION MANAGEMENT: STEP THERAPY

EXHIBIT 26: Number of Sample Drugs Subject to Step Therapy in Ten PDPs with Highest 2006 Enrollment, 2006-2007

PDP Name	Number of Drugs with Step Therapy		Change, 2006-07
	2006	2007	
AARP Medicare Rx	5	8	+3
Humana Standard	1	6	+5
Humana Enhanced	1	6	+5
Wellcare Signature	23	3	-20
Community Care Rx Basic	17	7	-10
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	8	8	--
Medicare RX Rewards Value	0	0	--
Humana Complete	1	6	+5
Silverscript (Caremark)	0	0	--
Prescription Pathway Bronze	0	0	--

NOTE: Table based on same 152 drugs for 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Among the ten PDPs with the highest 2006 enrollment, four increased their use of step therapy in the 152 sample drugs from 2006 to 2007. Two PDPs reduced their use of step therapy for drugs in this sample, while in one plan the use of step therapy was unchanged. The remaining three plans never require step therapy for any of the sample drugs.

- Wellcare Signature and Community Care Rx Basic have made the most noticeable changes to their use of step therapy from 2006 to 2007. Wellcare, in particular, reduced the set of drugs subject to step therapy from 23 drugs to just 3 drugs.

- Although none of the top ten PDPs ever require step therapy for more than 8 of the 152 sample drugs, across the ten PDPs a total of 18 of the sample drugs are subject to step therapy requirements.

- Among the 152 sample drugs, Celebrex (an anti-inflammatory used to treat arthritis and other conditions) is most commonly subject to step therapy, with four of the top ten PDPs requiring it. Each of the other 17 drugs are subject to step therapy requirements in three or fewer of the top ten PDPs.

- All of the studied drugs added to AARP Medicare Rx's step therapy requirements are competing brands in the ARB class (for treating high blood pressure). In contrast, the Humana plans have added individual drugs in several different categories to their step therapy list.

- There are several cases where plans have dropped the step therapy requirement for entire classes of studied drugs. For example, Wellcare Signature has dropped step therapy for eight antidepressants, Community Care RX Basic dropped step therapy for seven diabetes drugs, and three different PDPs dropped step therapy requirements for a set of five ACE inhibitors (for treating hypertension).

UTILIZATION MANAGEMENT: QUANTITY LIMITS[13]

EXHIBIT 27: Number of Sample Drugs Subject to Quantity Limits in Top Ten PDPs, 2006-2007

PDP Name	Number of Drugs with Quantity Limits		Change, 2006-07
	2006	2007	
AARP Medicare Rx	51	25	-26
Humana Standard	25	62	+37
Humana Enhanced	25	62	+37
Wellcare Signature	1	3	+2
Community Care Rx Basic	2	37	+35
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	2	24	+22
Medicare RX Rewards Value	25	32	+7
Humana Complete	25	62	+37
Silverscript (Caremark)	7	8	+1
Prescription Pathway Bronze	7	10	+3

NOTE: Table based on same 152 drugs for 2006 and 2007.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Nine of the ten PDPs with the highest 2006 enrollment increased their use of quantity limits for the 152 sample drugs. The exception is AARP, which decreased the number of sample drugs subject to quantity limits by half (from 51 to 25).

- Among the top ten PDPs, Wellcare, Silverscript, and Prescription Pathway subject far fewer sample drugs to quantity limits in both 2006 and 2007 than the other seven plans.

- The largest increases in the number of drugs subject to quantity limits were in the Humana plans and in Community Care Rx Basic, all of which added 35 or more studied drugs to the list. Some of these additions were concentrated in certain classes. For example, Humana added quantity limits for 11 antidepressants, and Community Care Rx Basic added quantity limits for 12 cardiovascular drugs.

- The three sample drugs most often subject to quantity limits (Ambien, Actonel, and Fosamax) are each restricted by eight of the top ten PDPs; for each of these, five plans added quantity limits in 2007. Ambien is a sleeping pill that is generally recommended for short-term use to avoid addiction. Actonel and Fosamax, hormonal agents used to treat osteoporosis, are typically taken only once a week. These appear to be cases in which the quantity limit is intended to reflect appropriate use of fewer than 30 doses per month.

- For 2007, several antidepressants had a new quantity limit imposed by at least four PDPs (including the three Humana plans): Wellbutrin XL, Fluvoxamine, Lexapro, Paroxetine, Paxil CR, Prozac Weekly, Zoloft, Effexor XR, and Cymbalta. With the exception of Prozac Weekly, these drugs could all be expected to be taken daily. In 2006, these drugs were rarely subject to quantity limits.

- Other classes with frequent quantity limits imposed include the proton pump inhibitors (for ulcers and GERD), all limited by five to seven PDPs, and the ARBs (for high blood pressure), all limited by three to seven PDPs.

