MILLIMAN BRIEF

Medicare beneficiary out-of-pocket cost exposure for Part B drugs and services

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Approximately 97% of Medicare beneficiaries aged 65 and older have some form of coverage that limits or caps the amount of OOP exposure for Part B drugs and services.

Medicare is a health benefits program for people aged 65 and older, people under age 65 with certain disabilities, and people of all ages with end-stage renal disease (ESRD). Medicare beneficiaries have a variety of coverage options from which to choose, and they may also qualify for supplemental programs or plans that cover additional benefits. Depending on the coverage, beneficiary out-of-pocket (OOP) cost exposure for Part B* drugs and services can range from zero for some beneficiaries to unlimited for others.

Expenditures for Part B drugs and services have increased at a faster rate than Part A and Part D expenditures. According to a Kaiser Family Foundation study, Part B expenditures made up 39% ($180 billion) of all Medicare expenditures in 2008 but grew to be 46% ($333 billion) of all Medicare expenditures by 2018.[1] And in 2021, the U.S. Food and Drug Administration (FDA) approved the first physician-administered (i.e., Part B) anti-amyloid therapy to treat patients with mild cognitive impairment or mild dementia stage of Alzheimer's disease (AD). Given the sizable population over age 65 with AD, there has been increased focus and discussion of patient OOP costs exposure for drugs and services covered under Part B. This intent of this paper is to:

- Provide a brief overview of Original Medicare and Medicare Advantage (MA) benefits
- Identify the most common secondary or supplemental Medicare coverages and plan designs, and the estimated Medicare membership, monthly premiums, and Part B OOP cost exposure associated with each coverage type

The focus of this paper is on the Medicare population aged 65 and older; disabled and ESRD Medicare beneficiaries have been excluded because they can have different coverage options and premiums than Medicare beneficiaries aged 65 and older.

Original Medicare and Medicare Advantage

Medicare beneficiaries have a choice between Original Medicare and MA. In 2021, there were approximately 49.8 million beneficiaries aged 65 and older with Medicare Part B coverage. Of these, 54% (26.9 million) had Original Medicare and 46% (22.9 million) had MA.[4,5]

Original Medicare

Original Medicare provides open access to participating providers, and typically has few restrictions on the use of FDA-approved drugs and services.** Under Original Medicare, the beneficiary's cost share for Part B drugs and services is a 20% coinsurance after the Part B deductible ($203 in 2021) has been met.[6] Without supplemental or secondary coverage, beneficiaries are exposed to this coinsurance for Part B drugs and services with no limit on OOP. For this reason, 94% of beneficiaries (25.4 million) who opted for Original Medicare in 2021 had secondary coverage or enrolled in a supplemental plan, which covers some or all the Part B cost sharing. From an analysis of the calendar year (CY) 2020 Medicare 5% Sample Dataset enrollment file, among those aged 65 and older with Medicare, the five states with the highest portion of Original Medicare enrollees were Alaska, Wyoming, Maryland, Vermont, and Delaware.

Medicare Advantage

MA (aka Medicare Part C) plans must cover the same drugs and services as Original Medicare and may include additional benefits, such as dental and vision. Like Original Medicare, most MA plans have a 20% coinsurance for Part B drugs and services.[7,8] Unlike Original Medicare, plans are required to have an annual maximum OOP (MOOP) to limit the enrollee's Part A/B cost sharing. In 2021, the highest MOOP level that could be offered by MA plans for in-network services was $7,550. However, most enrollees opted for plans with lower MOOP levels, with the average MOOP level around $4,900. The average Medicare beneficiary in 2021 had access to 33 MA plans, the largest number of options available in the last decade.[9] Unlike beneficiaries in Original Medicare, those enrolled in MA are not allowed to purchase supplemental coverage. From an analysis of the CY2020 Medicare 5% Sample Dataset enrollment file, among those aged 65 and older with Medicare, the five states with the highest portion of MA enrollees were Minnesota, Michigan, Oregon, Florida, and Wisconsin.

* Medicare Part A and Part B provide coverage for hospital and medical insurance, respectively. Medicare Part D provides prescription drug coverage. Part A/B cost sharing is separate from Part D and the benefits may be managed by separate entities. For the purposes of this paper, the focus is on Medicare Part B.

** On April 7, 2022, CMS released a final ruling, the NCD Monoclonal Antibodies Directed Against Amyloid for the Treatment of Alzheimer's Disease. This was a rare instance of CMS restricting coverage for an FDA-approved Part B drug (Aduhelm).

