



Changes in Health Care Financing & Organization (HCFO)

# findings brief

## key findings

- Even though 81 percent of eligible nursing home residents enrolled in Part D within the first year, they demonstrated no evidence of expanded drug coverage.
- Medicare Part D lowered the out-of-pocket drug costs of nursing home residents by less than the amount in the community setting.
- Nursing home residents who did not enroll in Part D exhibited characteristics of vulnerability: oldest-old, highest disease burden, and no previous drug coverage.
- Disruptions in prescription drug use occurred after implementation of Part D.

## Examining the Impact of Part D on Nursing Home Residents

### Background

The Medicare Part D prescription drug benefit, created as part of the Medicare Modernization Act of 2003, took effect in 2006 and changed the way millions of beneficiaries pay for prescription drugs. Nursing home residents take an average of eight prescription drugs. Before implementation of the Part D drug benefit, Medicaid covered most of nursing home residents' prescription expenses.

As with their counterparts in the community, the nursing home population had the opportunity to select from several enrollment options under Part D. Nursing home residents with dual coverage through Medicare and Medicaid were randomly assigned to a drug plan if they did not select a plan themselves. Nursing home residents without Medicaid coverage could choose from among the more than 1,500 prescription plans nationwide. In many cases, states provided wrap-around policies to address coverage gaps resulting from the exclusion of certain medications or less generous Part D plans.

Becky Briesacher, Ph.D., University of Massachusetts Medical School, and colleagues studied the impact and experiences of nursing home residents transitioning to the Medicare Part D program in 2006. Briesacher and colleagues concentrated on enrollment patterns, changes in out-of-pocket costs, and changes in drug utilization by residents before and after implementation of Part D. They focused on the nursing home population to determine if beneficiaries' experiences in making the transition to Medicare Part D differed from the experiences of community-dwelling beneficiaries in making the same shift.

In related work not described here, Briesacher and colleagues examined variation in prescribing rates for anti-psychotic drugs in nursing homes across the United States, particularly for newly admitted nursing home residents.<sup>1</sup> They also looked in-depth at whether the exclusion of benzodiazepines from the Part D benefit affected fracture risk among nursing home residents.<sup>2</sup>



Robert Wood Johnson Foundation

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### Methodology<sup>3</sup>

The researchers analyzed prescription drug data from a large, long-term care pharmacy that covered more than 2.5 million people living in nearly 16,000 nursing homes in 48 states. The research team analyzed data from January 2005 through December 2006, covering pre- and post-Part D implementation periods in order to track changes in utilization and cost. Data elements at the person-month level included product codes, date of prescription, days' supply, quantity dispensed, payment source, and demographic information. The observed individuals relied on a variety of prescription coverage, including private insurance, Medicare Part D, Medicaid, and no coverage. The analysis excluded short-stay nursing home residents as previous research has shown that these individuals differ greatly from long-stay residents.<sup>4</sup>

The researchers analyzed the entire sample of individuals to explore cost and utilization patterns and conducted additional subgroup analyses based on 2005 status of drug coverage.

### Key Findings

#### Prescription Drug Payment Sources

Before implementation of Medicare Part D, Medicaid paid the largest share of prescription drug coverage in nursing homes, at 39 percent. Medicare A and B covered 19 percent; third-party payments, 17 percent; other sources, 13 percent; and cash, 11 percent of prescription payments. In 2006 after implementation, Medicare Part D became the primary payer of prescription drugs in nursing homes; Part D covered 40 percent of prescription drug costs in nursing homes while Medicaid payments dropped to 12 percent and cash payments to 8 percent.

Nursing home residents with no previous prescription drug coverage in 2005 derived the greatest benefit from Part D. For those individuals, out-of-pocket drug costs decreased from 100 to 34 percent. Overall, nursing home residents who enrolled in

Medicare Part D saw lower out-of-pocket rates, 11 percent in 2005 versus 6 percent in 2006. Those who did not enroll in Part D saw virtually no change in their out-of-pocket drug costs, 23 percent in 2005 versus 22 percent in 2006.

#### Enrollment Rates

By February 2006, at the outset of the Part D program, 73 percent of nursing home residents had enrolled in the program.

