2014 Premiums and Star Ratings for Medicare Part D Prescription Drug Plans with Preferred Pharmacy Networks

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Introduction

The use of preferred pharmacy networks has rapidly expanded in Medicare Part D. According to CMS, enrollment in prescription drug plans (PDPs) with preferred pharmacy networks has more than doubled between 2012 and 2013.[i] In 2014, some 70% of PDPs will feature preferred pharmacy networks.[ii]

In PDPs with preferred networks, the plan may offer its enrollees reduced copays or coinsurance as an incentive to use "preferred" pharmacies. Pharmacies then compete to become "preferred" so that they can increase their share of the business generated by the plan's enrollees. To become "preferred," pharmacies agree to offer the plan more substantial price concessions than other pharmacies in its network.

Under the Part D program, PDPs can offer basic benefit plans or enhanced benefit plans. Enhanced plans are required to have a greater actuarial value than basic plans and typically offer lower deductibles or copays than basic plans and may cover more drugs. Both basic and enhanced Medicare PDPs can use preferred pharmacy networks. Usually monthly premiums are higher for enhanced PDPs, but this is not always the case. In recent years, more sponsors have been offering low premium enhanced plans.

CMS uses the Star Ratings System to evaluate Medicare plan quality. Under the Star Ratings, PDPs are rated each year with a score ranging from 1 star (poorest quality) to 5 stars (highest quality) based on a range of clinical and customer service performance measures. These measures relate to call center operations, grievance and appeals processes, price reporting accuracy, medication adherence programs, and the management of high risk medications. CMS uses Star Ratings to assess quality in Medicare plan options. The Star Ratings system used by CMS to evaluate the performance of Medicare plans does not consider whether a PDP is basic or enhanced.

Findings

Avalere analyzed recently released CMS data on 2014 plan premiums and star ratings for Medicare PDPs. On an enrollment-weighted basis, we find:

- **Premiums:** On average, PDPs with preferred pharmacy networks have lower premiums than PDPs without preferred networks.

    – For basic PDPs, the average monthly premium for plans with preferred networks is $29.83, 17% less than for plans without preferred networks.

    – For enhanced PDPs, the average monthly premium for plans with preferred networks is $49.15, 57% less than for plans without preferred networks.

    – For all PDPs offered in 2014, the top seven plans with the lowest average monthly premium all use preferred pharmacy networks (see Exhibit 3).

- **Star Ratings:** On average, PDPs with preferred pharmacy networks have similar star ratings compared to PDPs without preferred networks.

    – Basic PDPs with preferred networks have an average star rating of 3.3, compared to 3.0 stars for basic plans without preferred networks.

    – Enhanced PDPs with preferred networks have an average star rating of 3.5, the same as enhanced PDPs without preferred networks.

Exhibit 1: Enrollment-Weighted Average Monthly Premiums for PDPs with Preferred Networks Vs. PDPs Without Preferred Networks, 2014
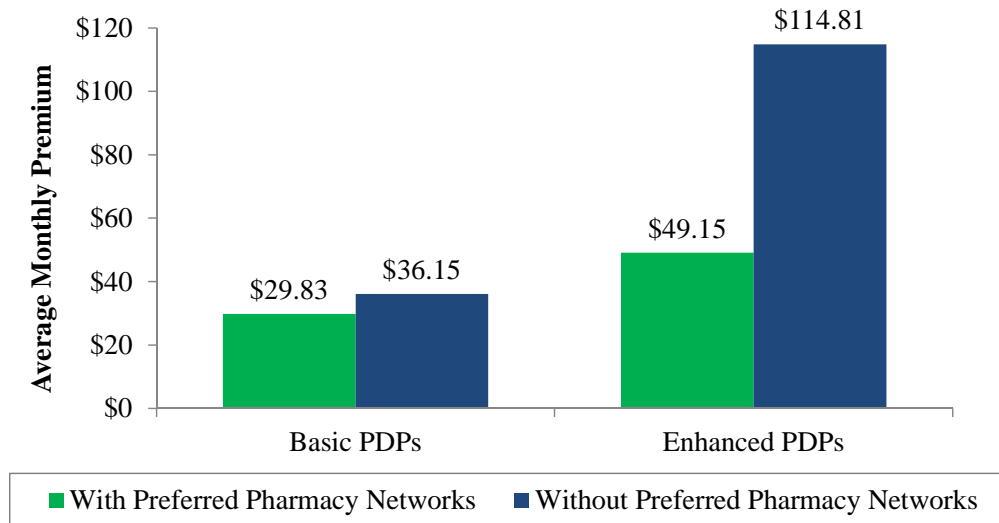
Source: Avalere Health analysis of the 2014 CMS landscape file. Avalere used the September 2013 enrollment file to calculate the enrollment-weighted average premiums. Note that this analysis does not include any plans under enrollment sanctions. Also, because CMS does not designate which plans have a preferred pharmacy network in the landscape files, Avalere used a list compiled by the Drug Channels Institute, published October 15, 2013.