Monthly premiums

Both Original Medicare and MA beneficiaries pay a monthly Part B premium. A typical beneficiary paid $148.50 per month for Part B in 2021, but the amount can be more or less depending on certain circumstances such as income level.[6,10] The standard Part B premium increased to $170.10 per month in 2022—the highest increase in the program's history. The Centers for Medicare and Medicaid Services (CMS) stated that one of the drivers of the premium increase was the uncertainty regarding the coverage of physician-administered Alzheimer's drugs.[11] In light of the national coverage determination (NCD), Monoclonal Antibodies Directed Against Amyloid for the Treatment of Alzheimer's Disease, the Secretary of the U.S. Department of Health and Human Services (HHS) has instructed CMS to reassess the portion of the increase attributable to physician-administered Alzheimer's drugs.[12]

In addition to the Part B premium, MA enrollees may also be responsible for a monthly premium for their MA plan. However, over half of MA enrollees select plans that do not charge a member premium.[13,14] Premium levels have been decreasing for MA plans over time, with the average at $21 per month in 2021 compared to $36 in 2017.[15]

Summary of beneficiary Part B cost exposure

Medicare beneficiaries aged 65 and older have a variety of plan choices, secondary insurance, or supplemental coverages that can limit or mitigate OOP cost exposure for Part B drugs and services. Figure 1 provides a summary of the common coverages and their associated Medicare population sizes, typical monthly premiums, and Part B OOP cost exposure for 2021. Overall, 97% of Medicare beneficiaries aged 65 and older have some form of coverage that eliminates, limits, or caps the amount of OOP exposure for Part B drugs and services. Forty-four percent of beneficiaries aged 65 and older have $0 OOP or low OOP (e.g., Part B deductible), 27% have a maximum cost exposure of $7,550 annually (with most having a cost exposure between $3,000 and $6,600 annually), and 26% have an employer-sponsored plan that typically has lower member cost sharing than standard plans. Approximately 3% of Medicare beneficiaries aged 65 and older are estimated to be exposed to unlimited OOP costs for Part B drugs and services.

Medicare coverage options (age 65+)

This section describes the most common coverage options and associated population estimates for Medicare beneficiaries aged 65 and older.

Medicaid (Original Medicare and MA): In 2021, an estimated 17% (8.3 million) of age 65+ Medicare beneficiaries were also eligible for full-benefit Medicaid coverage. Among these, 4.9 million have Original Medicare-Medicaid; 0.3 million have MA-Medicaid; 3.1 million have a MA dual-eligible special needs plan (SNP).[4,5,16,17]

FIGURE 1: MEDICARE BENEFICIARY AGE 65+ POPULATION, PART B PREMIUMS AND COST SHARE BY COVERAGE TYPE.

Total Aged 65 and Older Medicare Population With Part A/B Coverage: 49.8M

MEDICARE BENEFICIARY COVERAGES	ESTIMATED POPULATION, AGE 65+ (2021)	TYPICAL MONTHLY PREMIUM (2021)†	PART B OOP COST EXPOSURE (2021 PLAN DESIGNS)
• Medicare + Medicaid • MA dual-SNP	17% (8.3 million)	$0	$0 or copay
Original Medicare + Medigap	21% (10.3 million)	$148.50 plus $143-$236*	• $0-$203 (98% of population) • MOOP of $2,370-$6,220 (2% of population)
Medicare + VA	6% (3.0 million)	$148.50	$0 or copay**
• Original Medicare + employer-sponsored supplement • MA EGWP	26% (13.0 million)	Employer may cover Part B premium or may charge additional premium	Typically lower cost sharing than standard plans
Standard MA plans	27% (13.6 million)	$148.50 plus: • $0 (53% of population) • $10-100 (45% of population) • >$100 (2% of population)	Part B Drug Coinsurance: • 20% (84% of population) • <20% (16% of population) MOOP: • $6,700-7,550 (29% of population) • $3,000-6,600 (62% of population) • <$3,000 (9% of population)
Original Medicare without supplement	3% (1.5 million)	$148.50	20% coinsurance, no OOP limit

Results may not sum to 100% due to rounding. Populations were estimated using multiple publicly available sources, which are noted in each coverage's detailed section below.
† 2021 monthly premiums are representative of beneficiaries earning less than $88,000 per year. Premium includes 2021 Part B premium ($148.50) plus additional coverage premium, if applicable
* Assumes 2021 monthly Part B premium plus the average premium for Plan G at ages 65 and 85.
** Assumes services are received at VA facility

Beneficiaries with both Medicare and Medicaid coverage are known as "dual eligibles." For these beneficiaries, Medicare is the primary payer and Medicaid is the secondary payer for services covered by Medicare. The extent of the assistance may vary depending on the beneficiary's qualifications (e.g., income level).

