



CMA weekly Alert – September 1, 2005

PART D CHOICES: SOMETIMES LESS IS MORE

A recent press release issued by the Centers for Medicare & Medicaid Services (CMS) touts the fact that Medicare prescription drug plans, at least in 2006, may have lower premiums and beneficiary cost-sharing than originally anticipated. CMS has already announced that the estimated monthly premium nationally is \$32.30, almost 8% less than the \$35 premium originally estimated when prescription drug legislation was first proposed. Secretary of Health and Human Services Leavitt attributes the reduction in premiums to increased choice and competition among Part D plans throughout the country.

According to information provided by CMS, all Medicare beneficiaries will have a substantial number of drug plans from which to choose. CMS indicates that the number of organizations offering stand-alone prescription drug plans (PDPs) will vary from 11 in Region 34, which covers Alaska, to 23 in Region 6, which covers Pennsylvania and West Virginia. Since each organization may offer more than one plan, the number of actual PDPs will be even greater; 14 PDPs are projected for Region 34 and 27 are projected for Region 6. California, in Region 32, is projected to have 40 PDPs. Medicare HMOs and PPOs will also offer prescription drug coverage, providing more options for beneficiaries. Even people with low incomes will have choices; the number of organizations (not PDPs themselves) sponsoring plans eligible for auto-enrollment ranges from 5 in Florida to 13 in Delaware, Washington, D.C, Maryland, Texas, Pennsylvania, West Virginia, Virginia, and South Carolina.

But is increased choice always helpful for the individuals who must make a choice?

Malcolm Gladwell, in his recent best seller *Blink: The Power of Thinking without Thinking*, relates that customers at a market were less likely to purchase any jam when given too many choices of jam to taste. Sales were higher when fewer choices were offered.¹ Others have also documented that “more is not always better than less.” Too many choices may actually contribute to depression or unhappiness.²

Choice may be particularly difficult for people with Medicare. A study reported in 2001 found that older consumers, regardless of education level, have greater difficulty making

¹ Malcolm Gladwell, *Blink: The Power of Thinking without Thinking* (Little, Brown & Co., 2005) at 142-143, 180-181

² Barry Schwartz, “The Tyranny of Choice,” *Scientific American* (April 2004).

informed comparisons about health care choices than non-elderly consumers. People under age sixty-five with lower comprehension skills also have difficulty making choices. To facilitate choice, the authors recommended that policy makers 1) simplify choice by having fewer types of plan designs, including less complex benefit packages and cost structure; 2) make information easier to understand, possibly through the use of one-on-one decision assistance; and 3) provide assistance to those most in need.³

Unfortunately, policy makers have not heeded these recommendations. Part D plans will differ greatly in their benefit structure and in their cost sharing design. Beneficiaries will have more variables to consider than just premiums. They will have to consider other cost-sharing responsibilities, formularies, utilization management tools, transition and exception processes, and pharmacy networks, among other factors. While CMS and other organizations have increased efforts to educate beneficiaries generally about Part D, it is unclear whether the resources will be available to provide one-on-one assistance to all beneficiaries who require help. Even the web-based tool CMS will post on www.medicare.gov may not provide all of the assistance required to choose a drug plan. A preliminary display of the program allowed comparisons of only 25 drug plans, even though some regions will have substantially more from which beneficiaries may choose.

Health care researchers who looked at the challenges of implementing Part D came to the same conclusion. They describe Part D as “.... a program that is extremely complex and may be too intricate for many beneficiaries to understand.” The number of choices may overwhelm beneficiaries and cause them to be dissatisfied with the program.⁴

The large number of private companies eager to enter the Medicare Part D market may have resulted in lower premiums for drug plans, as Secretary Leavitt suggests. Lower premiums will not benefit anyone, however, if the number of plans cause beneficiaries to be so overwhelmed that they choose not to enroll in Part D.

For more information on Medicare Part D choices, contact attorney Vicki Gottlich (vgottlich@medicareadvocacy.org) in the Center for Medicare Advocacy's Washington, DC office at (202) 216-0028.

³ Judith H. Hibbard, Paul Slovic, Ellen Peters, Melissa L. Finucane, Martin Tusler, *Is The Informed-Choice Policy Approach Appropriate for Medicare Beneficiaries?* 20 *Health Affairs* 199 (May/June 2001).

⁴ Brian Biles, Geraldine Dallek, Lauren Hersch Nicholas, *Medicare Advantage: Déjà vu All Over Again?* *Health Affairs Web Exclusive* (Dec. 15, 2004); <http://content.healthaffairs.org/cgi/content/full/hlthaff.w4.586/DC1>