Exhibit 2: Enrollment-Weighted Average Star Ratings for PDPs with Preferred Networks Vs. PDPs Without Preferred Networks, 2014
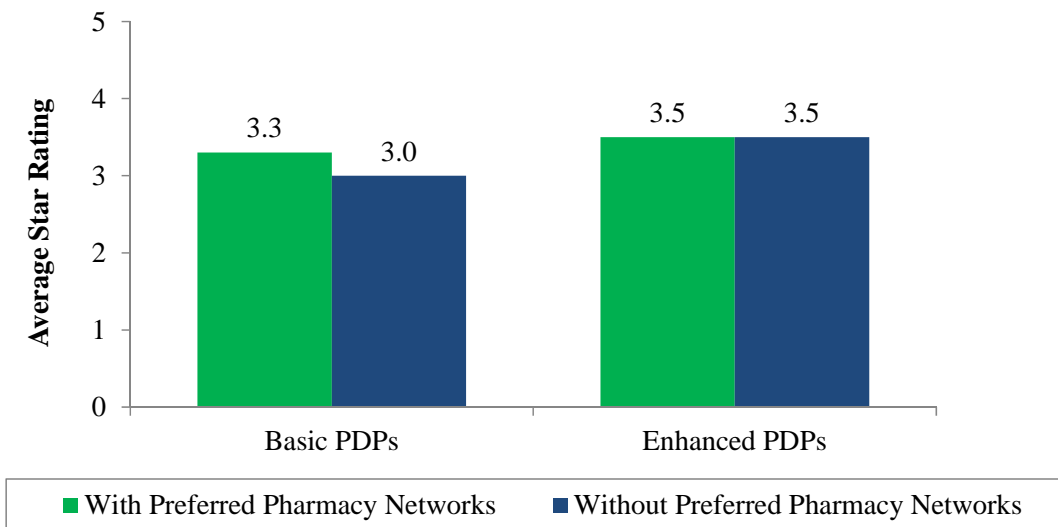
Source: Avalere Health analysis of the 2014 CMS landscape file. Avalere used the September 2013 enrollment file to calculate the enrollment-weighted average star ratings. Note that this analysis does not include any plans under enrollment sanctions. Also, since CMS does not designate which plans have a preferred pharmacy network in the landscape files, Avalere used a list compiled by the Drug Channels Institute, published October 15, 2013.

Exhibit 3: Medicare Prescription Drug Plans with Lowest Average Monthly Premiums in 2014

Plan Name	Average Premium	Preferred Pharmacy
Humana Walmart Rx Plan	$12.60	Yes
WellCare Classic	$20.72	Yes
Humana Preferred Rx Plan	$22.72	Yes
AARP MedicareRx Saver Plus	$23.22	Yes
Cigna Medicare Rx Secure	$30.85	Yes
United American - Select	$31.19	Yes
HealthMarkets Value Rx	$31.30	Yes
EnvisionRxPlus Silver	$32.29	No
Cigna-HealthSpring Rx	$32.89	No
Express Scripts Medicare – Value	$34.68	No

Source: Avalere Health analysis of the 2014 CMS landscape file. Avalere used the September 2013 enrollment file to calculate the enrollment-weighted average premiums. Note that Avalere focused on standalone prescription drug plans operating in close to or over 30 PDP regions.

Methodology

Avalere used recently released data from CMS to develop estimates of enrollment weighted average premiums and star ratings for PDPs. Avalere used the 2014 CMS Part D plan landscape file, released September 19, 2013 and available here to determine PDP availability and premiums for 2014. Avalere used the September 2013 enrollment files to estimate enrollment in these plans and to develop enrollment weighted average premiums. Additionally, Avalere used recently released information on Star Ratings for 2014 available here to develop plan enrollment weighted star rating averages. Plans that are currently under enrollment sanctions are not included in the CMS Landscape files and are excluded from this analysis. Information on which plans use preferred pharmacy networks was added based on information published by the Drug Channels Institute, found here. Avalere estimated average plan premiums and star ratings for plans with and without preferred pharmacy networks and by plan benefit type.

For the lowest average premium analysis, Avalere used the 2014 CMS Part D plan landscape file, to identify national or near national standalone prescription drug plans based on plan name. These plans were identified as plans operating in close to or over 30 PDP regions. After identifying these plans, Avalere used the September 2013 enrollment files to estimate enrollment in the identified plans and to develop enrollment weighted average premiums. For Humana Walmart Rx Plan, since no enrollment information is available, we used the premium value that was used in almost all regions for that plan.

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[i] Centers for Medicare and Medicaid Services, "Part D Claims Analysis: Negotiated Pricing Between Preferred and Non-Preferred Pharmacy Networks," April 30, 2013.
[ii] Drug Channels Institute, "Medicare Part D PDPs with Preferred Pharmacy Networks, 2014," October 15, 2013.