Medicare Part D Plans: A Cost Rollercoaster for Seniors

Tracking sample finds cost increases, frequent cost fluctuations in Medicare prescription drug plans

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Executive Summary

Beneficiaries in the Medicare Part D program have been urged to comparison shop among private prescription drug plans so they can make an informed choice before selecting a plan. Comparison shopping is exceptionally critical because beneficiaries, many of whom are on a fixed budget, are locked into their selected drug plan for a 12-month period.

To help facilitate such comparison shopping, the Centers for Medicare and Medicaid Services (CMS) created the Medicare Prescription Drug Plan Finder on the www.Medicare.gov Web site that allows consumers to determine what costs they will be charged for their prescriptions among the various plans. Using that same Web site, Consumers Union has tracked prescription drug costs on a monthly basis from December 2005 to February 2007. We examined a package of five popular drugs offered by plans in five zip codes in New York, Florida, Illinois, Texas and California.

Assuming the Medicare.gov Web site is accurate, our tracking survey found that it is often difficult, if not impossible, for beneficiaries to have confidence that their selected private insurance plan will not increase drug costs during the year they are locked into a plan, or hike costs from one year to the next.

Among our findings from the CMS Web site:

- More than a quarter of the plans (28 percent) increased their costs by 5 percent or more for the surveyed drugs throughout the 2006 year. Of those, six increased their costs by 10 percent or more.

- During the one-month period from January to February 2007 – just after beneficiaries locked into a plan for the calendar year – 22 percent of plans increased their costs by 5 percent or more. Nearly all of the plans, (95 percent) increased their costs by some degree during this month.

- Some cost increases were dramatic. One Florida plan, AHC Prescription Drug Plan, increased its costs for the selected drugs by nearly a third (32 percent), or $795, during the 2006 calendar year (from $2,471 to $3,266). During 2007, SAMAscript in Texas increased its costs for the drugs by $274 in just one month, jumping from $2,887 to $3,161 from January to February.

- Cost fluctuations are common. More than three-fourths (78 percent) of the plans changed their costs for the selected drugs three or more times during 2006. Thirty percent of the plans changed their costs at least six out of the 12 months. For the one-month period of January to February 2007, only three of the surveyed plans listed the same cost.

- A plan's cost performance during the year may not indicate what the plan will cost in the following year. Not one plan re-offered in 2007 (for which the plan

name and number did not change) maintained the same cost that it displayed at the end of 2006, when the beneficiaries' opportunity to change plans closed.

- The information on the www.Medicare.gov Web site that is available to beneficiaries to select plans can be very unreliable. Some plan costs change so radically and so frequently that it is impossible to determine if the information is accurate.

- The site's quality performance tool does little to show important quality differences among plans: initial standards are too low and the rating criteria are unclear. Additionally, the site does not present information about the magnitude of cost fluctuations, nor does it list quality information by plan (quality performance is listed by company, and companies administer several plans).

Recommendations

Consumers Union recommends that Congress amend the law to allow beneficiaries the option of joining a new, Medicare-administered drug plan that provides a stable, comprehensive drug formulary with consistent costs. The law should require Medicare to negotiate directly with drug manufacturers to get better drug prices, just like the Department of Veterans Affairs does.

In the meantime, Consumers Union recommends immediate action, including:

- Through mailings and the media, CMS should warn consumers that some plans increase drug costs significantly during the year. As part of an effort to secure price stability, CMS should make public the names of plans that frequently change the price of commonly used drugs or increase prices significantly. To set an example, CMS should refuse to renew the contract of plans that advertise one set of costs in the Open Enrollment period and then raise costs significantly during the year.

- Beneficiaries who select a plan based on the www.medicare.gov website listings, and have proof of that listing (e.g., by printing a copy), should be able to change plans anytime during the following year when the plan increases costs of the drugs the beneficiary selected by more than 5 percent.

- Plans change the cost of drugs significantly from one year to another. Since we believe many beneficiaries do not review the cost details of their plan during the Open Enrollment season, plans which significantly increase (by more than 5 percent) the cost of drugs from one year to the next should be required to notify enrollees who are taking those specific drugs that are significantly higher in cost.

