



The Trump Card: Potential Impacts of the Medicare Drug Discount Card

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What's New

The White House recently announced a plan to send \$200 discount cards to 39 million Medicare members.¹ Politico has obtained a draft copy of the proposal,² which CMS expects to begin rolling out as soon as next week. There is considerable doubt as to the legal authority³ to implement the plan. Separately, a New York Times report⁴ details failed efforts between the White House and pharmaceutical manufacturers to negotiate a deal that would have produced similar results, indicating that even if this plan fails, a similar solution may emerge in the future.

The \$200 discount cards can be used instead of any qualified, out-of-pocket cost-sharing for Part D covered drugs. CMS will later evaluate the downstream impacts of this demonstration. Below, we review the potential implications for health plans assuming these discount cards are approved.

Membership

If members are given advance notice of the discount cards, relatively healthy members may be more likely to trade reduced benefits for lower premiums, knowing they will have \$200 to offset their cost-sharing amounts. This could benefit low premium plans.

Adherence

Multiple studies over the past several years point to the positive correlation between adherence and reduced cost-sharing. With reduced cost-sharing coming in the form of the \$200 drug discount card, member adherence to their pharmacy treatment plans will likely increase. Increased adherence is strongly associated with reduced medical claims, as significant adverse events, such as heart attack and stroke, are delayed or prevented.

Drug Steerage and Transparency

Manufacturers increasingly use drug discount cards/coupons to encourage the use of higher-cost brand drugs, instead of the cheaper generic alternatives, by offering steep discounts or rebates to the member. To combat this, it will be more important for health plans to be transparent about their drug prices to prevent manufacturers from taking advantage of the extra cash-in-hand in combination with drug-specific discount cards to entice members to use higher-cost drugs. Having price information may give members the incentive they need to switch to lower-cost drugs. Further, plans with easily accessible drug price information may be preferable to cost-conscious members as they look to maximize their discount card value.

¹ Approximately 34 million Non Low Income beneficiaries and 5 million Low Income beneficiaries in CMS' LI categories 1 and 4

² <https://www.politico.com/f/?id=00000175-0929-d951-a77f-79fd13280000>, Accessed on October 8, 2020.

³ The card is being issued as a Medicare 402 demonstration program, which tests innovations that could save money or improve the quality of care.

⁴ <https://www.nytimes.com/2020/09/18/us/politics/trump-drug-prices.html>, Accessed on October 2, 2020.

Benefits

The results of this discount card demonstration could support other policy changes aimed at reducing member cost-sharing. For example, CMS could approve additional demonstration programs similar to the new Part D Senior Savings Model for Insulin, which allows plans to offer a consistent copay to the member across the entire Part D benefit (excluding the catastrophic phase). CMS could target other commonly used chronic drugs, where increased adherence is strongly associated with reduced medical costs.

COVID-19

The emergence of the COVID-19 pandemic has led medical researchers to look for readily available, low cost, and safe drugs that can be “repurposed” to combat the virus, such as statins. Emerging research suggests that statin adherence may be linked with as much as a 30% reduction in fatal or severe cases of COVID-19.⁵ Making repurposed drugs more readily available to seniors could help protect the more vulnerable Medicare population.

Pricing

Assuming that this is a one time change, there should be no impact to premiums charged since

2020 plans are already in effect, and 2021 plans have already been priced. Increased utilization due to the discount cards could result in underpriced premiums. However, this effect will likely get washed out as members move through the benefit phases faster, as the discount cards will still count towards the True Out of Pocket (TrOOP) accumulator.

Stars

Increased adherence should help members eligible to receive the discount card reach the 80% Proportion of Days Covered (PDC) threshold for the three drug-specific Stars measures. This is a positive development for health plans with a large proportion of discount-card eligible members, as it will *increase* the raw scores for these Star measures by pushing members who are slightly below 80% PDC over the threshold.⁶ However, it may disadvantage plans whose members are primarily non-eligible by increasing Stars cutpoints. This is especially important considering that current CMS guidance⁷ will consider the better of 2019 and 2020 Stars measure performance 2023 payments. These measures should be closely monitored to close out the year. Health plans should identify and target members who are close to the threshold to help facilitate increased Stars adherence measures.

Please contact Drew McStanley at drew.mcstanley@wakely.com, David Walters at david.walters@wakely.com, or Casey Gardner at casey.gardner@wakely.com with any questions or to follow up on any of the concepts presented here.

⁵ [https://www.ajconline.org/article/S0002-9149\(20\)30823-7/fulltext](https://www.ajconline.org/article/S0002-9149(20)30823-7/fulltext) (Accessed October 8, 2020)

⁶ There will be a small offset to the increase to the raw scores, since members with only one fill on the year, who would otherwise remain ineligible for the measure, might be encouraged to get a second fill. These members will become eligible to be counted as a member and might not reach the 80% PDC threshold.

⁷ CMS, <https://www.cms.gov/files/document/covid-ifc-3-8-25-20.pdf>, Page 94-105 (Accessed October 16, 2020)