



## **Impact of Medicare Part D on Access to Antipsychotic Drugs and Hospital Costs among Dual Eligibles in California**

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The Medicare Modernization Act, or Medicare Part D, began providing prescription drug coverage for Medicare beneficiaries in 2006. Part D expanded coverage for most Medicare beneficiaries. However, for persons dually eligible for Medicaid and Medicare, Part D meant a mandatory change from Medicaid's comprehensive drug coverage to coverage by one of many more restrictive and complex private drug plans. The new plans cover different sets of drugs, have limited networks of pharmacies, and use co-payments and other utilization controls to contain costs.

"Dual eligibles," who represent 20% of California's Medicare beneficiaries, have more complex health problems, take more medications, and have lower incomes than do other beneficiaries. Thus, the restrictions imposed by Part D prescription drug plans put dual eligibles at risk for disruption of needed medications.

Dual eligibles who take antipsychotic drugs to treat severe mental illnesses are a subgroup of particular concern. Approximately one-fifth of dual eligibles take antipsychotic drugs, and antipsychotic drugs account for a disproportionate share of prescription drug costs. The thought disorders and cognitive impairments that make antipsychotic medications necessary may increase the difficulty of deciphering and following complex coverage rules, increasing the risk of medication disruptions. Disruptions in antipsychotic medications can rapidly lead to relapses that require costly hospital care.

This study was conducted during the first year of Part D implementation, and used available data from multiple sources to: 1) estimate the impact of Part D on access to antipsychotic drugs; 2) determine hospital costs among dual eligible Californians; and, 3) evaluate the potential impact of policy changes hypothesized to improve access and reduce hospital costs.

## **Methods**

We developed a decision tree model reflecting the multiple possible paths to access prescribed antipsychotic medication for dual eligibles covered by Part D. We then used this model to estimate the average risk of medication disruption associated with the transition to Part D prescription drug plans. Since no actual data were available on the implementation of Part D when the study was conducted, we used data from a variety of sources to estimate the probability of each path in the tree. Sources included Medicaid drug utilization data, Medicaid statistical information, drug formularies of Medicare prescription drug plans, surveys of Medicare beneficiaries, the Medical Expenditure Panel Survey, and articles published in academic journals. We then used this model to evaluate the impact of policy changes recommended by policy analysts and advocates to reduce disruptions and reduce hospital costs. Hospital costs associated with medication disruption in each model were estimated using published values for average incremental hospital cost. We used probabilistic sensitivity analysis to account for uncertainties in these estimates.

## **Findings**

Our study was an early effort to simulate the impact of Medicare Part D on dual eligible persons who take antipsychotic medications. We found that the transition to Part D prescription drug plans put this vulnerable subgroup of dual eligible beneficiaries at considerable risk of medication disruptions. Such disruptions could lead to significant increases in hospitalization costs. At the time the study was completed in 2006, we found that:

- Over 150,000 dually eligible Californians were taking antipsychotic drugs.
- Ten antipsychotic drugs accounted for over 90% of antipsychotic drug prescriptions, and five drugs accounted for 80% of prescriptions. These frequently prescribed drugs were available only as brand-name drugs; as a result, approximately 86% of prescriptions were subject to some type of utilization control, such as additional co-payments, prior authorization, or quantity limits.

- Twenty-one percent of dual eligibles' antipsychotic drug prescriptions were likely to be disrupted due to delayed filling of prescriptions, or the need to switch medications following Part D implementation.
- Hospital costs associated with drug disruption were estimated to total \$61.9 million, which is equivalent to \$399 per dual eligible person taking antipsychotic medication.
- Potential policy changes, recommended by policy analysts and advocacy groups to reduce the negative impact of Part D on dual eligibles, had varying effects on the risk of drug disruption:
  - Insuring that plan enrollment can be verified or initiated during 90% of pharmacy visits reduced the risk of disruption by less than one percentage point (from 21% to 20%).
  - Simplifying prior authorization procedures so that no more than 20% of prescriptions are delayed while waiting for authorization reduced the risk of disruption by three percentage points (from 21% to 18%).
  - Eliminating prior authorization completely reduced the risk of disruption by four percentage points (from 21% to 17%).
  - Eliminating quantity limits on prescription refills reduced the risk of disruption by two percentage points (from 21% to 19%).
  - Simultaneously implementing all of the policy changes that were examined reduced the risk of disruption by seven percentage points (from 21% to 14%).
- Policy changes that reduced the risk of drug disruption also reduced estimated hospital costs, and ranged from a cost reduction of \$1.2 million with improved enrollment verification, to a cost reduction of \$11.7 million with the elimination of prior authorization. Adopting all proposed policy changes would save an estimated \$20.7 million in hospital costs.

### **Policy Implications and Recommendations**

Although this study focused on the initial year of Medicare Part D implementation, the findings remain

relevant for ongoing and future implementation. Many of the problems experienced during the initial phase of enrollment have been resolved. However, enrollment policies will continue to be a concern as plans change and evolve. Estimates for 2008 show that as many as half of California's dually eligible Part D beneficiaries will need to change plans to avoid paying premiums. The majority of these Part D beneficiaries will be automatically reassigned to a new plan, increasing the risk of confusion about coverage, and the risk of medication disruption. More importantly, utilization controls, particularly prior authorization and quantity limits, appear to present greater barriers to antipsychotic drug access than enrollment problems. Not only have utilization controls remained in place over time, but they have also increased in each successive year of Part D implementation. A range of policy changes could potentially reduce the risk of drug disruption, and reduce associated hospital costs. We offer the following recommendations:

- Eliminate or reduce prior authorization requirements for persons with an established chronic illness, such as a severe mental illness. This action will prevent prescription delays caused by requiring documentation of medical necessity before filling a prescription.
- Eliminate or increase quantity limits on prescription refills. This action will reduce the co-payment burden on beneficiaries. For example, Part D quantity controls typically limit each prescription to a 30-day supply, with a co-payment required with each refill. In contrast, Medi-Cal has typically allowed a 100-day supply per prescription with a single co-payment.
- Continue to improve inter-agency coordination and associated communication infrastructure. This action will make it possible to verify plan enrollment, or initiate enrollment or re-enrollment during pharmacy visits.
- Obtain and analyze actual data on Part D implementation at state and local levels. This action will help determine the true impact of Part D implementation, and help identify successful local implementation strategies that may merit broader dissemination across the state.

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