- CMS needs to improve its quality rating of the plans. The current 'star' rating system makes plans appear too similar and hides important quality differences. Plans should be graded so consumers can select the highest quality plans (and

avoid poorly performing plans). The quality information should be made available in October 2007, before the start of the next open enrollment season.

Medicare Part D – Background

In approving the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Congress allowed private insurance companies to offer prescription drug coverage through the Medicare program. The law prohibits CMS – which administers the rest of Medicare's health benefits – from offering its own Part D prescription drug coverage. The law also prohibits CMS from negotiating with drug companies to offer lower drug costs through the plans, like the Department of Veterans Affairs does.

More than 1,400 plans were offered in 2006, and over 1,800 plans are offered in 2007. In most states, beneficiaries have a choice of at least 50 stand-alone plans.[1] Because of the wide variety of plans, coverage and costs, CMS created a Web site to enable beneficiaries to comparison shop for plans. Beneficiaries are urged to list the prescription medicines they take or are anticipated to take, and compare plans on the drugs they cover and their expected total drug costs. Information on plan costs, coverage and drug costs is supplied to the CMS Web site by the plans themselves.

Shopping for a prescription drug plan is critical, because once a beneficiary enrolls in a plan, he or she cannot switch plans for a 12-month period. Clear and consistent pricing of drugs offered under a plan is what beneficiaries should expect – yet the law does not require such. In fact, a plan may change the costs they charge for prescriptions during the year period without notice. They also may drop coverage of drugs with 60-day notice. Meanwhile, in most cases beneficiaries are allowed to change plans only once a year, during a six-week open enrollment period from November 15 to December 31.

Methodology

Data are obtained from www.Medicare.gov. We monitored costs from December 2005 to February 2007. The costs used in our survey reflect the "estimated annual cost" for a beneficiary who enrolled in that plan. The costs are for a package of five randomly selected drugs offered by Medicare Prescription Drug Plans in a zip code in each of five large states.

The five zip codes are 00501 (Long Island, NY), 32425 (Bonifay, FL), 60406 (Chicago, IL), 75135 (Caddo Mills, TX), and 94246 (rural Northern CA). In 2006, 275 plans were available in the five zip codes we surveyed. Some of these plans are not currently offered in 2007, and other plans have been newly added. As of January 2007, 289 plans are offered in the same five zip codes.

[1] Kaiser Family Foundation. "The Medicare Prescription Drug Benefit – An Updated Fact Sheet," November 2006.

The five drugs are monthly dosages (30 days) of Altace 10 mg; Celebrex 200 mg; Lipitor 10 mg; Nifedipine ER (a generic drug to treat angina and high blood pressure) 20 mg; and Zoloft 100 mg.

The CMS Web site calculates an individual's expected total annual drug cost based on their drug use. The total costs are based on a number of factors, including the drug price negotiated by the plan, the formulary structure, the deductible and the coverage during the "doughnut hole." A change in any of these factors can affect an individual's total costs.

Cost Increases in Part D Plans

Our monthly review of the package of five drugs in five major states found that costs were not stable during the 2006 period beneficiaries were locked into a plan, nor have they been during the first months of 2007. Of the 225 plans surveyed, 28 percent increased their costs for the selected drugs by 5 percent or more during 2006. Of those, six increased their costs by more than 10 percent.

Cost increases also continued in 2007. The data from the Web site showed that 95 percent of plans increased their estimated annual cost during the one-month period from January to February 2007. Sixty of these plans (22 percent) increased costs by 5 percent or more.

Additionally, some cost increases were so dramatic that the behavior is extremely questionable. According to the Medicare.gov Web site, one Florida plan, AHC Prescription Drug Plan, increased its drug costs by nearly a third (32 percent), or $795, during 2006. One of the largest increases found on the Web site during the first months of 2007 was found in Texas, where SAMAscript increased its cost by $274, from $2,887 in January to $3,161 in February.

This behavior raises serious questions for an individual who carefully shops in the open enrollment season, and then faces major changes in the value of the plan later in the year. Beneficiaries who shopped for a lower-cost plan – and believed they found one that met their needs – would have reason to be angered and alarmed by these increases in cost.

