

Marianne

Hey, Nina. It's great to be back with you again on this beautiful fall day in Columbus, Ohio. What's the weather like in South Carolina?

Nina

It is a warm, beautiful sunny day and I cannot complain. So I won't.

Marianne

Okay, great. Well today we're going to talk about kind of a heavy subject. You know, a lot of people have the misconception that drug costs for a retiree in an individual drug plan, uh, can be more expensive than in the group marketplace. And I hope we, by the end of this podcast, help our listeners understand that that's really not true from what I'm seeing, the drug costs and the group Medicare marketplace, um, are, are going to be, uh, typically more expensive.

Nina

Yeah. This is a really interesting topic to me. Uh, in our last episode, we talked about the differences between group Medicare plans and individual Medicare plans. And we ended it with a question that I had about how part D individual drug plans work. So I'd love to tackle some questions about individual party, job plans and today's episode, if that's all right with you.

Marianne

Yeah, I think that's great. It can seem complicated for some folks, so let's break it down. Step-by-step

Nina

Yeah. So my understanding is that drug coverage is not something that has always existed in Medicare. Is that right? That's true.

Marianne

So drug coverage didn't come about until 2006 and it wasn't great coverage at first Nina, it had a big old donut hole and, you know, it just had a lot of cost exposure for retirees, but it has gotten so much better over the years. And today they're an estimated 47 million Americans in part D drug plans. And they're nearly 1000 standalone individual drug plans across the country. You know, the typical retiree has a choice between 20 and 30 separate drug plans to choose from in the individual Medicare marketplace. Ms. Compares generally to only one drug plan option may be to in a group Medicare model.

Nina

Yeah. And you've talked about this before that most of these group Medicare plans have copays for different tiers of drugs from generic to non-preferred brand to specialty drugs. And the specialty drug can be rather significant. Plus retirees might not find that one of their specific drugs is covered on their formulary and in a group setting, if that formulary changes the retiree, doesn't get the option to pick another one.

Marianne

And, you know, let's keep in mind that in a group model, the employer provides a subsidy towards the premium of the total, uh, medical and drug plan. And that subsidy can only be used for a premium, uh, not for any out-of-pocket drug costs, which can happen in the individual Medicare marketplace model.

Nina

Uh, this contrast with the individual Medicare marketplace model, where the employer subsidy can be used for the plan premium, the part B premium and the out-of-pocket medical or drug costs. Can you describe how individual part D plans are different from typical group parties?

Marianne

Sure. So typically an individual using a Medicare marketplace or exchange retirees get to choose their individual drug plans, and they usually have a choice of about 30 different plans. So think about it. That's 30 different formularies that they get to pick from,

Nina

Oh, wow. That's a lot of choice. So that means that pretty much anyone can find a drug plan that is best for them. I might even go out on a limb here and describe it as being tailored to their needs.

Marianne

No, that's exactly true. And these Medicare exchanges have very sophisticated software that once they put in information or the retiree can do it on a website, uh, about their drug utilization, the best plan, the cheapest plan, the most affordable plan pops up. And it makes it really easy to come up with which of those 30 plans is best for them. And, and the other thing about this is that retirees can change their drug plan every year. And it's always guaranteed issue,

Nina

Meaning there's no need to go through medical underwriting.

Marianne

That's correct.

Nina

So how exactly are these individual part D plans structure?

Marianne

Well, these plants have phases first. There's a deductible phase. Next there's an initial coverage phase where there are co-pays and then there is a donut hole phase, which could have slightly higher drug copays. And finally, there's a catastrophic phase which could have significant costs of the retirees. In a moment, we will talk about how we can completely eliminate retiree costs of the catastrophic phase.

Nina

So there are different phases. I get that, but do all retirees reach each phase?

Marianne

No, they don't. I'm glad you asked that, but first I want to point out something about the deductible phase. Most plans nowadays do have a deductible phase, but in general, 90% of prescription drugs in America can be filled with a generic drug. And the good news is that generic drugs do not have the deductible applied to them.

Marianne

So for, for most people, so for most people, the deductible phase does not differ. I say Nina phase them, and oftentimes these individual Medicare drug plans have a \$0 or very small copay for generic drugs.

Nina

Well, that's good news. What about the other phases?

