Medicare Prescription Drug Plan Costs and Affordability—2007

To the Editor:— In February 2007, we published estimated annual costs of Medicare Part D prescription drug plans (PDPs) that were implemented in January 2006.¹ We found substantial variation in such costs across states and within states for identical combinations of medications. We sought to compare the patterns we found in 2006 PDPs—the first year of Medicare Part D—with PDPs newly available for 2007.

Methods: As in our previous work,¹ we compared the estimated annual costs for 4 prototypical patients with combinations of chronic conditions, using the Medicare Part D 2007 drug plan online calculator provided by the Centers for Medicare and Medicaid Services (available at: <http://www.medicare.gov/>). We also generated estimates of affordability with the most recent state data regarding median income for zero-earner households.²

Results: For all 4 patient cases, the mean estimated annual cost of the lowest-cost PDPs across the nation was lower in 2007 than in 2006 (Case 1—\$676 vs \$852; Case 2—\$1,615 vs \$1,878; Case 3—\$1,725 vs \$2,326; Case 4—\$2,218 vs \$8,146). In 2007, the estimated annual costs of lowest-cost PDPs varied across states by a maximum of \$195 for Case 2 and a minimum of \$49 for Case 3; all ranges of variation across states were narrower than in 2006. Importantly, the health plans that were the dominant low-cost options in 2006 were no longer the dominant plans in 2007 for any of the cases.

When taking cost-of-living adjusted median income into account, the mean affordability for lowest-cost PDPs was 2.3% of annual income for Case 1, 5.5% for Case 2, 5.9% for Case 3, and 7.6% for Case 4. Although the mean lowest-cost PDPs were all more affordable in 2007 than in 2006, affordability across states for each case varied at least twofold (Table 1).

Within states, the mean difference between the lowest-cost PDP and highest-cost PDP for the same medications (i.e., fiscal risk of plan selection for beneficiaries) was \$2,457 for Case 1, \$2,769 for Case 2, \$4,525 for Case 3, and \$1,781 for Case 4.

Conclusion: In 2007, the lowest-cost Medicare PDPs for 4 prototypical patients are less expensive and more affordable than in 2006. Affordability of lowest-cost PDPs continues to vary, twofold or more for beneficiaries living in different states. Moreover, differences of thousands of dollars between the lowest-cost and highest-cost PDPs within a given state, and the changing dominance of specific plans as the lowest-cost options, continue to underscore how critical it is for Medicare beneficiaries to reconsider the choice of their PDP for each plan year.

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Table 1. Affordability of Lowest-Cost Medicare PDPs in Each State, for Each Patient Case

State	COLA-MI (\$)	Estimated proportion of COLA-MI for zero-earner households to be spent on lowest-cost PDP			
		Case 1	Case 2	Case 3	Case 4
AL	25,693	0.028	0.062	0.068	0.086
AK	19,780	0.038	0.086	0.088	0.114
AZ	32,784	0.021	0.050	0.052	0.067
AR	29,475	0.024	0.056	0.059	0.075
CA	21,441	0.029	0.073	0.080	0.103
CO	29,163	0.021	0.054	0.058	0.076
CT	29,547	0.023	0.054	0.058	0.075
DE	34,359	0.020	0.048	0.050	0.064
DC	7,333	0.096	0.225	0.236	0.300
FL	33,699	0.019	0.047	0.051	0.066
GA	20,402	0.035	0.081	0.085	0.109
HI	18,245	0.034	0.086	0.093	0.121
ID	32,964	0.021	0.049	0.053	0.068
IL	32,382	0.021	0.048	0.053	0.069
IN	29,748	0.024	0.056	0.059	0.075
IA	32,786	0.019	0.048	0.052	0.068
KS	34,745	0.020	0.048	0.050	0.064
KY	26,397	0.027	0.063	0.066	0.085
LA	23,028	0.030	0.071	0.076	0.098
ME	25,891	0.028	0.064	0.067	0.086
MD	26,917	0.026	0.061	0.064	0.082
MA	16,907	0.039	0.095	0.101	0.131
MI	31,468	0.023	0.053	0.055	0.071
MN	29,694	0.021	0.053	0.058	0.075
MS	21,761	0.033	0.076	0.080	0.103
MO	31,203	0.021	0.051	0.056	0.072
MT	35,356	0.018	0.045	0.049	0.063
NE	31,673	0.020	0.050	0.054	0.070
NV	24,454	0.028	0.066	0.070	0.090
NH	28,363	0.026	0.059	0.061	0.079
NJ	32,826	0.022	0.049	0.052	0.068
NM	24,689	0.026	0.061	0.069	0.089
NY	23,713	0.026	0.067	0.072	0.093
NC	25,702	0.029	0.065	0.068	0.087
ND	32,144	0.020	0.049	0.053	0.069
OH	31,250	0.021	0.051	0.055	0.071
OK	30,953	0.023	0.053	0.057	0.071
OR	32,069	0.020	0.050	0.053	0.069
PA	27,122	0.024	0.059	0.063	0.082
RI	32,593	0.020	0.049	0.052	0.068
SC	28,061	0.026	0.058	0.062	0.077
SD	30,610	0.021	0.051	0.056	0.073
TN	25,616	0.026	0.063	0.068	0.087
TX	21,554	0.030	0.072	0.081	0.103
UT	33,101	0.021	0.049	0.053	0.068
VT	26,218	0.025	0.061	0.065	0.084
VA	27,846	0.026	0.060	0.062	0.078
WA	29,942	0.022	0.054	0.057	0.074
WV	26,161	0.025	0.061	0.065	0.085
WI	29,934	0.022	0.054	0.057	0.074
WY	32,690	0.019	0.048	0.053	0.068
US Mean	29,192	0.023	0.055	0.059	0.076

COLA-MI = Cost-of-living-adjusted median income for zero-earner households
 Affordability = Estimated annual cost of lowest-cost PDP in state for given patient case, divided by COLA-MI in that state

REFERENCES

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