When drug costs go up under a plan, the beneficiary is also pushed that much closer to falling into the "doughnut hole" coverage gap. Each dollar spent on drug costs counts toward the coverage limit – in 2006, the "doughnut hole" in a standard plan began after a beneficiary and Medicare spent $2,250 for the year, and ended after the beneficiary spent another $2,850 out of their own pocket. Increasing drug costs in a plan bring a senior that much closer to the brink of the dreaded "doughnut hole."

Plans with Net Cost Increases of More than 5 Percent and 10 Percent (2006):

California (Zip Code 94246)

Increased by 5-10%	**Increased by more than 10%**
Humana PDP Standard	
Humana PDP Enhanced	
Sierra Rx	
Advantage Freedom Plan	
Community Care Rx BASIC	
United Health Rx	
United Medicare MedAdvance	
AARP Medicare Rx Plan	
Community Care Rx CHOICE	
CIGNATURE Rx Value Plan	
CIGNATURE Rx Complete Plan	
CIGNATURE Rx Plus Plan	
WellCare Complete	
WellCare Premier	
WellCare Signature	

Florida (Zip Code 32425)

Increased by 5-10%	**Increased by more than 10%**
Humana PDP Enhanced	Humana PDP Standard
AmeriHealth Advantage Rx Option 1	AHC Prescription Drug Plan
United Medicare MedAdvance	
Community Care Rx BASIC	
AARP Medicare Rx Plan	
Community Care Rx CHOICE	
CIGNATURE Rx Value Plan	
WellCare Signature	
WellCare Complete	
WellCare Premier	

Illinois (Zip Code 60406)

Increased by 5-10%	**Increased by more than 10%**
Blue Medicare Rx Standard	Humana PDP Standard
Blue Medicare Rx Plus	
Humana PDP Enhanced	
Health Spring Prescription Drug Plan	
Community Care Rx BASIC	
United Health Rx	
United Medicare MedAdvance	
AARP Medicare Rx Plan	
Community Care Rx CHOICE	
CIGNATURE Rx Value Plan	
CIGNATURE Rx Plus Plan	

Texas (Zip Code 75135)

Increased by 5-10%	Increased by more than 10%
Humana PDP Standard	
Sierra Rx	
Advantage Freedom Plan	
Community Care Rx BASIC	
Community Care Rx CHOICE	
CIGNATURE Rx Value Plan	

New York (Zip Code 00501)

Increased by 5-10%	Increased by more than 10%
Humana PDP Enhanced	Humana PDP Standard
United Health Rx	CIGNATURE Rx Value Plan
Advantage Freedom Plan	GHI Medicare Prescription Drug Plan
Community Care Rx BASIC	
United Medicare MedAdvance	
AARP Medicare Rx Plan	
Community Care Rx CHOICE	
Rx 3	
Rx 2	
Rx 1	
Smart Health Rx	
CIGNATURE Rx Plus Plan	
WellCare Complete	
WellCare Signature	
CIGNATURE Rx Complete Plan	

Six worst cost increases (2006)

Plan Name	State	% Increase
AHC Prescription Drug Plan	Florida	32%
GHI Medicare Prescription Drug Plan	New York	13%
Humana PDP Standard	Florida	12%
Humana PDP Standard	New York	12%
Humana PDP Standard	Illinois	11%
CIGNATURE Rx Value Plan	New York	10%

Plans that changed by 5 percent or more between January and February 2007:

California (Zip Code 94246)
Humana PDP Standard
Advantage Star Plan by RxAmerica
Envision Rx Plus Standard
Bravo Rx II
HealthSpring Prescription Drug Plan – Reg 32
Health Net Orange Option 1
Humana PDP Enhanced
Bravo Rx I
SAMAscript
Advantage Freedom Plan by RxAmerica
First Health Select
Aetna Medicare Rx Essentials
Aetna Medicare Rx Premier
UnitedHealth Rx Extended
AARP MedicareRx Plan

Florida (Zip Code 32425)
Humana PDP Standard
EnvisionRxPlus Standard
Advantage Star Plan by RxAmerica
Bravo Rx II
HealthSpring Prescription Drug Plan – Reg 11
Health Net Orange Option 1
Bravo Rx I
BlueMedicare Rx – Option 1
SAMAscript
BlueMedicare Rx – Option 2
Advantage Freedom Plan by RxAmerica