Marianne

Okay. So the next phase is called the initial coverage phase and really 82% of retirees never leave this stage. And for these retirees, they will find their out-of-pocket drug costs in the individual Medicare marketplace model are much less than the group plan.

Marianne

This is where they have generally copays and they may have no co-pays for generic drugs. The next phase is the donut hole phase where retirees may experience a slightly higher copay for their drugs. But again, Nina only 18% of retirees will hit this phase. And in the individual Medicare marketplace model, they could submit claims for reimbursement of their out-of-pocket drug costs from their employer subsidy.

Nina

And the final phase is the catastrophic phase, dumb, dumb, dumb. That sounds pretty ominous.

Marianne

Well, it does Nina. And if you don't have the right coverage, it can be so only 3% of retirees reach this phase. They have very expensive life-saving drugs that could range from one to many thousands of dollars a dose.

Nina

And in a little bit, you're going to talk about a program that via benefits offers that can eliminate all of the retirees costs in the catastrophic phase, which you said only about 3% of retirees ever hit.

Marianne

That's right. Nina. These are people who have very severe illnesses and very expensive drugs. And again, it's a small portion of your retirees, but there is a way to eliminate all of their costs in that phase.

Marianne

Nina. I also want to mention that under the individual Medicare marketplace model, the premium we see for individual part D drug plans averages about \$41 a month across the country. Now this compares to the average monthly cost of a drug plan in a group setting of about 250 or more dollars a month. At least that's what my research has shown me.

Nina

And in doing my own research, I understand that if you're in an individual Medicare marketplace or exchange model, you can pick either a Medicare advantage plan, which already has a drug and bundled with it. Or if you pick a Medigap plan, then you also have to pick a standalone drug plan either way. It sounds like it's pretty comprehensive coverage, right?

Marianne

That's true. You can get very comprehensive coverage in either model.

Nina

So you said there's a way to eliminate costs to retirees in the catastrophic phase. We please elaborate on.

Marianne

Sure. So what we do at Via Benefits is, we add an additional health reimbursement arrangement. It's a notional account typically funded by the employer with an average of \$50 per retiree per year. That's per year. And that funding amount is so small because few retirees hit this phase. But when the retiree has a claim in the catastrophic phase, the retiree is reimbursed for their full cost by submitting their claim to Via Benefits for reimbursement.

Nina

So let me get this right. It's a very low cost benefit fund and it's funded notionally, meaning that the employer has to come up with the funding only once a claim is filed. And it covers a hundred percent of the retirees drug exposure in the catastrophic phase. That can be pretty significant for a very small percentage of retirees.

Marianne

Yeah, that's right. Nina, it's a really important benefit for retirees who have these very expensive and often life-saving drugs and for a plan sponsor who is concerned about coverage in the drug portion of their healthcare. This really does ease their mind knowing that they could really help those at greatest need.

Nina

Well, that really is a great benefit and provide so much peace of mind. You know, I have a real life experience where my dad had tremendously expensive oncology drug treatments and a benefit like this would have been incredibly helpful. So how would the catastrophic phase be handled in the group Medicare model?

Marianne

Yeah, well, it's generally not as rich in the group Medicare model. We typically see specialty drugs are covered with a co-insurance model, meaning the retiree could pay up to 20 or 30% of that drug. Um, sometimes there's a cap on it. Sometimes there isn't, that means the total drug costs where these retirees who need these life-saving drugs can be really, really expensive.

Nina

That is just tragic. But because if you can't afford these drugs, you may have to forego them entirely

Marianne

Well. That's exactly right, Nina. And if the retiree isn't getting the drugs, um, their medical costs are likely to go up higher. And what is that going to do for your fund? It's going to drive your costs and your trend even higher. So you want people taking the drugs that can keep them out of the hospital.

Nina

This has been such a useful information. Marianne, thank you. I really appreciate it. I wasn't familiar with catastrophic drug coverage, but it makes a whole lot of sense. It really does seem that the individual Medicare marketplace model can provide real savings for both the retiree and plan sponsor.

Marianne

Yeah, that's right. And with my mission to save retiree healthcare, I want to provide plan sponsors with a model that saves them money so they can continue to provide this valuable benefit to their retirees.

Nina

That's our program for today. Thank you so much for listening and please tune in next time to Eye on 65.