MEDICARE PART D 2008 DATA SPOTLIGHT: UTILIZATION MANAGEMENT

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Medicare Part D plans apply various techniques along with their formularies to manage their enrollees' use of prescription drugs. The three primary drug utilization management techniques used by Part D plans are:

- prior authorization—not covering a drug until the prescriber documents that it is medically necessary;
- step therapy—not covering a drug until certain other drug therapies are tried first; and
- quantity limits—restricting the quantity of a covered drug dispensed over a certain period of time (e.g., limiting the number of pills dispensed each time a prescription is filled).

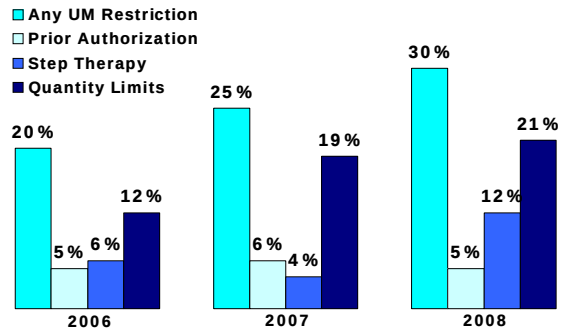
This Part D Data Spotlight examines the application of utilization management techniques by Medicare stand-alone Prescription Drug Plans (PDPs), based on the authors' analysis of data from the Centers for Medicare and Medicaid Services (CMS) on the 47 unique, national plans in 2008, representing 88 percent of all PDPs nationwide. Findings are based on the authors' analysis of data from CMS on a sample of 169 drugs selected to include the most commonly prescribed drugs and all alternative medications in some of the drug classes most commonly used by Medicare beneficiaries.[1] This analysis is part of a broader effort analyzing Medicare Part D plans in 2008 and key trends since 2006, with key findings summarized in a series of data spotlights.[2]

TRENDS IN UTILIZATION MANAGEMENT, 2006-2008

PDPs are increasing their management of on-formulary drugs. An analysis that averages the share of sample drugs covered by the 47 national PDPs with utilization management restrictions shows that, overall, at least one restriction is applied to 30 percent of the sample drugs in 2008, up from 20 percent of sample drugs in 2006 (Exhibit 1).[3] Quantity limits are applied to 21 percent of sample drugs in 2008, on average across the national PDPs, up from 12 percent in 2006, while use of step therapy has doubled from 6 percent of sample drugs in 2006 to 12 percent in 2008. The average use of prior authorization among national PDPs has remained flat since 2006, at about 5 percent of sample drugs.

Exhibit 1

Share of Sample Drugs with Utilization Management Restrictions, Averaged Across All National PDPs, 2006-2008



SOURCE: Hoadley et al analysis of data from the CMS Medicare Prescription Drug Plan Finder on Medicare.gov, 2006-2008, for the Kaiser Family Foundation.

VARIATION IN UTILIZATION MANAGEMENT BY DRUG

Some types of drugs are more likely to be subject to utilization management restrictions than others, and the specific type of utilization management restriction applied varies depending on the type of drug. Plans may require review of specific drugs due to cost or clinical or safety concerns regarding their use. Plans are more likely to apply utilization management tools to brand-name drugs than to generic drugs, on average, in part because brands are more expensive and lower-cost generic equivalents or therapeutic alternatives are often available. National PDPs apply one or more utilization management controls to 38 percent of brand-name drugs in the sample but only 22 percent of generic drugs, on average.

Nearly 75 percent of the sample drugs are subject to step therapy rules or quantity limits in at least one of the national PDPs in 2008, while just 25 percent of sample drugs are subject to prior authorization in one or more national PDPs. Five of the sample drugs are subject to prior authorization in half or more of the 47 national PDPs—all of which are injectible drugs and four of which are expensive and commonly placed on specialty tiers. Although no drug has a step therapy requirement in as many as half of the national PDPs, more than 50 percent of the sample drugs (88 out of 169) are subject to step therapy in five or more of the 47 national plans. Plans that use step therapy tend to apply this technique broadly to certain drug classes, such as statins used to treat high cholesterol, angiotensin II receptor antagonists (ARBs) for hypertension, and thiazolidinediones (TZDs) for diabetes. In the case of statins, plans may prefer that enrollees with high cholesterol try cheaper generic statins before the plans will cover more expensive brand-name options such as Crestor or Lipitor. All drugs in the ARB and TZD classes are still on patent and less expensive alternatives are available in other drug classes.

Overall, quantity limits are used more often the other two utilization management approaches, with 20 drugs subject to quantity limits in half of the national PDPs. Plans may use quantity limits to restrict purchases of selected drugs to a 30-day supply at retail, as well as for some of the drugs where step therapy requirements also apply. Some drugs are uniquely suited to the application of quantity limits, such as once-weekly formulations. For example, quantity limits are applied by two-thirds of the national PDPs to the once-weekly formulations of osteoporosis treatments (e.g., Actonel and Fosamax) in order to ensure that 30 pills are not dispensed for a one-

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month supply. Plans also frequently apply quantity limits to zolpidem, a generic sleeping medication, allowing specified quantities of pills to be dispensed only after granting exceptions to enrollees.

