Extra Help Needs a Hand: Partial Subsidies in the Medicare Part D Program

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Since 2006, Medicare Part D has been the primary source of prescription drug coverage for older adults. In addition to the standard benefit, the original program included a low-income subsidy ("Extra Help") that provides cost-sharing and premium subsidies for nearly a third of beneficiaries with lower incomes and assets.[1] The program automatically enrolls individuals who qualify for Medicaid, the Medicare Savings Program, or Supplemental Security Income benefits into the Part D full subsidy.

The Part D program also offers a partial subsidy for approximately 500,000 beneficiaries with low incomes and assets who do not qualify for Medicaid (Table 1).[1,2] Beneficiaries enrolling in the partial subsidy pay more than those in the full subsidy, but have lower premiums, deductibles, and cost-sharing than unsubsidized enrollees. Unfortunately, take-up of low-income subsidies is low. Only 33% of those eligible but not automatically enrolled were participating in 2017[2] and prior work has shown that eligible individuals with lower cognition and numeracy are most at risk for non-enrollment.[3] Even among those who do enroll, it is unclear whether medications would be affordable. We estimate expected annual out-of-pocket spending for the top 15 brand-name drugs filled under the Medicare Part D in 2019 and compare spending by subsidy level to highlight affordability concerns for those receiving partial subsidies.

METHODS

We used the 2019 Medicare Part D Drug Spending Dashboard to identify drugs of interest and the average per-claim prices, along with the Q4-2020 Medicare formulary files for 1007 stand-alone and 3492 Medicare Advantage prescription drug plans to define Part D cost-sharing for each product. We estimated annual out-of-pocket spending for beneficiaries under full, partial, and no subsidies (Table 1). For products offered predominately under copayments, we modified our calculations to replace the standard benefit's initial phase coinsurance with the median copayment. Limitations include calculating annual out-of-pocket spending for a single product; 2019 average prices per claim may not reflect current day prices.

RESULTS

Across the top 15 highest spending products in Medicare Part D in 2019, annual out-of-pocket spending ranged from $18 to $110 for full; $711 to $1677 for partial; and $1163 to $11,359 for no subsidies (Table 2). Although many medications require only a flat-fee copayment during the initial coverage phase for those with partial or no subsidy (e.g., $45–$47/fill), out-of-pocket spending for those with partial or no subsidy increases as spending reaches the coverage gap (to 15% or 25% coinsurance, respectively). This coinsurance is based on drug list prices, which is substantial and increasing for brand-name drugs. As a result, out-of-pocket spending for partial subsidy beneficiaries could reach $1576 before they transition into catastrophic coverage. Once beneficiaries reach catastrophic coverage, those with full subsidies pay $0, those with partial subsidies pay $9.20/fill, and those with no subsidies pay 5% of the drug's price with no out-of-pocket limit.

DISCUSSION

Beneficiaries with partial subsidies face lower out-of-pocket costs than those without subsidies, but much higher costs than beneficiaries who receive the full subsidy. Despite aiming to serve low-income individuals, the partial subsidy requires substantial cost-sharing for prescriptions filled. Although partial subsidy enrollees have low out-of-pocket exposure under catastrophic coverage, they must spend nearly $1600 out-of-pocket before reaching the catastrophic coverage phase. This represents 9% of income for an individual at 135% of FPL (the lower income level for partial subsidy), without considering additional premiums and other medical spending. Patients who need expensive drugs or to fill many drugs at once may face very high out-of-pocket costs, potentially resulting in prescription abandonment or delays in obtaining necessary care.[4]

To maximize the benefit of the low-income subsidy program, enrollment into "Extra Help" should be automatic for all qualified beneficiaries,[2,5] particularly as only one-third of

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Table 1 Expected Out-of-Pocket Spending on Part D Plan Premiums, Deductibles, and Cost-Sharing by Benefit Phase and Subsidy Level Under the 2021 Standard Benefit

