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New Research from EBRI:

Repealing PPACA Would Increase Medicare Beneficiaries Prescription Drug Costs, Health Savings Needs

WASHINGTON—New modeling by the nonpartisan Employee Benefit Research Institute (EBRI) finds that Medicare beneficiaries with high levels of prescription drug use would have to save 30–40 percent more than they currently are to pay for higher drug costs if President Obama's health reform law is repealed.

Medicare beneficiaries with median prescription drug costs would not see any change in their savings targets, EBRI's analysis finds.

EBRI takes no position on whether or not the law should be repealed; rather, its analysis is designed to measure which groups would be affected and provide estimates of additional savings needed by those who would be affected if it was.

Repeal of the Patient Protection and Affordable Care Act (PPACA) would mean a return of the so-called "donut hole" coverage gap for Medicare prescription drug coverage (Medicare Part D), which PPACA reduces between now and 2020. The result would increase out-of-pocket costs for the highest prescription drug users and thus the savings needed to cover their health care expenses in retirement.

"Medicare beneficiaries with high outpatient drug use would be most affected by repeal and would need to save an additional roughly 30–40 percent to make up the shortfall," said EBRI's Paul Fronstin, lead author of the report.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), added outpatient prescription drugs as an optional benefit, known as Medicare Part D. Medicare beneficiaries can voluntarily enroll in the program either through stand-alone prescription drug plans or through Medicare Advantage plans. In either case, enrollees are usually required to pay a monthly premium, and there are various levels of cost sharing.

When the Part D program was originally enacted, a controversial feature of the program was the coverage gap, or so-called "donut hole." Part D enrollees paid the entire cost of their prescription drugs in the coverage gap. Starting in 2011, enrollees have a $310 deductible, followed by 25 percent coinsurance on the next $2,530 in expenses. Once enrollees incur $2,840 in expenses, they are responsible for the entire cost of prescription drugs until the catastrophic threshold of $4,550 is reached. An enrollee who reaches the catastrophic threshold would pay $1,710 toward the cost of prescription drugs in the coverage gap. Once the catastrophic threshold is met, the enrollee is responsible for 5 percent coinsurance.

The Patient Protection and Affordable Care Act of 2010 (PPACA) included provisions to reduce the size of the coverage gap. In 2011, enrollees get a 50 percent discount on certain brand-name drugs and a 7 percent discount on generic drugs when in the coverage gap. By 2020, additional subsidies will be phased in so that enrollees will pay 25 percent of the cost of prescription drugs when in the coverage gap whether for generic or brand-name drugs.

The full analysis is published in the August *EBRI Notes,* online at www.ebri.org

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