[13] Quantity limits serve multiple purposes. In some cases, quantity limits may restrict the use of medications that are intended to be taken less than every day. In other cases, quantity limits may restrict which drugs can be purchased in a 90-day supply.

EXHIBIT 28: Summary of 2006-2007 Changes for Ten PDPs with Highest 2006 Enrollment

	CHANGE IN:														
				Cost Sharing Amount by Tier				Number of Sample Drugs on:			Median Cost		Number of Sample Drugs Subject to:		
	Average Monthly Premium	Deductible[1]	Gap Coverage	Generics	Preferred Brands	Non-preferred Brands[2]	Specialty[2]	Formulary	Preferred Brand Tier	Specialty Tier[2]	79 Sample Brand-Name Drugs	73 Sample Generic Drugs	Prior Authorization	Step Therapy	Quantity Limits
Report Exhibit Number	11	14	15	17	17	17	17	18	19	20	21	22	25	26	27
AARP Medicare Rx	↑	–	–	↑	–	↑	↑	↑	↓	↑	↑	↑	↓	↑	↓
Humana Standard	↑	–	–	–			↑	↑	↑	NA	↑	↓	↓	↑	↑
Humana Enhanced	↑	–	–	↓	–	–	–	↑	↑	↑	↓	↓	↓	↑	↑
Wellcare Signature	↑	–	–	–	↓	↑	↑	↑	↓	↑	↑	–	↑	↓	↑
Community Care Rx Basic	↓	–	–	–	–	↑	NA	↑	↓	NA	↑	–	↓	↓	↑
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	↑	–	–	↓	↓	↓	–	↑	↑	↑	↓	↓	↑	–	↑
Medicare RX Rewards Value	↑	–	–	–	↑	NA	–	↑	↓	↑	↓	–	↓	–	↑
Humana Complete	↑	–	↓	↓	–	–	–	↑	↑	↑	↓	↓	↓	↑	↑
Silverscript (Caremark)	↓	–	–	↓	–[3]	NA	–	↑	–	↑	↑	↓	↑	–	↑
Prescription Pathway Bronze	↓	–	–	–			NA	↓	↓	NA	–	–	–	–	↑

NOTES: DOWN arrow indicates decrease in measure; UP arrow indicates increase in measure; – indicates no change in measure.
[1]Plans that maintained their deductible at the statutory maximum standard ($250 in 2006, $265 in 2007) are represented as not changing. [2]Plans which do not make use of the tier are indicated as NA. [3]Cost-sharing structure shifted from percent to dollar amount.
SOURCE: Authors' analysis of ten PDPs with highest 2006 enrollment; data from Medicare.gov.

HIGHLIGHTS

- Beneficiaries considering their Part D options for 2007 will have to take into account many changes across plans. Because of these changes, the plan that was the best choice for a beneficiary in 2006 may not be the best in 2007. For example, some plans have raised premiums while lowering cost sharing; others have lowered premiums while decreasing the number of preferred brands. Exhibit 28 illustrates some of these potential tradeoffs by summarizing many of this study's findings about changes occurring between 2006 and 2007 in the ten PDPs with highest 2006 enrollment.
- With regard to the notations in this table, it is important to note that the direction of the arrows do not necessarily signify changes in these measures for the better or worse. That is, an increase is not always good, and a decrease is not always bad, or vice versa. For example, an arrow pointing UP in the column for formulary coverage indicates more drugs are covered, while for average monthly premiums an UP arrow indicates increased cost. Taken together, these notations do not amount to an overall assessment of changes in these plans from the beneficiary perspective, since that would require determining the importance of both the magnitude of changes within measures and each measure relative to the others. Moreover, individual beneficiaries will evaluate changes in Part D plan features differently, according to their unique circumstances.

APPENDIX: APPROACH AND METHODOLOGY

In this study, we look at the benefit design and formularies of stand-alone Part D plans (PDPs) for 2007 and compare them to similar offerings in 2006 as described in our April 2006 report.[14] We present some results for all PDP offerings nationwide and others for the ten plans with the highest 2006 enrollment, depending on data availability. In a few cases, we also characterize other plan offerings by the organizations that sponsor the top ten plans. Specifically, our analysis focuses on the following three areas: 2007 benefit offerings for PDPs nationwide, 2007 benefit offerings for the ten PDPs with the highest 2006 enrollment, and the 2007 formularies for these ten PDPs.

2007 Benefit Offerings for PDPs Nationwide

Data for our analysis of plan benefits is obtained primarily from the CMS landscape file that provides information on the major benefit design parameters for plans in all regions. We generally report on the number of plans with various features in both 2006 and 2007 and report on enrollment in different types of plans in 2006. In various exhibits, we show the distribution of 2006 enrollment by various PDP characteristics. For these calculations, we use enrollment as of July 1, 2006, as posted by CMS. Similar reports published by CMS (e.g., in testimony to the Congress) use enrollment numbers that exclude most beneficiaries eligible for the low-income subsidy. Because many of those beneficiaries are auto-enrolled into a subset of all plans, the CMS reports on distribution of enrollment by plan characteristic differ from ours.

