



AVALERE ANALYSIS REVEALS SIGNIFICANT CONSOLIDATION AMONG PDPs

According to a new Avalere Health analysis of the Centers for Medicare & Medicaid Services' (CMS) Landscape Files for 2015, the number of Part D standalone prescription drug plans (PDPs) will shrink by about 14 percent, from 1,169 in 2014 to 1,001 in 2015. This reduction in plans is largely driven by a consolidation of offerings by a number of top plan sponsors, including Aetna, Cigna, CVS, and UnitedHealth.

Average monthly premiums for standalone PDP market will decrease

Based on Avalere's calculations, these consolidations are expected to shift a large number of beneficiaries into lower-cost plans, driving down average premiums in the market by 2 percent from \$39.88 in 2014 to \$38.95 in 2015. However, significant premium variation exists among the top PDPs by enrollment. While Aetna's Medicare Rx Saver plan (a new offering for 2015 that combines the sponsor's Aetna/CVS pharmacy PDP and its Aetna Medicare Rx Essentials PDP) will reduce premiums by more than 30 percent, WellCare's Classic plan will increase its premiums by more than 50 percent. Despite sizeable premium increases from some sponsors, there continue to be many low-cost options available for consumers – in 2015, five of the top ten PDPs will have average premiums below \$30.

Monthly Premiums for Top 10 PDPs in 2015¹

2015 PDP Offering	2015 Plan Enrollment	2014 Average Premium ¹	2015 Average Premium ²	% Change (2014-2015)
AARP MedicareRx Preferred*	3,787,148	\$43.41	\$50.15	16%
SilverScript Choice**	2,494,772	\$29.43	\$23.16	-21%
Humana Preferred Rx Plan	1,718,529	\$22.72	\$26.40	16%
Humana Enhanced	1,251,903	\$47.53	\$52.81	11%
AARP MedicareRx Saver Plus	1,157,050	\$23.22	\$28.00	21%
Cigna-HealthSpring Secure***	1,116,931	\$30.85	\$31.78	3%
WellCare Classic	1,115,683	\$20.72	\$31.46	52%
Humana Walmart Rx Plan	833,139	\$12.60	\$15.67	24%
Aetna Medicare Rx Saver****	548,771	\$35.56	\$24.46	-31%
First Health Part D Value Plus*****	452,209	\$44.58	\$38.81	-13%
TOP 3 PLANS	8,000,449	\$34.28	\$36.39	6%
TOP 10 PLANS	14,476,135	\$34.77	\$34.90	0%
ALL PDPs	22,476,584	\$39.88	\$38.95	-2%

As premiums decline, Avalere's analysis finds that Part D sponsors may be shifting more cost-sharing responsibilities to beneficiaries. In 2015, the proportion of PDPs with \$0 deductibles will drop to 42 percent from 47 percent in 2014. In addition, Part D sponsors continue to move away from offering coverage in the gap due to the continued closing of the donut hole mandated by

the Affordable Care Act (ACA). As in previous years, about three-quarters (74%) of PDPs will not offer coverage of drugs in the Part D coverage gap next year.

“When seniors choose a prescription drug plan for 2015, they should carefully look at their options to select the plan that best meets their health and financial needs,” said Christine Harhaj, senior manager at Avalere Health. “While beneficiaries will welcome lower premiums, they will need to look at other facets of benefit design including how their medications are covered, cost sharing responsibilities, and total out-of-pocket spending.”

