Ensure Medicare-Only PACE Participants Left Out of the Inflation Reduction Act Part D Relief Receive Help: Pass the PACE Part D Choice Act, H.R. 4941/S. 5106

Issue

The Inflation Reduction Act (IRA) contains a $2,000 cap on Part D prescription drug out-of-pocket expenses, e.g., deductibles and coinsurance, for Medicare beneficiaries. However, Medicare-only beneficiaries enrolled in Programs of All-Inclusive Care (PACE) will not enjoy this financial relief. Due to the all-inclusive nature of the PACE benefit, the sole Part D expense borne by enrolled older adults are the premiums, which average over $1,000 per month. Therefore, once enacted, IRA will provide a significant financial disincentive for high need, high-cost Medicare beneficiaries to enroll in PACE. While the higher PACE Part D premium may be offset for some PACE participants by savings from not having to pay cost- sharing amounts, the cost of their PACE Part D plan is prohibitive for many prospective Medicare-only participants. Consequently, the lack of affordable Part D plan options for Medicare-only PACE participants limits their access to the PACE program that would, in many cases, improve their quality of care and quality of life as they seek a community-based alternative to a nursing home.

Recommended Action

Pass the PACE Part D Choice Act which would provide Medicare-only beneficiaries enrolled in PACE the ability to receive their Part D drugs through a stand-alone marketplace Part D plan that likely will be more affordable on the whole, inclusive of premiums, deductibles and coinsurance, than the Part D prescription drug plan offered by their PACE organization to their enrollees.

Background

Enactment of the Medicare Prescription Drug, Improvement, and Modernization Act (P.L. 108-173) significantly changed how PACE organizations are paid to provide prescription drug coverage to their participants. Prior to the implementation of Medicare Part D, prescription drugs were not covered by Medicare. Their costs were paid by Medicaid or as part of the PACE private pay premium. Upon implementation of Part D, payment for covered prescription drugs required that PACE organizations establish themselves as Part D plans. Today, all PACE organizations operate Part D plans.

Current PACE regulations prohibit PACE Part D plans from charging participants deductibles and coinsurance. In addition, participants are not subject to the coverage gap. Under existing Part D regulations, a PACE Medicare-only participant who is in the benefit coverage gap receives neither manufacturer discounts for brand-name drugs nor federal reinsurance for drug costs exceeding the catastrophic benefit limit. Other factors contribute to the high cost of PACE Part D plans: the drug acquisition price for PACE Part D plans is higher; in 2022, the average marketplace Part D beneficiary risk score was 1.00, whereas it was 1.76 for PACE participants; there is a common lack of a formulary in PACE Part D plans; and the pool for each PACE Part D plan is small, resulting in administrative costs that may be considerably higher than for marketplace Part D plans.

Therefore, the Part D coverage offered by PACE organizations provides a generous 100 percent benefit level but comes with a significant Part D premium for Medicare-only participants. The national average monthly premium for PACE Part D plans is $1,1015.03, in contrast to the national average premium of $43.00 for stand-alone Part D plans in 2022. As such, only 212 Medicare-only beneficiaries were enrolled in PACE as of January 1, 2022.

Need for Action

Access to community-based alternatives to nursing homes will be critical to meet the needs of Medicare beneficiaries in the coming years. According to MedPAC, approximately 10,000 baby boomers turn 65 each day and become eligible for Medicare, leading to a 50 percent increase in beneficiaries that will result in over 80 million in 2030.[i] While individual care needs will vary, people age 65 and over have a 68 percent probability, on average, of experiencing cognitive impairment or requiring assistance with at least two activities of daily living (ADLs).[ii] Increased access to PACE is vital for Medicare beneficiaries as these older Americans with cognitive and functional impairments seek community-based, long-term care options.

More than three-fourths (77 percent) of adults aged 40 and over prefer to receive any necessary long-term care services in their home, according to a poll by the Associated Press and NORC Center for Public Affairs Research.[iii] Today, PACE serves over 61,000 older Americans who have complex, chronic medical conditions and need long-term services and supports. Of these, the vast majority are Medicaid- eligible, either dual-eligible or Medicaid-only (99%). Less than 1% have Medicare-only coverage.

Looking to the future, enabling Part D plan choice would increase the affordability of PACE for existing Medicare-only participants as well as increase access to and affordability of PACE for Medicare-only beneficiaries thinking about enrolling. Of the over 60 million Medicare beneficiaries in 2019, many have modest incomes. Fifty percent had incomes below $29,650, while 25% had incomes below $17,000, while just 5% had incomes greater than $117,000 and just 1% with incomes above $205,500.[vi] Given these income levels, many Medicare-only beneficiaries are not affluent enough to afford forgoing the $2,000 cap on out-of-pocket expenses in all other Part D plans.

Cost and Benefits of Action

A recent study by Mathematica Policy Research determined that PACE costs are comparable to the costs of other Medicare options, while delivering better quality of care for an extremely frail, complex population.[iv] PACE enrollees were also found to experience lower mortality rates than comparable individuals either in nursing facilities or receiving home and community-based waiver services.