Illinois (Zip Code 60406)
Blue Medicare Rx – Standard
Bravo Rx II
EnvisionRxPlus Standard
Advantage Star Plan by RxAmerica
HealthSpring Prescription Drug Plan – Reg 17
Bravo Rx I
SAMAscript
Advantage Freedom Plan by RxAmerica
Aetna Medicare Rx Essentials
Aetna Medicare Rx Premier

New York (Zip Code 00501)
Rx 1
EnvisionRxPlus Standard
Bravo Rx II
Advantage Star Plan by RxAmerica
Rx 2
HealthSpring Prescription Drug Plan – Reg 3
CDPHP Medicare Basic RxCare
HIP Standard Part D New York
SAMAscript
Bravo Rx I
Advantage Freedom Plan by RxAmerica

Texas (Zip Code 75135)
Blue Medicare Rx – Standard
Humana PDP Standard
EnvisionRxPlus Standard
Advantage Star Plan by RxAmerica
Bravo Rx II
HealthSpring Prescription Drug Plan – Reg 22
Bravo Rx I
SAMAscript
Advantage Freedom Plan by RxAmerica
Aetna Medicare Rx Essentials
Aetna Medicare Rx Premier
UnitedHealth Rx Extended
AARP MedicareRx Plan

Drug Cost Fluctuations in Part D Plans

During 2006, we documented considerable volatility in the annual cost of the five drugs in many of the drug plans. That volatility has continued into 2007. This is a significant concern, considering many of those enrolled in the Medicare drug program are on fixed incomes and count on cost stability for their insured prescriptions.

According to the Medicare.gov Web site, more than three-fourths (78 percent) of the plans changed their costs for the selected drugs three or more times during 2006. Thirty percent of the plans changed their costs at least six out of the 12 months.

Six plans were extremely unstable, changing their costs nine times during our survey period – MasterPiece RX and MasterPiece RX Choice in Florida; GHI Medicare Prescription Drug Plan and Smart Health RX in New York; and two Blue Shield of California RX plans in California.

Number of times a Plan changed its cost on the package of five drugs (2006)

State	# of Plans in State	3 changes	4 changes	5 changes	6 changes	7 changes	8 changes	9 changes
New York	46	12	5	3	10	5	0	2
Florida	43	12	6	3	9	1	0	2
Illinois	42	12	8	3	4	7	0	0
Texas	47	10	10	3	5	6	1	0
California	47	11	8	2	10	4	0	2
Total	225	57	37	14	38	23	1	6

Six most unstable plans (2006)

Plan Name	State	Number of changes (in a 12-month period)
MasterPiece Rx	Florida	9
MasterPiece Rx CHOICE	Florida	9
GHI Medicare Prescription Drug Plan	New York	9
Smart Health Rx	New York	9
Blue Shield of California Medicare Rx Plan (S2468-001)	California	9
Blue Shield of California Medicare Rx Plan (S2468-002)	California	9

Our findings also show that it is sometimes very difficult to predict which plans will change dramatically. For example, Humana offers three plans in each of the five states we monitored: Humana PDP Standard, Humana PDP Complete and Humana PDP Enhanced. When we first began monitoring plans at the end of December 2005 for New York, Humana PDP Complete cost $31 more than Humana PDP Standard – a difference a consumer might find intuitive, given the meaning of "complete" versus the meaning of "standard." Humana PDP Complete maintained the same cost throughout the year in all five states, including New York, (a feat no other plan accomplished), while Humana PDP Standard fluctuated.

At the end of 2006, we see that the Standard plan actually increased by $245 (now costing $214 more than the Complete plan) for the package of five drugs. A beneficiary who enrolled in the Standard plan – thinking a basic plan would be cheaper – would find herself spending far more than a beneficiary who decided to enroll in a plan that at first glance appeared to be $31 more expensive. The difference between these plans at the end of the year never would have been expected, especially given the fact that both plans are offered by the same company.

Costs also fluctuated greatly during the first month of 2007. Only three plans out of the 289 we surveyed listed the same cost at the beginning of February as they did in January. This finding further heightens our concern that such drastic cost fluctuations on the Medicare.gov Web site detract from the value of this tool. Beneficiaries cannot be expected to trust information that could potentially change every month.

