CMS Announces New Part D Insulin Savings Plan


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MEDICATION ADHERENCE is a known issue that can impact both patient outcomes and overall healthcare cost. This is especially true for patients on multiple chronic medications and is worse when no generic options are available. Patients with diabetes who are dependent on insulin often fit into both categories. A 2017 study published in *JAMA Internal Medicine* found that 25.5% of patients with diabetes reported cost-related insulin underuse.

The Centers for Medicare & Medicaid Services (CMS) understands this issue, resulting in its announcement of the Part D Senior Savings Model. Beginning in 2021, three pharmaceutical manufacturers and over 1,750 Medicare Part D plans will participate in the new model to offer a variety of insulin products at no more than $35 per month for Medicare beneficiaries. According to CMS, the new model is projected to save over $250 million in five years for the federal government, with the expense to be picked up by insulin manufacturers.

BENEFIT TO PATIENTS

Medicare beneficiaries enrolled in an enhanced plan in 2020 will likely see large fluctuations in their insulin costs throughout the year as they move through the various Medicare Part D cost-sharing phases. In the example below, beneficiaries would pay more than $35 each month for insulin, until they reach the catastrophic phase.

1. **Deductible Phase:** Pay the fully negotiated drug cost up to a maximum of $435.
2. **Initial Coverage Phase:** Potential for $40 to $50 copay per 30 days' supply of insulin until total out-of-pocket drug costs reach $4,020.
3. **Coverage Gap:** 25% coinsurance on the negotiated price of the prescription until the out-of-pocket limit of $6,350 is reached.
4. **Catastrophic Phase:** 5% of the negotiated price of the prescription.

Patients with diabetes often require multiple chronic medications that increase their out-of-pocket costs mentioned above.

SENIOR SAVINGS MODEL DETAILS

Under the Part D Senior Savings Model, beneficiaries will have predictable monthly insulin costs of $35 or less through the deductible, initial coverage, and coverage gap phases. These reduced out-of-pocket costs should lead to improved adherence, better health outcomes, and decreased total healthcare costs. Beneficiary insulin costs in these plans will no longer count toward their deductible.

In order to take advantage of this savings opportunity, Medicare Part D plan beneficiaries using insulin will need to enroll in a participating Part D plan during open enrollment beginning Oct. 15, 2020. Before enrolling, patients should utilize the Medicare Plan Finder to ensure they select a Part D plan participating in the new program and that their insulin product is on the plan's formulary.

CHANGES FOR MEDICARE PART D PLANS

The Medicare Part D sponsors voluntarily participating in the Part D Senior Savings Model will be offering consistent patient copays throughout the beneficiary's annual coverage to non–low-income subsidy beneficiaries. Due to the reduction in patient out-of-pocket expense and the focus on avoiding increasing premiums, the sponsor and CMS will be experiencing increased costs. Previously, the sponsor did not incur costs in the deductible phase because it was entirely the beneficiary's responsibility. With the introduction of the Senior Savings Model in 2021, these volunteer sponsors will be paying a portion of the insulin cost in the deductible phase. The initial coverage may change for certain insulin products by moving from a higher tier to a $35 copay. Other insulins may be offered by the plan at consistent copays that are less than $35. For insulins that continue to be at less than $35, the plan does not incur any additional cost in the initial coverage phase. The plan will also incur costs during the coverage gap to reduce the patient responsibility to $35 or less. The table on the next page explains the difference for participating plans.

Participating manufacturers will provide discounts to reduce some of those increased costs experienced by the sponsor. Plan sponsors may also reduce costs through DIR fees from participating pharmacies. No major changes to DIR fees are expected, and the impact between plan years should remain constant.

The voluntary model's performance period for plans will begin Jan. 1, 2021, and is expected to last for five years. Medication adherence will be evaluated for beneficiaries taking the participating manufacturers' insulin products over the period. CMS will also measure any impacts on Part A, Part B, and Part D utilization and spending. Plan sponsors stand to gain if the program generates reduced medical spend for beneficiaries with diabetes that is greater than their increased insulin costs.

Description of Phase	2020 Sponsor	2021 Sponsor	Plan Change
Deductible	No costs or low cost	Costs after patient copay	Increase in costs (before rebates and DIR [direct and indirect remuneration])
Initial Coverage: High-Tier Insulin	Low costs due to beneficiary portion	Higher costs due to lower beneficiary copay	Increase in costs (before rebates and DIR)
Initial Coverage: Low-Tier Insulin	High costs	High costs	Minimal or no change
Coverage Gap	Low costs	Additional costs	Increase in cost (before rebates and DIR)

Table 1. Patients with diabetes often require multiple chronic medications that increase their out-of-pocket costs. With the introduction of the Senior Savings Model in 2021, volunteer sponsors will be paying a portion of the insulin cost in the deductible phase. This shows the difference between participating plans.

Current Medicare program design disincentivizes Part D plans to offer lower cost sharing in the coverage gap. Any plan benefits in the coverage gap reduce the manufacturer support, and the offered benefits are paid by the plan. These costs are then passed on to beneficiaries in the form of higher premiums, which would disincentivize beneficiaries from selecting the plan. The voluntary savings model avoids this cycle and permits plans to enhance benefits for insulin in all phases without the premium increases.

CMS is incentivizing the voluntary Medicare Part D plan participation through optional risk corridors in the first two years. The current risk corridor first threshold is 5%, which can be reduced to 2.5% if the plan opts in. The actual spending will vary from the target spending on the initial bid. Any variation within 2.5% of the target spending is the plan's responsibility. If the actual spend is greater than 2.5% of the target, the sponsor is only responsible for 50% of the spend above the 2.5% threshold. The overspending risk is shared with CMS at a lower threshold. The same is true if the plan ultimately experiences reduced costs; CMS will benefit with a greater portion of the savings.

The model is not available for plans providing only "basic" Part D coverage, for dual eligible special needs plans (D-SNPs), or for Part D coverage offered through several other types of plans (e.g., PACE plans, employer/union only direct plans, or Medicare-Medicaid demonstration plans).

LOOKING AHEAD

If the model proves to be successful, we may see an expansion of the program to include additional drug classes. Ideally, these would include classes made up of brand-only maintenance medications for chronic conditions. An expanded model would require participation from additional manufacturers willing to offer greater discounts on select products.

While this model may work for Medicare Part D, we do not expect to see it expand into commercial health plans. Patients with commercial insurance have the opportunity to use manufacturer-sponsored copay reduction cards to reduce their out-of-pocket costs on brand medications. Copay reduction card use is not permitted with Medicare Part D coverage. Insulin manufacturers offer a variety of programs to lower patient copays, potentially providing over $100 in savings per month. As medication costs rise, health plans and manufacturers continue to provide new opportunities for all patients to access insulin at more affordable prices. **CT**

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