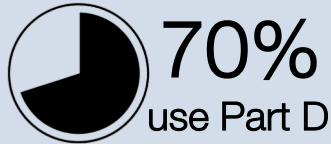


Growing Reinsurance Payments in Medicare Part D

Data from CMS: 2007–2015 Part D Plan Payment files, 2010–2013 Prescription Drug Event files, 2013 Part D Formulary File

Medicare beneficiaries

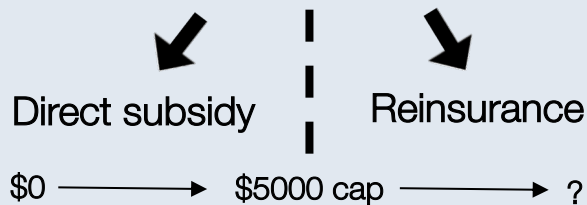


Part D is administered by private plans in competition

Medicare heavily subsidizes Part D plans

Average out-of-pocket premiums have been stable at ~\$30/mo.

Government spending on Part D



From 2006-2013, Medicare support of Part D mostly came from direct subsidy for spending below the catastrophic cap

Reinsurance for spending above the cap now accounts for **2x** government spending compared to direct subsidy



Reinsurance payments have increased **20%** per year since 2007

Rapid reinsurance growth reflects insurers' financial incentive to push coverage expenses above the \$5000 catastrophic cap

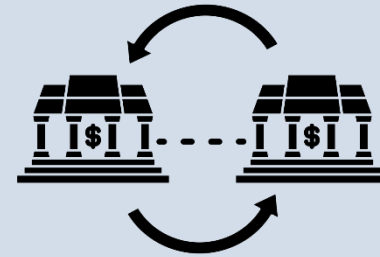
CONCLUSIONS: Growing reinsurance payments shrink plans' liability for managing drug spending for high-cost enrollees
Premiums are an increasingly weak indicator of plans' total costs

The Case for Restructuring the Medicare Prescription Benefit

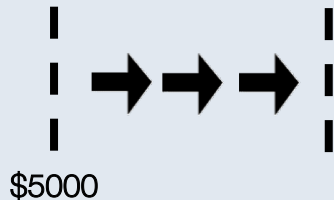
Premiums are an increasingly weak signal of plan total costs



Current market mechanisms are insufficient to address program costs



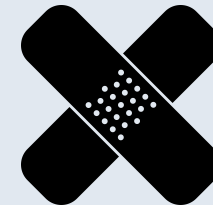
Reforms to Part D could address these issues



Increase the catastrophic cap



Reduce the government's liability above the cap



Change coverage in the donut hole

The Case for Restructuring the Medicare Prescription Benefit

Connection between **low premium growth** and **high reinsurance cost growth**

8% Enrollees trigger reinsurance which accounts for **1/3 of \$100B** spending in Rx



Reforms to Part D Could Address These Issues

