



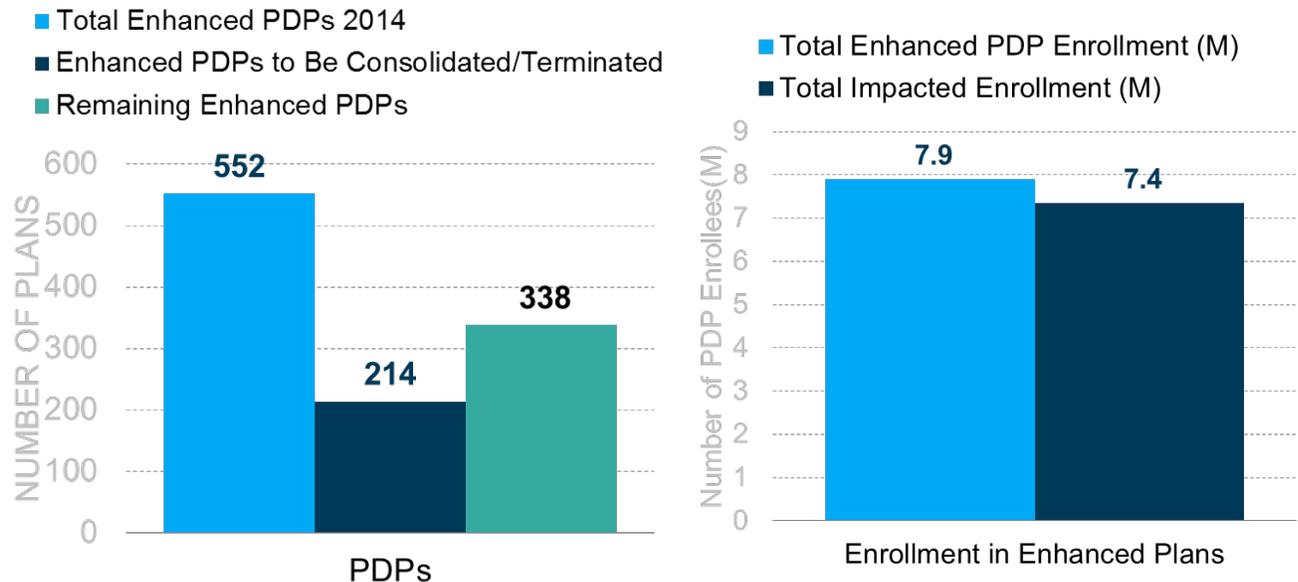
AVALERE ANALYSIS: 7.4M MEDICARE BENEFICIARIES COULD BE AFFECTED BY PROPOSED MEANINGFUL DIFFERENCES POLICY

A Medicare proposed rule change limiting the number of prescription drug plans (PDPs) that insurers may offer in the Part D market could require 39 percent of all enhanced plans to be eliminated in 2016. The change, which limits standalone PDP sponsors to one basic and one enhanced plan per region, was proposed by the Centers for Medicare & Medicaid Services (CMS) in a January proposed regulation. Avalere estimates that the change would require 214 of the current 552 enhanced PDPs to be terminated or consolidated with an existing plan. Those 214 plans represent products sold by nine carriers that currently offer two enhanced PDPs in the same region.

“Many health plans have designed low-premium, enhanced PDPs to attract cost-conscious enrollees and more comprehensive options for higher-need beneficiaries,” said Matt Eyles, Executive Vice President at Avalere Health. “Plans are likely to respond to this change by rolling the more comprehensive PDP into the lower-cost plan, which could increase premiums for beneficiaries.”

The anticipated change in policy would impact 7.4 million of the 7.9 million (94 percent) Medicare beneficiaries who are currently enrolled in an enhanced plan—including both beneficiaries whose plan will be terminated or consolidated and those whose plan will remain but may see changes in benefits or premiums as plan options and enrollees are consolidated.

Impact of Proposed Meaningful Differences Policy Change on Number of PDPs and Affected Enrollees



Source: Avalere Health analysis of the 2014 PDP Landscape File (released January 2, 2014) and the January 2014 CMS plan-level enrollment file (released January 15, 2014). Please see the methodology section for more information on Avalere's methodology.

Methodology:

Avalere used two main files for the analysis: the 2014 PDP Landscape File (released on January 2, 2014) and the January CMS plan-level enrollment file released January 15. Avalere excludes PDPs offered in US territories from the analysis.

To determine the total number of affected plans, Avalere analyzed the number of overlapping enhanced offerings in the same region by the same sponsor. Then, Avalere assumed one of these plans would be consolidated into the other.

Avalere reports the total number of PDPs for 2014 to be 1,069. However, according to the 2014 PDP Landscape File, there are 1,169 PDPs on the market. For this analysis, Avalere assumes several consolidations will occur by 2016 as a response to mergers (detailed below), so for the purposes of this analysis, we have assumed consolidation.

- Avalere assumes that Aetna merges Coventry's basic PDP offering into Aetna's basic offering. Additionally, Avalere assumes that Aetna consolidated Coventry's

comprehensive enhanced PDP into its comprehensive PDP, still leaving the sponsor with two enhanced PDPs.

- Avalere assumes that CIGNA has consolidated the basic HealthSpring PDP into the sponsor's basic PDP offering.

Avalere used 2014 data as a proxy for 2016 and our analysis assumes no changes to the plan landscape.