Also, the HHS Assistant Secretary for Planning and Evaluation recently reported PACE to be a consistent "high performer."[v] According to their analysis, PACE participants are notably less likely to visit the emergency room, be admitted to the hospital or require nursing home placement. Additionally, PACE incorporates many of the reforms the Medicare program seeks to promote, including person-centered care, delivered and coordinated by a provider- based, comprehensive system, with financial incentives aligned to promote quality and cost effectiveness through capitated financing.

For more information, contact Francesca Fierro O'Reilly, Vice President, Advocacy, at FrancescaO@npaonline.org.

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NATIONAL PACE ASSOCIATION

Case Study

PACE Part D Choice Case Study

Comparing 2022 Average PACE Prescription Drug Plan Costs to 2022 Medicare Part D Stand-Alone Prescription Drug Plans for a Medicare-Only Beneficiary in Fee-for-Service Medicare Taking 10 Prescription Drugs

The annual PACE plan costs are at top. The remainder are sorted by the lowest annual total participant out-of-pocket for all plans available in the ZIP code.

2022 Plan Name	Monthly Premium	Annual Deductible	Annual Estimated Cost-Sharing Responsibility at Preferred Pharmacy	Total Annual Patient Out of Pocket (Premium + Deductible + Cost-Sharing)	All Drugs on Formulary?	Star Rating (Out of 5, with 5 Being Best)
PACE Part D Plan National Average	$1,015.03	$-	$ -	$12,180.36	Y	N/A
SilverScript Plus PDP	$62.40	$-	$ 43.08	$ 791.88	Y	3.5
Cigna Secure Rx PDP	$34.80	$480	$228.96	$1,126.56	Y	3.5
Humana Premier Rx Plan PDP	$73.20	$480	$283.80	$1,642.20	Y	4
SilverScript Choice PDP	$29.20	$480	$327.24	$1,157.64	Y	4.5
Humana Walmart Value Rx Plan PDP	$22.70	$480	$346.68	$1,099.08	Y	4
Elixir PxPlus PDP	$58.40	$480	$396	$1,576.80	Y	3
Humana Basic Rx Plan PDP	$33	$480	$451.44	$1,327.44	Y	4
Cigna Essential Rx PDP	$43.40	$480	$472.80	$1,473.60	Y	4.5
Anthem MediBlue Rx Plus PDP	$68.50	$-	$499.56	$1,321.56	Y	4
Cigna Extra Rx PDP	$67.10	$100	$604	$1,509.20	Y	3.5
AARP Medicare Rx Walgreens PDP	$28.90	$310	$638.86	$1,295.66	Y	4
Elixir RxSecure PDP	$34.50	$480	$679.36	$1,573.36	Y	3
Mutual of Omaha Rx Plus PDP	$92.80	$480	$687	$2,280.60	Y	3.5
Clear Spring Health Value Rx PDP	$28.90	$480	$702	$1,528.80	Y	2
Wellcare Value Script PDP	$11.70	$480	$730.32	$1,350.72	Y	3.5
Wellcare Medicare Rx Value Plus PDP	$68.30	$-	$737.52	$1,557.12	Y	3.5
Anthem MediBlue Rx Standard PDP	$57.80	$390	$759.80	$1,843.40	Y	4
AARP MedicareRx Preferred PDP	$97.30	$-	$831.36	$1,998.96	Y	3.5
Mutual of Omaha Rx Premier PDP	$35	$480	$849.60	$1,749.60	Y	3.5
AARP MedicareRx Saver Plus PDP	$30.90	$480	$886.80	$1,737.60	Y	4
Clear Spring Health Premier Rx PDP	$23.20	$480	$989.35	$1,747.75	Y	2
SilverScript SmartRx PDP	$7.10	$480	$1,201.16	$1,766.36	Y	3.5
Wellcare Classic PDP	$29.80	$480	$1,435.17	$2,272.77	Y	3.5

PACE Part D Choice Case Study

The chart makes the following assumptions:

- participant lives in ZIP code 22314;
- 30-day supply of each drug at the dosages and frequencies listed below; and
- drugs would be purchased from one of these local retail pharmacies, whichever was considered to be in-network, preferred by each plan, and offered the cheapest monthly total out-of-pocket drug cost: CVS Store #10867, Harris Teeter Store #398, Neighborhood Pharmacy of Del Ray and Walgreens #12359.

Drug List

- Simvastatin 20 mg, 1 x day
- Sertraline HCL 100 mg, 1 x day
- Lisinopril 10 mg, 1 x day
- Carbidopa/Levodopa 25-100 mg, 3 x day
- Furosemide 40 mg, 1 x day
- Escitalopram Oxalate 10 mg, 1 x day
- Levetiracetam 500 mg, 2 x day
- Finasteride 5 mg, 1 x day
- Meclizine HCL 25 mg, 1 tablet as needed, with a maximum of 30 tablets per 30 days
- Gabapentin 300 mg, 3 x day