Potential Membership Shifts for Medicare Prescription Drug Plans

by Shelly Brandel

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In the fall, the Centers for Medicare & Medicaid Services (CMS) released premium and benefit information on 2011 Medicare Part D prescription drug plans (PDPs). CMS imposed additional bid requirements for 2011 by requiring larger benefit differences between plan offerings and restricting the number of plans overall. The 2011 open enrollment process could result in significant membership swings depending on how members react to these PDP plan changes.

Background

Prior to 2011, CMS allowed a maximum of three plans per carrier per PDP region, at least one of which needed to be a basic plan with benefits actuarially equivalent to the Medicare Part D benefit. CMS required meaningful differences between plans that could be demonstrated through premium, benefit or formulary differences.

For 2011, CMS strictly enforced existing and additional requirements aimed at reducing the confusion surrounding the PDP selection process by making plan differences more visible to seniors. The most significant requirements include:

- Each parent company is allowed only one basic plan per region.
- Each enhanced plan offering must have $22 lower out-of-pocket cost (OOPC) per CMS' prescribed method relative to the basic plan (excluding premium differences).
- If two enhanced plans are offered, the second plan must cover at least some brand drugs in the coverage gap.

These requirements appear to have had a significant impact on carriers' 2011 bid strategy:

- **Plan consolidation:** Many carriers offered more than one basic plan in 2010 which needed to be combined for 2011. For example, UnitedHealthcare offered two basic plans (AARP MedicareRx Preferred and Saver) in 2010, each with over 1.5 million members, which were combined in 2011.
- **Richer enhanced plan benefits:** Many carriers needed to increase benefits for their enhanced plans to comply with CMS' OOPC requirements. In 2010, about 30 percent of members enrolled in enhanced plans chose "skinny enhanced" plans with supplemental premiums under $5. These plans have benefits that by definition in the bid model were enhanced but from a consumer perspective were minimally more favorable than other basic plans. Coventry and Humana in particular had significant enrollment in these "skinny enhanced" plans, as shown in Table 1. For 2011, carriers had to decide whether to increase benefits on these plans or combine them with other basic plans. It appears that most carriers chose the latter strategy.

Table 1: National 2010 PDP Plans with Supplemental Premiums Under $10 in All PDP Regions[1]

Carrier	2010 Plan	Members (SEPTEMBER 2010)[2]	Supplemental Premium Range
Aetna	Medicare Rx Plus	120,000	7.90–9.30
Coventry	Advantra Rx Value	440,000	1.40–4.50
	First Health Part D-Secure	320,000	1.70–6.00
Humana	Enhanced	540,000	4.90–9.40
	Value	40,000	1.20–5.00
Universal American	Community CCRx Choice	90,000	2.50–5.40
	PrescribaRx Gold	50,000	1.20–7.90
Subtotal		1,600,000	1.20–9.40

[1] Includes PDP plans with more than 40,000 members offered in more than five regions (excludes PDP regions outside of the United States).

[2] Source: Monthly CMS Enrollment File dated Sept. 7, 2010 (*http://www.cms.gov/MCRAdvPartDEnrolData/*)

2011 Results

Plan Consolidation

As expected, there are far fewer PDP plans in 2011 due to CMS' new guidance. The total number of plans is down about 30 percent from 2010. Noteworthy observations include:

- Most carriers combined basic and low additional value enhanced plans into their basic plan offering for 2011. As Table 1 shows, there were approximately 1.6 million members enrolled

in low additional value plans in 2010 (using supplemental premiums as a proxy for benefit enhancement).

In 2011, the Humana Enhanced plan includes "few generics" in the gap and is the only enhanced plan with supplemental premiums under $8 in all regions.

- Most carriers are offering only one enhanced plan in 2011; therefore they do not need to offer any plans with brand gap coverage. Exceptions include Anthem, Humana and a couple of regional Blues plans.

- UnitedHealthcare's AARP MedicareRx Preferred plan is the only basic plan offered in 2011 with no deductible, which may prove to be a competitive advantage.

- Most enhanced plans offer partial gap coverage in 2011 in addition to the mandated 7 percent generic gap coverage. There are only a few enhanced plans that do not include any additional gap coverage (examples include Aetna, Health Net, Universal American and WellCare). In contrast, over 70 percent of members enrolled in enhanced plans in 2010 did not have any gap coverage.

Potential Membership Shifts During 2011 Open Enrollment

Premium Disruption

In general, PDP carriers have kept their plan offerings and premium changes relatively stable over the last several years. As a result, we have not seen big annual open enrollment shifts in the past couple of years (outside of the low income auto-assign market).