In a few cases, we also illustrate the impact of changes from 2006 to 2007 under the assumption that beneficiaries enrolled in a plan in 2006 remain enrolled in the same plan in 2007. For comparison purposes, we matched plans based on having the same contract and plan ID in 2006 and 2007. In addition, we matched plans that share a name (Community Care Rx Gold and Prescription Pathway Bronze, Gold, and Platinum) despite have different ID numbers. There might be additional plans which are considered equivalent by the sponsoring organization, thus allowing beneficiaries to be automatically rolled over from 2006 to 2007, but these are not included in the analysis because the pairing of plans is not available.

2007 Benefit Offerings for the Ten PDPs with Highest 2006 Enrollment

We supplement the analysis of benefit offerings for PDPs nationwide with more specific information on the ten PDPs with the highest 2006 enrollment obtained from the CMS Plan Finder and plan websites. Taking this approach allows us to consider benefit design features, such as tier structure and cost sharing, that are not detailed in the CMS landscape file.

These ten national plans account for over ten million of the beneficiaries enrolled in Part D or 66 percent of total stand-alone Part D enrollment for 2006.[15]

Of these ten national plans, Pacificare Saver is not offered in 2007 because of United Healthcare's acquisition of Pacificare. Beneficiaries who were enrolled in the Pacificare Saver plan will be automatically enrolled in United's Medicare Rx Basic plan if they do not choose another option (based on sharing the same contract and plan ID numbers). For this analysis, we compare the benefits and pricing that these beneficiaries experienced in 2006 in the Pacificare Saver plan to the benefits and pricing they would experience in 2007 in United's Medicare Rx Basic plan (if they do not switch to a different plan).

[14] Hoadley et al, "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans."
[15] Our calculations excluded enrollment in employer group plans with contract numbers in the 800 series and included just the enrollment in the plans that carried the same contract and plan ID numbers.

EXHIBIT A1: Benefit Type and 2006 Enrollment of Top Ten PDPs

PDP Name	Benefit Type	2006 Enrollment
AARP Medicare Rx	Alternative	3,183,233
Humana Standard	Standard	2,043,660
Humana Enhanced	Enhanced	965,975
Wellcare Signature	Alternative	872,362
Community Care Rx Basic[1]	Alternative	817,850
Pacificare Saver (2006)/ United Medicare Rx Basic (2007)	Alternative	726,766[2]
Medicare RX Rewards[3]	Alternative	490,819
Humana Complete	Enhanced	410,601
Silverscript (Caremark)	Alternative	399,970
Prescription Pathway Bronze	Standard	375,455
TOTAL		**10,286,691**

NOTES: [1]Called Community Pharmacists Care in Oklahoma. [2]2006 enrollment in Pacificare Saver was 726,766. The 2006 basic plan from United Healthcare (which was not one of the top ten plans in 2006) shares the contract and plan ID number with a different 2007 plan (United Medicare Rx Extended). [3]Called Medicare Rx Rewards Value in 2007.
SOURCE: Authors' analysis of CMS Part D annual enrollment files for 2006.

2007 Formularies for the Ten PDPs with the Highest 2006 Enrollment

To examine changes in the coverage of drugs and the costs for obtaining covered drugs from 2006 to 2007, we also focused on the ten PDPs with highest 2006 enrollment. For this analysis, we followed the format of our April 2006 report and examined coverage for a pre-selected sample of 152 drugs that represent nearly 60 percent of the total prescription volume for Medicare beneficiaries, as reported in the 2001 MCBS.[16] We analyzed what drugs are included on plan formularies, the tier placement of on-formulary drugs, the presence of any utilization management restrictions (prior authorization, step therapy, and quantity limits), and the cost of these drugs to beneficiaries (both the cost sharing amounts for on-formulary drugs and the full cost of off-formulary drugs).

The sample of 152 drugs includes drugs from 14 complete drug groups in the USP model formulary guidelines developed for and adopted by CMS as the standard drug classification for Medicare drug plan formularies. We selected some classes based on the volume of drugs prescribed (e.g., certain classes of cardiovascular drugs) and others based on cost (e.g., drugs used to treat osteoporosis and rheumatoid arthritis). To augment these groups our sample also includes some additional commonly prescribed brand-name and generic drugs. Overall, our sample is almost evenly divided between generic (n=73) and brand-name (n=79) drugs. Data on these drugs for 2006 and 2007 were collected from the CMS website in November 2005 and October 2006, respectively. More details on this sample and our approach to data collection, including a complete list of the drugs in our sample, are available in the April 2006 report.[17]

[16] Hoadley et al, "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans."
[17] Id.

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