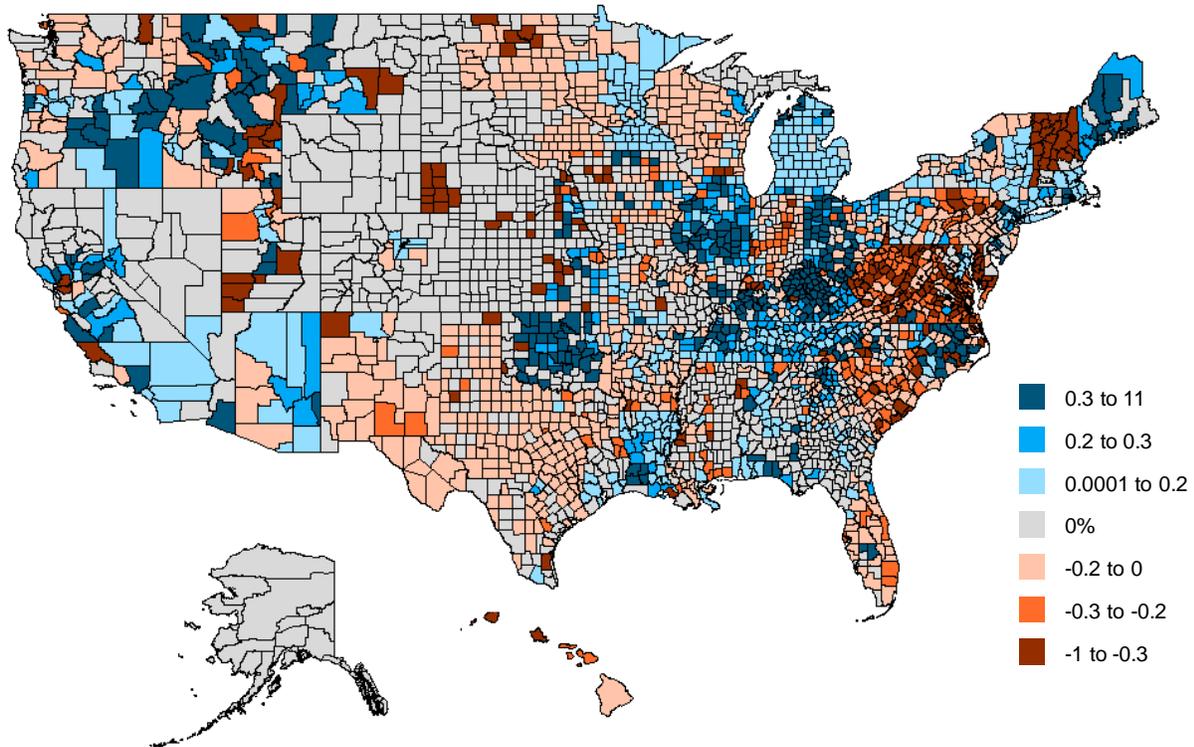
Plan consolidations come as some sponsors combine enhanced plan offerings in order to reduce the number of PDPs in their books of businesses that offer coverage of drugs in the Part D donut hole,. Still others may be responding to CMS’ indications that it may soon impose stricter limits on the number and type of PDPs sponsors can offer in the future under the so-called meaningful differences policy.

Changes to Medicare Advantage plan participation vary largely by geography

Avalere also found that participation by Medicare Advantage (MA) plans will dip modestly in 2015 amid continued payment reductions enacted under the ACA, including lower benchmark growth rates and the end of the Quality Bonus Payment (QBP) demonstration. The total number of MA plans will decline from 2,527 in 2014 to 2,450 in 2015—a 3 percent decrease.

While plan participation is largely stable across the country, there are more sizeable plan withdrawals in high-population density areas of the Southeast and Mid-Atlantic. Despite large numbers of plan exits in some higher population areas, the magnitude of plan reductions was often greater in rural areas, where a small number of plan exits represented a significant share of the market.

PERCENT CHANGE IN NUMBER OF MA PLANS BY COUNTY, 2014-2015



Source: Avalere Health analysis using DataFrame[®], a proprietary database of Medicare Part D plan features and 2015 MA plan data released by CMS on September 18, 2014.

“To succeed in the market today, Medicare health plans need to be efficient, reasonably priced, and focused on quality metrics,” said Dan Mendelson, CEO, Avalere Health. “There will inevitably be some plans that can’t survive in this demanding environment, and others that enter precisely because their operations are prepared to meet the challenge of public programs.”

For 2015, plan sponsors are responding by relying on more highly managed plan products, like Health Maintenance Organization (HMO) plans. Overall, the number of HMO plans will increase by 1.5 percent from 1,721 to 1,747, while the number of preferred provider organizations (PPOs) will decrease by nearly 9 percent from 593 to 541. Meanwhile, drug benefits are shaping up to be more limited in 2015. While the majority of Medicare Advantage prescription drug (MA-PD) plans continue to offer enhanced drug benefits, fewer plans will offer \$0 drug deductibles and gap coverage next year.

1. Source: Avalere Health analysis using DataFrame[®], a proprietary database of Medicare Part D plan features and 2015 PDP data released by CMS on September 18, 2014.

¹ 2014 premiums are enrollment-weighted using September 2013 enrollment data.

² Avalere projects 2015 enrollment with September 2014 enrollment. New plans will not have any enrollment reported *UnitedHealth consolidated the AARP MedicareRx Preferred PDP and the AARP MedicareRx Enhanced PDP into the new AARP MedicareRx Preferred PDP for 2015.

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**SilverScript Basic was renamed as SilverScript Choice for 2015. Additionally, CVS Health consolidated the former SilverScript Choice PDP and the SilverScript Plus PDP into the new SilverScript Plus plan for 2015.

***Cigna Medicare Rx Secure and Cigna-HealthSpring Rx PDP were consolidated into the new Cigna-HealthSpring plan for 2015.

****Aetna/CVS pharmacy Prescription Drug Plan and Aetna MedicareRx Essentials consolidate to become the new Aetna Medicare Rx Saver plan in 2015.

*****First Health Part D Value Plus and First Health Part D Essentials consolidate to become the new First Health Part D Value Plus plan in 2015.

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