By December 2006, enrollment rates had climbed to 81 percent. The proportion of nursing home residents without any type of drug coverage dropped from 6 to 3 percent. Nursing home residents who did not enroll in a Part D plan tended to be more vulnerable than their community-based counterparts; they were more likely to be male and older and have a higher co-morbidity burden and greater likelihood of private or no insurance coverage. In the community, those beneficiaries who chose not to enroll generally tended to be the healthiest.<sup>5</sup>

#### Prescription Drug Use

Prescription drug use in nursing homes decreased by half a prescription after implementation of Part D and did not return to pre-Part D levels until December 2006. By comparison, community-dwelling beneficiaries saw an increase in average prescription use with implementation of Part D.<sup>6</sup>

#### Policy Implications

One of the goals of a Medicare prescription drug benefit was to improve access to prescription drugs among beneficiaries. For nursing home residents, the experience was mixed. They had a modest reduction in out-of-pocket drug costs, when compared with beneficiaries in a community setting who experienced 9 to 13 percent relative out-of-pocket savings. The researchers point out that the disparity could be attributable to the high proportion of nursing home residents with Medicaid drug coverage before 2006, which required minimal or no cost sharing.

Nursing home residents with no prescription coverage before enactment of Part D received the greatest benefit from the program in terms of costs, although the number of residents without coverage remained the same. In the community, the number of individuals without coverage dropped from 30 to 10 percent. The researchers note that temporary drug assistance programs could have masked expansion results for the nursing home population.

Despite a disruption in drug utilization in the early period of Part D implementation, the disruption was temporary for nursing home residents. Community-dwelling beneficiaries saw a slight increase in drug utilization.

After implementation of Part D, Medicare succeeded Medicaid as the primary payer of prescription drugs for nursing home residents. Nonetheless, Medicaid programs continued paying 12 percent of drug costs in 2006, representing a significant gap in the coverage available through Part D plans and reflecting the limitations in wrap-around policies.

### Conclusion

The Medicare Part D prescription drug program has succeeded in expanding coverage and lowering out-of-pocket costs for older adults living in the community. Nursing home residents, however, have achieved far more modest gains. Drug coverage did not increase in the nursing home setting, although out-of-pocket costs did decrease for nursing home residents; yet the savings were less than those achieved by community-dwelling beneficiaries. In addition, prescription use decreased in nursing homes after implementation of Part D, and many of the most vulnerable residents of nursing homes did not enroll in the program. The results of the study illustrate the differences between implementing a prescription drug program in the community versus in a nursing home setting, where beneficiaries have unique needs and characteristics. Focusing on the particular needs of nursing home residents may help leverage improved implementation of Medicare Part D policies in the future.

## About the Author

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## Endnotes

- 1 Results may be found in Chen Y. et al. "Unexplained Variation across U.S. Nursing Homes in Antipsychotic Prescribing Rates," *Archives of Internal Medicine*, Vol. 170, No. 1, January 11, 2010, pp. 89-95.
- 2 Results may be found in Briesacher B. et al. "Medicare Part D's Exclusion of Benzodiazepines and Fracture Risk in Nursing Homes," *Archives of Internal Medicine*, Vol. 170, No. 8, April 26, 2010, pp. 693-8.
- 3 Briesacher B. et al. "Nursing Home Residents and Enrollment in Medicare Part D," *Journal of the American Geriatrics Society*, Vol. 57, No. 10, October 2009, pp. 1902-7.
- 4 Doshi J. et al. "National Estimates of Medication Use In Nursing Homes: Findings from the 1997 Medicare Current Beneficiaries Survey and the 1996 Medical Expenditure Survey," *Journal of the American Geriatrics Society*, Vol. 53, No. 3, March 2005, pp. 438-43.
- 5 Neuman P. et al. "Medicare Prescription Drug Benefit Progress Report: Findings from a 2006 National Survey of Seniors," *Health Affairs*, Vol. 26, No. 5, September/October 2007, pp. w630-w43.
- 6 Yin W. et al. "The Effect of the Medicare Part D Prescription Benefit on Drug Utilization and Expenditures," *Annals of Internal Medicine*, Vol. 148, No. 3, February 5, 2008, pp. 169-77.
- 7 Ibid.