

## Mapping the Route: Approaches to Scoring a Government-Run Part D Plan

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Avalere Health LLC | The intersection of business strategy and public policy

## Agenda

- How would CBO approach this complex scoring task?
- What elements need to be in a proposal in order for CBO to score a government-run Part D plan?
- What options do policymakers have in designing a government-run Part D plan?
- How would different options affect the score?

## Background on Side-By-Side Government-Run Part D Plan

### Political Context

- Projected growth in Democrats' political strength likely puts Part D market-oriented structure in play in 2009
  - » Many Democrats wanted side-by-side option from the start of Part D
- Legislation introduced on side-by-side plan in 2007

### Avalere's Work

- Focused on analyzing potential options for a plan and challenges to creating a score
- Avalere has not calculated a score

## CBO Would Need to Assess a Situation Where the Government Plan Sits Side-By-Side With the Private Market

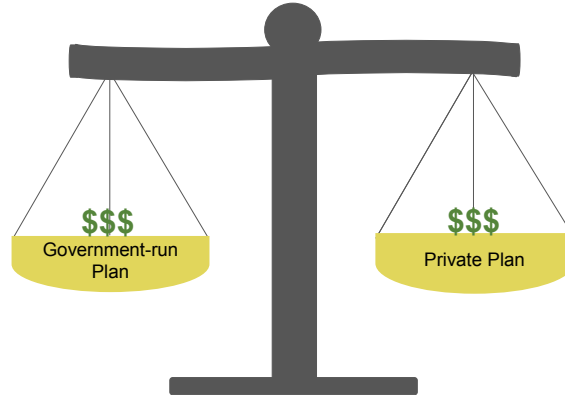
### Analytical Questions

- How does the government-run plan compare to private Part D plans?
- How does the per beneficiary cost compare in a government-run versus privately run Part D plan?
- How much will enrollment shift from private Part D plans to the government-run Part D plan?

### “Hard to Know” Questions

- Are there administrative cost efficiencies to a government-run plan?
- Would a government-run plan have similar incentives to contain costs?
- Can a government-run plan get better drug pricing for similar benefits and access?

## The Ultimate Question for CBO: Would a Gov't-Run Plan Cost the Federal Gov't More or Less than Existing Private Plans?



$$\text{Budget Impact} = \text{Per Capita Cost/Savings in Gov't Plan} \times \text{Number of Beneficiaries Enrolled in Gov't Plan}$$

## CBO Focuses on Those Questions That Directly Affect Cost per Beneficiary and Enrollment

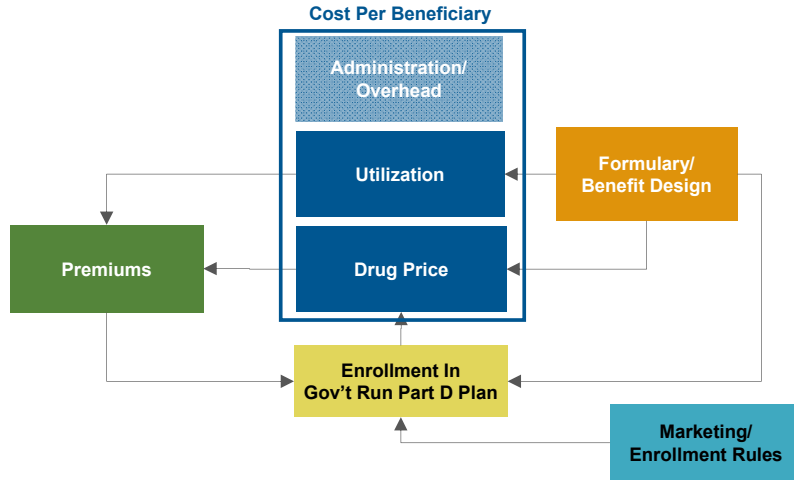
### CBO focuses on...

- How does the formulary and benefit design of the government-run Part D plan compare to private Part D plans?
- How will drug prices be set?
- How will premiums for the government-run Part D plan be established?
- How will enrollment and marketing work?
- How will the entry of the government-run plan affect private Part D plans?

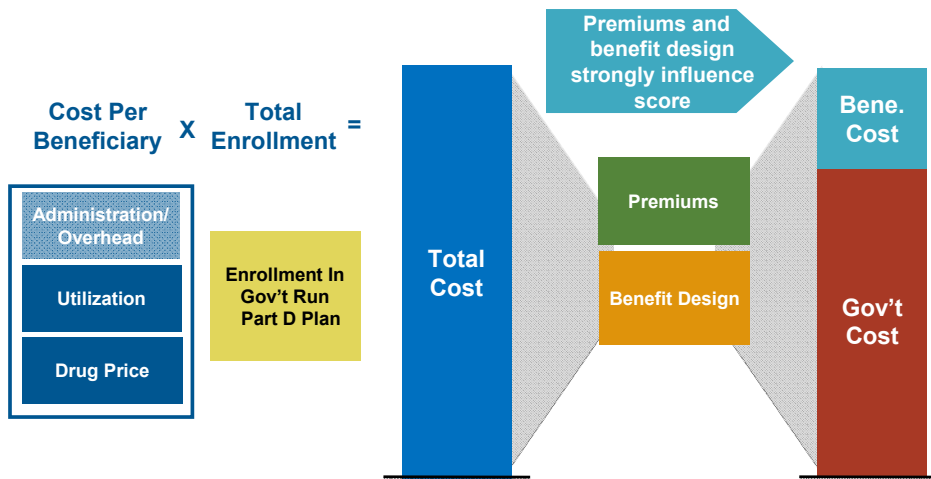
### ...and also considers...

- How will the government-run plan be administered (at-risk or fixed cost contractors)?
- How will quality and consumer protection standards compare?
- What is the effect of government price setting on the overall market?

## Modeling the Total Cost of a Government-Run Part D Plan Involves Analyzing a Set of Interrelated Components



## Cost Is Allocated Between Government and Beneficiaries as a Function of Premiums and Benefit Design Features



## CBO Leaves Legislators to Determine Policy Goals

### Policymakers establish the policy goals and design constraints

- Should the government-run plan offer greater access or enhanced benefits?
  - » Does the government-run plan need to be budget neutral?
- Do you want to offer beneficiaries a government-run plan as a way to simplify decision-making and stability?
- Do you want to maintain private Part D plan participation after the introduction of a government-run Part D plan?
  - » If yes, then need to maintain a level playing field
  - » What does a level playing field mean?

## Elements of the Program and CBO Score Will Reflect Policy Goals of Lawmakers

### Relative Impact on Individual Components and CBO Score

Policy Goal	Change in Formulary	Enrollment	Drug Pricing*	Premium/ Gov't Subsidy	CBO Score
Increase Drug Access	More Generous	↑	↑	↑	↑
Create Gov't Option	Comparable Level of Benefit	↔	↔	↔	↔
Contain Costs	Less Generous	↓	↓	↓	↓

\*Assumes government negotiates prices like private plans

## Conclusions

- Many ways to design a government-run Part D plan
  - » Design dependent on policy goals lawmakers want to accomplish
  - » Some policy goals may conflict
- Congress must clearly articulate their policy goals and mechanisms before CBO can accurately score proposal
- Construction of plan could drastically affect score of program

## For more information

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