VARIATION IN UTILIZATION MANAGEMENT BY PLAN

Plans vary considerably in the extent to which they apply utilization management tools. For example, 12 of the 47 national PDPs do not apply step therapy to any of the 169 sample drugs, while 8 of the national PDPs use step therapy for over 25 percent of the sample drugs. Similar variation across plans exists in the application of quantity limits, while none of the national PDPs uses prior authorization for more than 10 percent of sample drugs in 2008.

Between 2006 and 2008, most of the top ten plans (measured by 2006 enrollment) increased the use of step therapy and quantity limits on sample drugs that are covered by each plan (Exhibit 2). The three national PDPs sponsored by Humana and MemberHealth's Community Care Rx Basic applied both step therapy and quantity limit restrictions to a number of additional sample drugs. In contrast, the AARP MedicareRx Preferred plan offered by UnitedHealthcare increased the number of sample drugs subject to step therapy, but reduced the number of drugs with quantity limits.

Exhibit 2: Utilization Management Techniques Applied to Sample Drugs* in Top Ten PDPs, by 2006 Enrollment, 2006-2008

	Number of Drugs with Prior Authorization		Number of Drugs with Step Therapy		Number of Drugs with Quantity Limits	
PDP NAME	2008	Change from 2006	2008	Change from 2006	2008	Change from 2006
AARP MedicareRx Preferred	5	--	34	+29	38	-13
Humana Standard	9	+3	41	+40	66	+41
Humana Enhanced	9	+3	41	+40	66	+41
Wellcare Signature	5	+2	7	-16	3	+2
Community Care Rx Basic	5	-2	45	+28	38	+36
UnitedHealth Rx Basic**	5	+2	37	+29	36	+34
MedicareRx Rewards Value	5	-1	0	--	24	-1
Humana Complete	9	+3	41	+40	66	+41
Silverscript	10	-1	0	--	9	+2
Prescription Pathway Bronze	3	-1	0	--	1	-6

NOTES: *Includes the 152 sample drugs in the initial 2006 analysis. **Offered as Pacificare Saver in 2006.
SOURCE: Hoadley et al analysis of CMS data on stand-alone PDPs offered by national and near-national organizations, 2006-2008, prepared for the Kaiser Family Foundation.

THE RELATIONSHIP BETWEEN FORMULARY GENEROSITY AND UTILIZATION MANAGEMENT

Drugs that are covered on a plan's formulary with utilization management restrictions effectively may not be covered for enrollees who are unable to meet the conditions of a utilization management restriction. A comparison among national PDPs of the number of unrestricted sample drugs (i.e., with no utilization management restriction applied) listed on formulary to the total number of sample drugs listed shows that in 2008, national PDPs list on formulary 85 percent (143 drugs) of the 169 sample drugs, on average, but only 65 percent of covered drugs (93 drugs) have no utilization management restrictions.

In 2008, four of the top ten PDPs by enrollment list all 169 sample drugs on formulary, yet all four plans cover less than 60 percent of these drugs with no utilization management restrictions (Exhibit 3). The top ten PDPs with fewer sample drugs covered on their formularies tend to cover a larger share of these drugs without restrictions. For example, Prescription Pathway Bronze covers just 127 of the 169 sample drugs (75 percent), but makes almost no use of utilization management restrictions, covering 98 percent of on-formulary drugs (123 drugs) on an unrestricted basis. In contrast, Humana's three plans list all 169 sample drugs on formulary, but cover less than half (40 percent) with no utilization management restrictions. The distinction between formulary coverage of drugs with and without utilization management restrictions is important to both Part D enrollees and their physicians because plans' use of these restrictions may make access to covered drugs more difficult for enrollees.

EXHIBIT 3: Unrestricted Formulary Coverage of 169 Sample Drugs in Top Ten PDPs, By 2006 Enrollment, 2008

	Coverage of Sample Drugs		
PDP NAME	Number listed on formulary	Number with no UM restriction	Share of listed drugs with no UM restriction
AARP MedicareRx Preferred	**169**	98	58%
Humana Standard	**169**	67	40%
Humana Enhanced	**169**	67	40%
Wellcare Signature	120	101	84%
Community Care Rx Basic	131	49	37%
UnitedHealth Rx Basic	152	79	52%
MedicareRx Rewards Value	126	97	77%
Humana Complete	**169**	67	40%
Silverscript	167	144	86%
Prescription Pathway Bronze	127	123	97%

NOTES: Shaded cells indicate plans that list all drugs.
SOURCE: Hoadley et al analysis of CMS data on stand-alone PDPs offered by national organizations, 2008, prepared for the Kaiser Family Foundation.

[1] Details on the drug sample and methodology can be found in "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans" (http://www.kff.org/medicare/7489.cfm).
[2] Other Medicare Part D 2008 Data Spotlights, based on the authors' analysis of CMS data, are available at http://www.kff.org/medicare/med102507pkg.cfm.
[3] The addition of more generic drugs to our sample than brand-name drugs between 2006 and 2008 may result in a slight understatement of the change across the three years.