For full-benefit dual eligibles, Medicaid covers the Part B premium and Part B cost sharing.[18] Additionally, 88% of members in a SNP—a type of MA plan that limits membership to people with specific characteristics or diseases—were dual-eligible enrollees in November 2021.[19]

- Part B cost share: Full-benefit dual-eligible beneficiaries pay $0 or a copay (typically $4 to $8) for Part B drugs and services.[20]
- Premiums: Medicaid covers Part B monthly premiums for full-benefit dual eligibles; no premium is paid for Medicaid coverage.

Medigap plans (Original Medicare only): In 2021, an estimated 21% (10.3 million) of age 65+ Medicare beneficiaries had Original Medicare with a Medigap plan.[4,5]

Medigap (aka Medicare Supplement or MedSupp) plans are offered through private insurance companies and cover all or some of the medical cost sharing that Original Medicare requires. Medigap plans can be purchased to supplement Original Medicare coverage; they cannot be purchased by MA enrollees. When the beneficiary ages into Medicare, Medigap plans are guaranteed issue and can be purchased at a preferred monthly premium rate; premiums can increase over time. With limited exceptions, individuals trying to enroll in or switch between Medigap plans in later years are subject to medical underwriting and may not be issued a policy or may be charged a higher premium if they have certain preexisting conditions.[21] Currently, only 11 states maintain some form of guaranteed issue rights for Medigap plans in the years after a beneficiary first qualifies for Medicare.[22]

- Part B cost share: In 2021, over 90% of enrollees turning age 65 selected Medigap plans G and N, which limits OOP to the Part B deductible ($203).[23] Among all Medigap enrollees in a modernized plan, less than 2% were estimated to be enrolled in a plan with cost sharing after the Part B deductible;[24] these plans ranged from $2,370 to $6,220 maximum OOP in 2021 for Part A/B services.
- Premiums: The beneficiary is responsible for the Part B premium plus a premium for the Medigap policy. Medigap premiums vary by plan, age, gender, geography, tobacco use, and household discount status. Plan G—the most popular plan for those aging into Medicare in 2022[23]—had an average monthly premium of $143 at age 65 and $236 at age 85.[25]

U.S. Department of Veterans Affairs (Original Medicare and MA): In 2021, an estimated 6% (3.0 million) of age 65+ Medicare beneficiaries had Original Medicare or MA and Veterans Affairs (VA) coverage.[†,26]

Veterans who were honorably discharged may be eligible for VA benefits. VA healthcare covers medical services received from a VA facility or provider and those received by non-VA facilities and providers if referred by the VA. In cases where referral by the VA was not made, veterans may be required to pay the full cost of the services unless they have Medicare coverage. For this reason, nearly all Medicare-eligible beneficiaries with VA coverage also enroll in Medicare Part B coverage. Medicare and the VA do not coordinate coverage; either the VA covers the service or Medicare covers the service, depending on the location of service.

- Part B cost share: For drugs and services obtained at a VA facility or referred by the VA, cost share is dependent on priority group and other qualifying criteria. Typically, it is $0 or a copay (e.g., in 2021, there was a $5 to $11 copay for drugs and $15 to $50 copay for outpatient services).[27] Veterans receiving drugs and services from non-VA facilities or providers when not referred for those services are subject to Medicare Part B cost sharing under their Original Medicare or Medicare Advantage coverage.
- Premiums: The beneficiary is responsible for the Part B premium and, if applicable, premiums for other supplemental coverages. No premium is paid for VA coverage.

