



Medicare Part D:

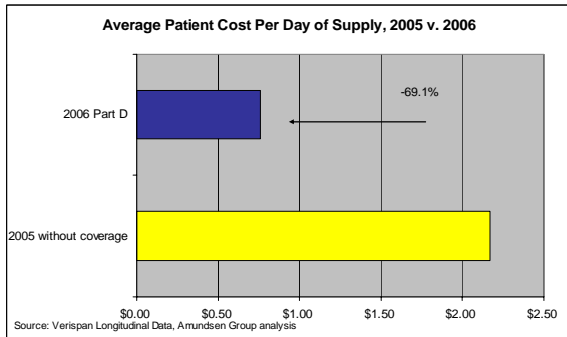
Improving Healthcare and Lowering Costs for Beneficiaries

Health insurance is important to good access to the full range of medical care, including prescription medicines. Prior to establishment of the Medicare prescription drug program in 2006, researchers found that Medicare beneficiaries with chronic illnesses and higher out-of-pocket spending were less likely to use needed prescriptions and more likely to use lower doses than prescribed.ⁱ Improved coverage of medicines offers an opportunity for better adherence to physician-prescribed medication therapy, which is associated with improved health outcomes and decreased use of emergency, hospital, and nursing home services.ⁱⁱ

PhRMA commissioned a study by The Amundsen Group to examine the impact of Medicare Part D on patients previously without prescription drug coverage.ⁱⁱⁱ The Amundsen Group analyzed anonymous, de-identified, patient-level pharmacy transaction records for calendar years 2005 and 2006 to evaluate changes in out-of-pocket costs, utilization and access to medicine.

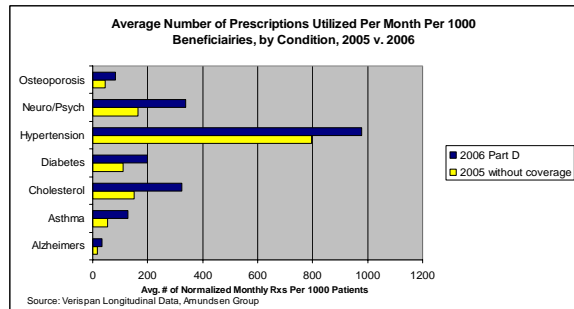
Medicare Part D has significantly reduced the cost for each daily dose of medicine for previously uninsured beneficiaries.

Average patient out-of-pocket costs for each day's supply of medication fell by 69 percent, from \$2.17 to \$0.67, for beneficiaries who were without drug coverage in 2005 and enrolled in Medicare Part D in 2006. This measure reflects the average amount spent per patient for each day of supply, regardless of the number of prescriptions taken, and it includes beneficiary expenditures on copays, coinsurance, and any amounts applied to the deductible.



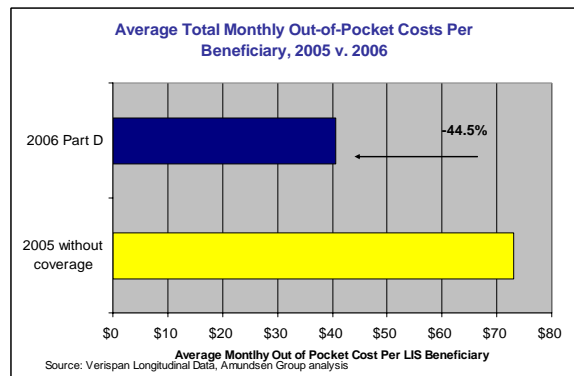
In addition to lower costs per dose of medicine, beneficiaries now have improved access to medicines.

Beneficiaries previously without drug coverage now have greater access to prescribed medicines. Amundsen's analysis found that for patients who had no drug coverage in 2005, the average number of prescriptions filled each month per patient increased under Medicare Part D, from 1.7 prescriptions in 2005 to 3.3 (including both brand and generic drugs) in 2006 overall. Improved access was observed across a range of conditions.



Even with improved access, beneficiaries reduced their total monthly out-of-pocket costs.

Average monthly out-of-pocket costs, taking into account all prescriptions, declined by about 45 percent for beneficiaries who were without drug coverage in 2005 and enrolled in Medicare Part D in 2006.



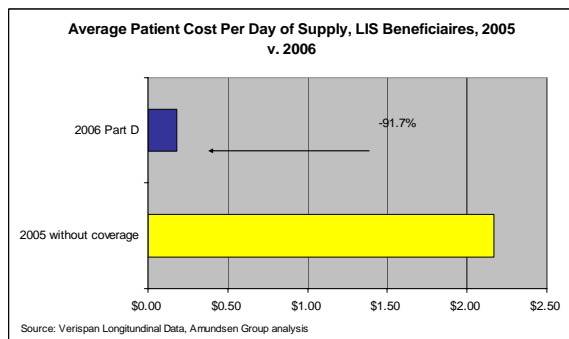
As average out-of-pocket costs declined, the percentage of previously uninsured patients spending less than \$100 per month out of pocket increased from 77 percent in 2005 to 91 percent in 2006, even though patients used more medicines in 2006. Likewise, the percentage of patients spending under \$10 per month increased from 21 percent among

those without drug coverage in 2005 to 33 percent for this group in Part D in 2006.