Plans Change Costs from 2006 to 2007

Our findings also show that beneficiaries cannot rely on a one-time selection of a plan; a plan's cost performance throughout the previous year gives no indication as to how a plan will perform in the following year. Not one plan re-offered in 2007 (for which the plan name and number did not change) maintained the same cost that it displayed at the end of 2006, when the window to change plans closed. This underscores the importance of beneficiaries checking on their plan's costs at the end of each year before agreeing to re-commit to that plan for the next year.

For example, our sample showed that Humana PDP Complete plan mentioned previously was the only plan in our survey that did not change costs for the 2006 year. Yet as of January 5 and January 24, 2007, Humana PDP Complete in Long Island, NY, cost $1,276 more than it did throughout 2006. The plan was ranked 1st (for lowest in cost) at the end of November 2006 and is now ranked 44th. We are told by CMS staff that this plan made great efforts to notify enrollees of major changes in benefits before the start of the new year.

While a potential explanation could be that the five common drugs used to calculate the estimated annual cost in our survey include Zoloft, which now has a cheaper generic counterpart, we see that replacing Zoloft with the preferred generic still results in an

annual estimated cost that is $614 more expensive than the cost listed on Medicare.gov throughout last year. Even when the preferred brand and generic drugs are used to calculate the estimated cost, Humana PDP Complete is significantly more costly than last year.

We observed other drastic changes on the Medicare.gov Web site at the beginning of January. On Jan. 5, 2007, SilverScript Plus in California (Zip Code 94246) cost $5,418, ($2,559 dollars more than it was at the end of November 2006), becoming the most expensive plan with no gap coverage. Five days later, on January 10, the cost changed yet again: SilverScript Plus cost $3,313. In just five days, the cost reported on the Medicare.gov website changed by $2,105.

CMS Website Unreliable for Plan Costs, Quality

Our monthly tracking of cost data offered on the Medicare.gov Web site finds that the information available to beneficiaries is unreliable. Some drug costs change so radically and so frequently that it is impossible to determine if the information is accurate.

Additionally, the site's quality performance tool does not do enough to inform beneficiaries as to how plans are behaving. While welcome, the initial quality standards for companies have been set too low. Too many companies qualify for the best 3-star rating, and it is generally unclear as to how companies are rated and the criteria involved. Furthermore, the quality performance tool does not present information about the magnitude of cost fluctuations, nor does it list quality information by plan, but rather by company.

Because beneficiaries cannot predict which plans will increase costs significantly, it is important to give them as much information as possible as to which plans show a history of cost stability. The current rating system for quality fails to address these issues thoroughly. For example, America's Health Choice, which offers the AHC Prescription Drug Plan in Florida, received a 3-star rating for Drug Pricing Performance because it increased the costs of only 6.4 percent of its drugs. Nevertheless, as we mentioned earlier, AHC Prescription Drug Plan increased the cost of our package of five commonly prescribed drugs by 32 percent.

In order to make well-informed decisions, consumers must know not only the frequency of cost changes, but also the magnitude of cost changes. AHC Prescription Drug Plan provides a good example of a plan that deserved to receive a high rating for cost stability based on how many costs it changed, but not based on how much they changed.

Recommendations

Consumers Union recommends that Congress amend the law to allow beneficiaries the option of joining a new, Medicare-administered drug plan that provides a stable, comprehensive drug formulary with consistent costs. The law should require Medicare to negotiate directly with drug manufacturers to get better drug prices, just like the Department of Veterans Affairs does.

In the meantime, Consumers Union recommends immediate action, including:

- Through mailings and the media, CMS should warn consumers that some plans increase drug costs significantly during the year. As part of an effort to secure price stability, CMS should make public the names of plans that frequently change the cost of commonly used drugs or increase costs significantly. To set an example, CMS should refuse to renew the contract of plans that advertise one set of costs in the Open Enrollment period and then raise costs significantly during the year.

- Beneficiaries who select a plan based on the www.medicare.gov website listings, and have proof of that listing (e.g., by printing a copy), should be able to change plans anytime during the following year when the plan increases costs of the drugs the beneficiary selected by more than 5 percent.

- Plans change the cost of drugs significantly from one year to another. Since we believe many beneficiaries do not review the cost details of their plan during the Open Enrollment season, plans which significantly increase (by more than 5 percent) the cost of drugs from one year to the next should be required to notify enrollees who are taking those specific drugs that are significantly higher in cost.

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