PREMIUM INCREASES FOR MOST POPULAR MEDICARE BENEFIT PLANS, MARKET FOR MEDICARE ADVANTAGE PLANS APPEARS STABLE IN 2017

According to a new Avalere analysis of data from the Centers for Medicare & Medicaid Services (CMS), premiums for stand-alone prescription drug plans (PDPs) will increase and the number of PDPs available in 2017 will decrease. Conversely, the Medicare Advantage market appears strong as nearly 8 in 10 beneficiaries have access to MA plans that offer prescription drug benefits.

Key Takeaways

Part D
- Among the top 10 most popular Part D plans, some sponsors are raising premiums more than others. United is increasing premiums in the second most popular plan, AARP MedicareRx Preferred, by about $10.
- Overall, the number of PDPs has continued to decline. In 2017, 678 PDPs will be offered, down from 886 in 2016, showing a 23% decrease.
- Top 10 most popular Part D plans now represent more than 88 percent of PDP enrollment. These plans will have an average premium increase of 4 percent in 2017.
- There is a sharp decline in the number of $0 LIS premium plans. All 50 states show a decrease in the number of these plans.

Medicare Advantage
- 78 percent of MA beneficiaries will have a $0 premium option, compared to 81 percent in 2016.
- The average MA premium will drop 4 percent in 2017, to $31.40.

Average monthly premiums for standalone PDPs projected to increase, while the number of PDP options will decline.

Many beneficiaries are likely to see their Part D premiums increase significantly, with enrollment-weighted premiums projected to increase by an average of 4 percent among the top 10 PDPs that account for more than 85 percent of PDP enrollment.

Since 2014, among the top 8 plans, United’s plans have had an average annual increase of 13 percent. By contrast, Humana’s plans have had average annual increases between 5 and 8 percent.

Overall, assuming Part D enrollees elect to remain in their current plan, the average monthly premium for all PDPs will increase by 5 percent, from $41.34 projected in 2016 to $43.36 projected in 2017.
The number of PDPs available in 2017 will decrease for the third straight year. In 2017, 678 PDPs will be offered in the U.S., a 23 percent drop from 2016. Despite these decreases, beneficiaries in all states will still have 16 or more PDPs to choose from in 2017. Of particular concern to policymakers, the number of $0 premium plans available to poor beneficiaries that receive the low-income subsidy (LIS) will decline.

"Medicare beneficiaries in Part D plans with premiums that are increasing need to be aware of what is happening with their plans" said Kelly Brantley, vice president at Avalere Health. "Beneficiaries who choose not to change plans could see higher premiums in 2017."

Availability of $0 premium MA plans continues to decrease in 2017, but only slightly from 2016. A smaller percentage of Medicare beneficiaries will have access to $0 premium MA prescription drug (MA-PD) plans in 2017. Seventy-eight percent of beneficiaries will have access to a $0 premium plan in 2017 compared to 81 percent in 2016, further demonstrating the competitiveness of the MA program compared to Medicare Fee-for-Service.

CMS estimates that the average MA premium will decrease by 4 percent ($1.19) to $31.40 in 2017.

Local health maintenance organization (HMO) plans continue to make up the majority of MA plans – 70 percent – in 2017 as in 2016. Other plan types, including preferred provider organizations (PPOs), also remain stable from 2016 to 2017.

Even as no premium plans proliferate in the MA market, beneficiaries may continue to see a reduction in benefits in 2017 as plans increase deductibles. Next year, the percent of plans that

### Table: 2014 to 2017 Premium Increases by PDP

<table>
<thead>
<tr>
<th>Plan</th>
<th>Basic / Enhanced</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Average Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>SilverScript Choice (CVS)</td>
<td>Basic</td>
<td>$29.43</td>
<td>$23.21</td>
<td>$22.56</td>
<td>$29.10</td>
<td>0%</td>
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<tr>
<td>AARP MedicareRx Preferred (United)</td>
<td>Enhanced</td>
<td>$43.41</td>
<td>$50.18</td>
<td>$60.79</td>
<td>$71.66</td>
<td>13%</td>
</tr>
<tr>
<td>Humana Walmart Rx Plan (Humana)</td>
<td>Enhanced</td>
<td>$12.60</td>
<td>$15.67</td>
<td>$18.40</td>
<td>$16.81</td>
<td>7%</td>
</tr>
<tr>
<td>Humana Preferred Rx Plan (Humana)</td>
<td>Basic</td>
<td>$22.72</td>
<td>$26.40</td>
<td>$28.39</td>
<td>$27.32</td>
<td>5%</td>
</tr>
<tr>
<td>AARP MedicareRx Saver Plus (United)</td>
<td>Basic</td>
<td>$23.22</td>
<td>$28.00</td>
<td>$35.23</td>
<td>$37.36</td>
<td>13%</td>
</tr>
<tr>
<td>Aetna Medicare Rx Saver (Aetna)</td>
<td>Basic</td>
<td>$35.56</td>
<td>$24.40</td>
<td>$26.22</td>
<td>$31.35</td>
<td>-3%</td>
</tr>
<tr>
<td>Humana Enhanced (Humana)</td>
<td>Enhanced</td>
<td>$47.53</td>
<td>$52.81</td>
<td>$66.25</td>
<td>$64.23</td>
<td>8%</td>
</tr>
<tr>
<td>First Health Part D Value Plus (Aetna)</td>
<td>Enhanced</td>
<td>$44.58</td>
<td>$38.92</td>
<td>$33.91</td>
<td>$39.27</td>
<td>-3%</td>
</tr>
<tr>
<td>Cigna-HealthSpring Rx Secure (Cigna)</td>
<td>Basic</td>
<td>$30.85</td>
<td>$31.33</td>
<td>$36.39</td>
<td>$27.82</td>
<td>-3%</td>
</tr>
</tbody>
</table>
offer a $0 deductible will decline to 49 percent from 55 percent. At the same time, MA-PD plans in 2017 will expand coverage for drugs in the “donut hole,” rising from 54 percent in 2016 to 59 percent in 2017. Plans could become more selective about the inclusion of these supplemental Part D benefits in order to maintain an overall $0 premium.

“These numbers suggest that Medicare Advantage enrollees continue to have strong access to plans with zero premiums, in spite of the changes that CMS made to the risk adjustment model,” said Tom Kornfield, vice president at Avalere Health. “Looking ahead, it will be important to monitor trends in employer group enrollment plans to see if CMS’ changes in that area have had an impact on employer’s willingness to offer employer sponsored MA plans.”

Methodology

On September 22, the Centers for Medicare & Medicaid Services (CMS) released the 2017 Medicare Advantage (MA) and Medicare Part D landscape files. Avalere analyzed the data to assess trends in plan participation, beneficiary premiums, and benefit designs for the 2017 MA and Part D markets. Avalere analyzes information for unique plan options offered within each market. Avalere excludes information on Cost plans, Medicare-Medicaid plans, and plans offered in the U.S. territories from its analysis. CMS does not include information on employer-group waiver plans, Program of All-Inclusive Care for the Elderly (PACE) plans, or Part B-only plans in the landscape files.

Avalere staff continue to be available to offer key insights on MA and Part D changes. If you would like to talk to an expert at Avalere, please contact Frank Walsh at fwalsh@messagepartnerspr.com or 202-868-4820.

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