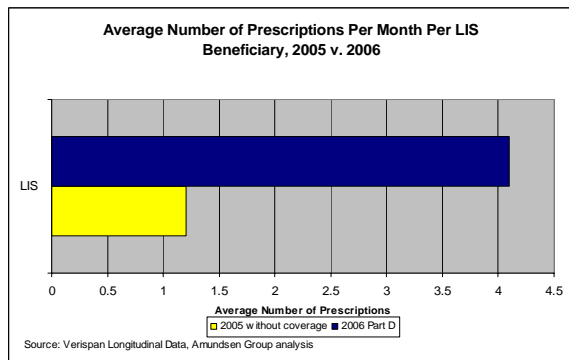
Savings and improvements in access were even higher for those receiving a low-income subsidy.

Medicare Part D has significantly reduced out-of-pocket costs for low-income beneficiaries receiving a subsidy under Part D (LIS beneficiaries), who previously did not have drug coverage in 2005.^{iv} The low-income subsidy provides an enhanced benefit to qualified beneficiaries under 150 percent of the poverty level.

LIS beneficiaries reduced their monthly out-of-pocket costs by about 75 percent—from \$41 to \$10. Furthermore, the percentage of LIS beneficiaries spending under \$10 per month more than doubled, from 31 percent in 2005 to 65 percent in 2006 under Part D. LIS beneficiaries reduced their out-of-pocket cost per day of supply by 92 percent, from \$2.16 to \$0.18 under Medicare Part D.

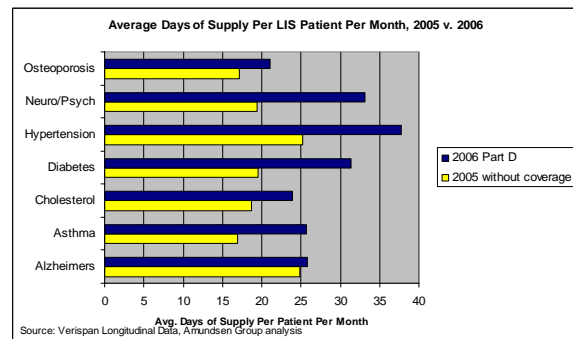


LIS beneficiaries also now have more access to medicines under Medicare Part D. The average number of prescriptions filled each month per LIS patient increased under Medicare Part D, from 1.2 prescriptions in 2005 to 4.1 in 2006, including both brand and generic drugs.



To measure the impact of Medicare Part D on access to drugs for specific chronic conditions, the study examined several conditions that are highly prevalent in the Medicare population. These include osteoporosis, neurological and psychological disorders, hypertension, diabetes, high cholesterol, asthma, and Alzheimer's disease; many of these conditions are frequently undertreated.^v

Medicare Part D has resulted in significant improvement in access to medicines for these conditions and appears to have improved medication adherence for these previously uninsured patients. To measure changes in adherence to therapy, The Amundsen Group calculated average days of supply of medicine per month for all patients using medicines to treat specific conditions. Beneficiaries without drug coverage in 2005 increased their monthly days of supply in Part D in each of the therapeutic areas examined. This impact was particularly evident for LIS beneficiaries.



Patients with disabilities under age 65 achieved significant gains in access and reduced out-of-pocket costs from Part D.

On all measures, patients with disabilities, previously without drug coverage, also experienced large gains in savings and access to medicines under Medicare Part D.

	Percent Change from 2005 to 2006
Key Metric	Patients Under 65
Improvement in access	▲ 159%
Decrease in total out-of-pocket costs	▼ 47%
Decrease in cost per dose	▼ 79%
Increase in % of patients with spending less than \$10 per month	▲ 72%

Source: Verispan Longitudinal Data, Amundsen Group analysis

Summary

Medicare Part D has greatly increased the number of beneficiaries with comprehensive drug coverage, reduced out-of-pocket costs, enhanced access to medicines, and reduced the likelihood of cost-related non-adherence to medication therapy. Given the association between improved medication adherence and better health outcomes, these findings indicate that Medicare Part D is working to improve the health of those enrolled in the Medicare program.

For more information about this study, please contact:

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ⁱ Mojtabai R et al. Medication costs, adherence, and health outcomes among Medicare beneficiaries. *Health Aff (Millwood)*. 2003; 22:220-229.

ⁱⁱ See for example, Soumerai SB et al. Effects of Medicaid drug-payment limits on admission to hospitals and nursing homes. *N Engl J Med*. 1991; 325:1072-1077; Soumerai SB et al. Effects of limiting Medicaid drug-reimbursement benefits on the use of psychotropic agents and acute mental health services by patients with schizophrenia. *N Engl J Med*. 1994; 331:650-655; and Soumerai SB et al. Cost-related medication nonadherence among elderly and disabled Medicare beneficiaries. *Arch Intern Med*. 2006; 166:1829-1835.

ⁱⁱⁱ Amundsen published an earlier PhRMA-supported study in fall 2006; See http://www.phrma.org/files/Amundsen_Study.pdf

^{iv} This does not include Medicare-Medicaid dual eligible population which had drug coverage in 2005 under Medicaid.

^v Soumerai SB, *Archives of Internal Medicine*, 2006.