However, the plan consolidation for 2011 caused significant premium decreases for some members and increases for others. It is difficult to predict at which point members will start comparison shopping, but we estimate there are approximately 2.6 million members whose 2011 monthly premiums will increase over $10 and another 2.7 million members with premium increases between $5 and $10. Table 2 shows the distribution of premium increases for the top 10 PDP carriers:

Table 2: Summary of Premium Increases for the 10 Largest PDP Carriers

Company Name	Total Enrollment (SEPTEMBER 2011)	Members with 2011 Premium Increases over $10 [1]	Members with 2011 Premium Increases between $5 and $10 [1]	Percentage of Members with at least a $5 Premium Increase
UnitedHealthcare	4,490,000	310,000	360,000	15%
Universal American	1,910,000	170,000	290,000	24%
Humana	1,690,000	0	90,000	5%
Coventry	1,620,000	590,000	350,000	58%
CVS Caremark	1,110,000	60,000	0	5%
WellCare	760,000	260,000	210,000	62%
Wellpoint	700,000	260,000	290,000	79%
Aetna	560,000	270,000	220,000	88%
CIGNA	540,000	20,000	210,000	43%
Total—Top 10	13,380,000	1,940,000	2,020,000	30%
Total—All Carriers	16,710,000	2,620,000	2,700,000	32%

[1] Based on an analysis of the 2011 Part D crosswalk file (https://www.cms.gov/MCRAdvPartDEnrolData/) and 2011 PDP landscape file (http://www.cms.gov/PrescriptionDrugCovGenIn/) from CMS. Assumes members will remain in the same plan between 2010 and 2011. Excludes PDP regions outside of the United States.

Humana and CVS Caremark were able to keep premium increases low (or negative) for most members. Coventry in particular implemented significant premium increases on its First Health Part D plans as a result of plan consolidation. WellCare, Wellpoint and Aetna also have a large percentage of members with premium increases over $10. While the consolidation of UnitedHealthcare's AARP Preferred and Saver plans caused significant premium increases on the Saver plan, these members will also have no deductible in 2011 compared to a full $310 deductible in 2010, which could help mitigate the impact of these premium increases.

Formulary Disruption

Not to be overlooked, the consolidation of plans could mean significant formulary disruption for many members. Many plans had different formularies in place for their basic and enhanced plans in 2010. In 2011, plan/formulary consolidation will create even more possible incentives for members to shop around.

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Table 3: Summary of the Number of PDP Plans with the Lowest Premiums for 2010 and 2011

	Number of Plans in 2010 with:			Number of Plans in 2011 with:		
Carrier	Lowest Premium	Premiums in the Top 3	Premiums in the Top 5	Lowest Premium	Premiums in the Top 3	Premiums in the Top 5
Aetna	2	9	16	0	0	0
CIGNA	1	7	13	0	1	2
CVS Caremark	0	0	1	0	27	44
Coventry	24	30	38	0	7	8
Health Net	0	1	4	0	3	12
HealthSpring	0	2	5	0	6	9
Humana	1	8	14	34	34	34
UnitedHealthcare	2	16	24	0	2	13
Universal American	3	22	36	0	20	26

Source: Analysis of 2010 and 2011 PDP landscape files from CMS (http://www.cms.gov/PrescriptionDrugCovGenIn/)

Humana's Walmart PDP Plan

Humana is introducing a new PDP plan for 2011. The Humana Walmart-Preferred Rx plan is offered in association with Walmart and will be the lowest cost plan in every PDP region at $14.80. This plan may be particularly attractive to the members in the table above, who are currently in low premium plans and whose premiums may be increasing significantly for 2011.

Increased Choice for Low Income Members

Despite the decrease in the number of total PDP plans offered in 2011, low income members eligible for low income premium subsidies will be able to choose from among more plans in 2011. The number of PDP plans under the low income benchmark (LIB) increased 8 percent from 2010 to 2011. This is due largely to CMS' "de minimis" policy for 2011 that allows PDP plans to waive up to $2 to remain under the LIB and avoid losing their auto-assigned low income members, as well as the introduction of Humana's Walmart plan which is under the LIB in every region.

Mixing up the Winners/Losers (in Terms of Lowest Premiums)

Table 3 changes in the distribution of plans in terms of premium rankings within each PDP region for 2010 and 2011 for some of the largest PDP carriers (note that PDP regions often include more than one state).

The biggest winner is Humana, going from only one state with the lowest premium and eight regions ranking in the top three in 2010 all the way to the lowest premium in every region with the Walmart-Preferred Rx plan. CVS Caremark also improved its competitive position by keeping premiums generally flat (with some decreases), with premiums in the top five nearly nationwide (sometimes with two options in the top five).

Coventry lost the most ground, going from 38 plans with premiums in the top five (with 24 of these being the number-one plan) down to eight top-five plans in 2011. UnitedHealthcare also fell back competitively, with only two top-three plans (down from 16) and 13 top-five plans (down from 24). CIGNA and Aetna slipped considerably as well.

Conclusion

It appears that 2011 may produce the biggest PDP membership changes since the inception of the program. Fewer plans will be offered but changes to members' premiums, formularies, benefits and preferred vendor options could have a significant impact on open enrollment and age-in enrollment during 2011. ■