Subsidy level	Eligibility	Average premium	Deductible	Cost-sharing by benefit phase under the standard benefit design		
				Initial phase: until total drug spending reaches $4130	Coverage gap phase: until out-of-pocket spending reaches $6550* (equivalent to $10,048 in total drug spending)	Catastrophic phase: after out-of-pocket spending reaches $6550
None	Income of 150% federal poverty line or above or assets greater than $14,790 (single)	$41	$445	25% coinsurance	25% coinsurance	Greater of (i) 5% of the drug cost or (ii) $3.70 for generic or preferred medications or $9.20 for other covered medications
Partial**	Income between 135 and 149% federal poverty line; assets up to $14,790 (single)	Varies by income	$92	Lower of plan copay or 15% coinsurance	15% coinsurance	$3.70 for generic or preferred medications or $9.20 for other covered medications
	Income less than or equal to 135% federal poverty line; assets up to $14,790 (single)	$0				
Full**	Income less than or equal to 135% federal poverty line; assets up to $9470 (single)	$0	$0	Copay of $3.70 for generic and $9.20 for brand-name drugs (lower for full-benefit duals below 100% of FPL or institutionalized beneficiaries)	Same as in initial phase	$0

Plan details are for standard Part D plan design in 2021, with spending thresholds representing those for brand-name drugs.replace the standard benefit's Plans may modify the benefit design as long as the benefit is actuarially equivalent to the standard benefit. They may also offer enhanced plan benefits

**Out-of-pocket spending includes manufacturer 70% discount paid on brand-name or biosimilar drugs filled in the coverage gap*

***To take full advantage of the low-income subsidy, beneficiaries must enroll in benchmark plans. The resource limits displayed include $1500 per person for burial expenses*

Table 2 Estimated Annual Patient Out-of-Pocket Spending Under the 2021 Part D Benefit for the Top 15 Highest Spending Drugs in Medicare Part D

Brand name	Generic name	Average spending per claim	Percent of plans using copay during the initial coverage phase (Q4 2020)	Median copay when used*	Estimated annual patient out-of-pocket spending		
					No subsidy	Partial subsidy	Full subsidy
Eliquis	Apixaban	$602.82	94.7	$45	$1496	$859	$110
Revlimid	Lenalidomide	$15,180.14	1.1	–	$11,359	$1677	$18
Xarelto	Rivaroxaban	$645.70	94.9	$45	$1606	$916	$110
Januvia	Sitagliptin Phosphate	$743.33	94.7	$45	$1866	$1055	$110
Lantus Solostar	Insulin Glargine	$564.69	93.3	$45	$1400	$811	$110
Imbruvica	Ibrutinib	$11,840.13	1.1	–	$9355	$1677	$18
Trulicity	Dulaglutide	$1062.98	91.9	$47	$2290	$1231	$92
Lyrica	Pregabalin	$588.73	95.7	$47	$1473	$855	$110
Symbicort	Budesonide/ formoterol fumarate	$457.17	96.8	$47	$1163	$711	$110
Novolog Flexpen	Insulin Aspart	$752.09	90.5	$47	$1899	$1079	$110
Ibrance	Palbociclib	$12,159.27	1.1	–	$9547	$1677	$18
Humira Pen	Adalimumab	$6532.94	1.1	–	$6171	$1668	$18
Levemir Flextouch	Insulin Detemir	$644.89	91.6	$47	$1616	$928	$110
Victoza	Liraglutide	$1362.33	93.7	$47	$2442	$1216	$72
Advair Diskus	Fluticasone Propion/Salmeterol	$540.41	95.3	$47	$1354	$796	$110

Top 15 drugs with the highest total spending in Medicare Part D, along with the average spending per claim, were identified through the Medicare Part D 2019 dashboard. For these drugs, we used the Q4 2020 Part D formulary files to estimate annual patient out-of-pocket spending across all standalone Part D plans (1007) and Medicare Advantage Part D plans (3492) available in that quarter

**For products where plans rarely used copayments (Revlimid, Imbruvica, Ibrance, Humira), copayment amounts are not presented. Instead, for these products, we assumed the standard benefit coinsurance for the amount of the fill obtained in the initial coverage phase, in the coverage gap, and in the castastrophic coverage phase*

those eligible but not automatically enrolled were participating in 2017.[2] The partial subsidy should also be modified to avoid reliance on coinsurance. In 2019, Senator Bob Casey introduced legislation to streamline enrollment into and broaden eligibility for receiving the full low-income subsidy to beneficiaries with incomes up to 200% of the federal poverty line, thus eliminating the partial subsidy. Ultimately, the partial subsidy does not go far enough to improve access to medications for low-income beneficiaries. Proposals that aim to revise the Medicare Part D benefit should also seek to lower out-of-pocket spending and improve access for these vulnerable patients.

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