Employer-sponsored plans (Original Medicare and MA): In 2021, an estimated 26% (13.0 million) of age 65+ Medicare beneficiaries had employer-sponsored coverage. Among these, 8.5 million have Original Medicare with employer-sponsored supplement (ESS) and 4.5 million have a MA Employer Group Waiver Plan (EGWP).[4,5]

Employers or unions can offer health coverage to their retirees through an ESS plan (Original Medicare) or a MA EGWP. Enrollment is not open to the general population. ESS coverage may eliminate or limit the member's Part A/B OOP costs. While most ESS plans have generous benefits, retiree coverage is not subject to many Patient Protection and Affordable Care Act (ACA) requirements, so annual or lifetime limits on benefits could still apply. EGWP plans cover the same drugs and services as MA plans, but employers can add benefits not covered by Medicare and usually lower the OOP costs for beneficiaries.

- Part B cost share: Plans reduce or eliminate cost-sharing exposure to the patient for Part B drugs and services.
- Premiums: The beneficiary is typically responsible for the Part B premium. Premiums and coverage information for ESS and EGWP plans are not publicly available.

[†] Beneficiaries with VA coverage and a Medigap plan were excluded from this estimate because they were included in the Medigap population estimate.

Standard MA plans (MA only): In 2021, an estimated 27% (13.6 million) of age 65+ Medicare beneficiaries had a standard MA plan.[4,5,26]

Medicare beneficiaries can enroll in a MA plan as an alternative to Original Medicare. Standard MA plans are open to the Medicare-eligible population for enrollment, and beneficiaries can switch between MA plans annually without medical underwriting. Plans are required to have an annual MOOP to cap cost sharing on Part A/B drugs and services. Thus, enrollees who meet their MOOPs have no cost sharing for in-network Part A/B-covered services for the remainder of the year.*

In 2021, 29% of members in standard MA plans were enrolled in plans with $6,700-$7,550 annual MOOPs, which are the highest MOOP levels available for in-network services. Sixty-two percent were enrolled in plans with $3,000-$6,600 annual MOOPs, and the remaining 9% were enrolled in plans with annual MOOPs lower than $3,000. Regarding member cost sharing for Part B drugs, 84% were enrolled in plans with a 20% coinsurance; the remaining 16% were enrolled in plans with a copay or cost share lower than 20%.[7,8]

- Part B cost share: Cost sharing is dependent on the selected plan. Most beneficiaries are exposed to a 20% coinsurance for Part B drugs. The maximum annual MOOP for Part A/B cost sharing was $7,550 in 2021.[7,8]
- Premiums: The beneficiary is responsible for the Part B premium, plus a premium for the MA plan, if applicable. In 2021, over half of beneficiaries had no premium for their MA plans; 45% had premiums of $10 to $100 per month, and fewer than 5% had premiums higher than $100 per month.[13,14]

No supplemental coverage (Original Medicare only): In 2021, an estimated 3% (1.5 million) of age 65+ Medicare beneficiaries had Original Medicare with no supplemental or secondary coverage.[4,5,16,17,26]

Beneficiaries with Original Medicare Part B coverage who do not qualify for secondary coverage (like Medicaid) or do not purchase supplemental coverage (like Medigap) are exposed to 20% cost sharing for Part B drugs and services, without a cap or limit on their OOP. If these beneficiaries want to mitigate their OOP exposure after their initial age 65 Medicare enrollment window, they could choose to switch to a MA plan at the next open enrollment (to cap Part A/B cost share with a MOOP), apply for a Medigap policy (but it may not be guaranteed issue), or potentially qualify for Medicaid spend-down.**

- Part B cost share: Beneficiaries pay the Part B deductible, then pay 20% coinsurance with no OOP limit.
- Premiums: The beneficiary is responsible for the Part B premium.

Conclusion

The continued growth of Medicare Part B expenditures and Part B drug approvals has increased the focus on beneficiary OOP cost exposure to Part B drugs and services. Medicare beneficiaries aged 65 and older have a variety of plan choices, secondary insurance, or supplemental coverages that can limit or mitigate OOP cost exposure for Part B drugs and services. Overall, it is estimated that 97% of Medicare beneficiaries aged 65 and older have some form of coverage that eliminates, limits, or caps the amount of OOP exposure in 2021. The remaining estimated 3% of Medicare beneficiaries aged 65 and older have Original Medicare without other supplemental or secondary coverage and are responsible for a 20% coinsurance, without limit, for Part B drugs and services.

* There is typically a separate MOOP if the enrollee goes out-of-network. Part D cost sharing does not contribute to the MOOP.

** Medicaid spend-down is when a beneficiary incurs medical costs greater than their excess income, defined as the difference between the Medicaid income threshold and the beneficiary's income. Medicaid will pay the costs beyond the excess amount. Thresholds and criteria vary by state.

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