

# THE IMPACT OF A MEDICARE PART D ANNUAL PRESCRIPTION DRUG CAP ON CHARITABLE PATIENT ASSISTANCE

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*Note: This report is designed to comply with OIG Advisory Opinion 07-18. No recipient of this report may use the information in it to perform any correlation for a pharmaceutical manufacturer donor between the amount or frequency of a pharmaceutical manufacturer's donations and the number of patients that use the manufacturer's products or the amount or frequency of use of its products.*

## Executive summary

This analysis, conducted by the PAN Foundation, examines the impact that a Medicare Part D out-of-pocket prescription drug cap would have on patient spending across our disease funds. We also selected four disease areas to illustrate how a Part D cap would affect funds with different assistance amounts, funding levels, and patient needs.

Our analysis resulted in several findings:

- The national need for patient assistance would remain high even with a Part D cap.
- Many of PAN's disease funds with insufficient funding and high patient need would require sustained or increased donor contributions to help Medicare beneficiaries with their out-of-pocket costs.
- PAN could use any savings as a result of the Part D cap to increase the number of grants offered and serve patients with the most significant economic need.

Overall, the national need for charitable assistance would remain above what the PAN Foundation—or any of the independent charitable patient assistance organizations combined—could provide to patients with life-threatening, chronic, and serious illnesses. An annual limit on prescription drug costs in the Medicare Part D benefit is an important step forward but is unlikely to resolve larger challenges of patient access and affordability.

## Background on the Part D cap

Although Medicare Part D is an essential healthcare benefit program—providing prescription drug coverage to 46 million older adults and people with disabilities—beneficiaries with serious and complex illnesses increasingly pay thousands of dollars out of pocket for their prescription drugs annually. Unlike every other insured group, there is no cost-sharing limit for patients in the Part D benefit design.

The PAN Foundation has long advocated for a cap on out-of-pocket prescription drug costs in the Medicare Part D program to increase healthcare access for economically vulnerable beneficiaries. Bipartisan support has emerged in Congress to address high out-of-pocket costs through multiple strategies, including placing an annual cap on out-of-pocket costs in Medicare Part D.

Various proposals from the 116th Congress included an annual cap on out-of-pocket costs for Medicare Part D beneficiaries: H.R.3, the Elijah E. Cummings Lower Drug Costs Now Act, recommended a \$2,000 annual cap. S. 2543, the Prescription Drug Pricing Reduction Act of 2019, recommended a cap of \$3,100, as did H.R. 19/S.3129, the Lower Costs, More Cures Act. Both H.R.3 and H.R.19 have been re-introduced in the 117th Congress, with the same caps included.

## Impact of a Part D cap on healthcare access and affordability

While a limit on annual out-of-pocket costs would help thousands of Medicare beneficiaries, millions of people enrolled in the Medicare Part D benefit—especially individuals with fixed incomes and limited savings—will still face financial obstacles to start and stay on treatment. Growing economic insecurity, the increased incidence of chronic illnesses, and rising out-of-pocket healthcare costs are all realities for older adults who rely on charitable assistance.

### Growing economic insecurity

Even before the pandemic, economic insecurity was growing at the fastest rate among older adults. According to the [National Council on Aging](#), over 25 million adults over 60 are economically insecure. More than half of the individuals who receive grants from the PAN Foundation each year have annual incomes of less than \$25,000 for a single person. For these individuals, spending \$2,000 annually for prescription drugs is not feasible considering their limited incomes and the costs of necessities, including housing, groceries, transportation, and other healthcare needs.

Although a cap is a step in the right direction, it will not fully resolve treatment access issues for those already struggling to afford their medications and other life essentials.

### Increasing rate of chronic illnesses

Not only is economic insecurity most pronounced among older adults, but they are also the group most likely to have multiple chronic illnesses that require prescription medications. [The National Council on Aging](#) estimates that 80 percent of older adults have at least one chronic disease and 77 percent have at least two. Chronic diseases are the leading cause of death and disability and are a leading factor in the \$3.8 trillion spent annually on healthcare in the U.S. For patients with limited incomes and multiple conditions, charitable assistance will remain essential to their ability to start and stay on treatment and reduce preventable healthcare spending.

### Rising out-of-pocket healthcare costs

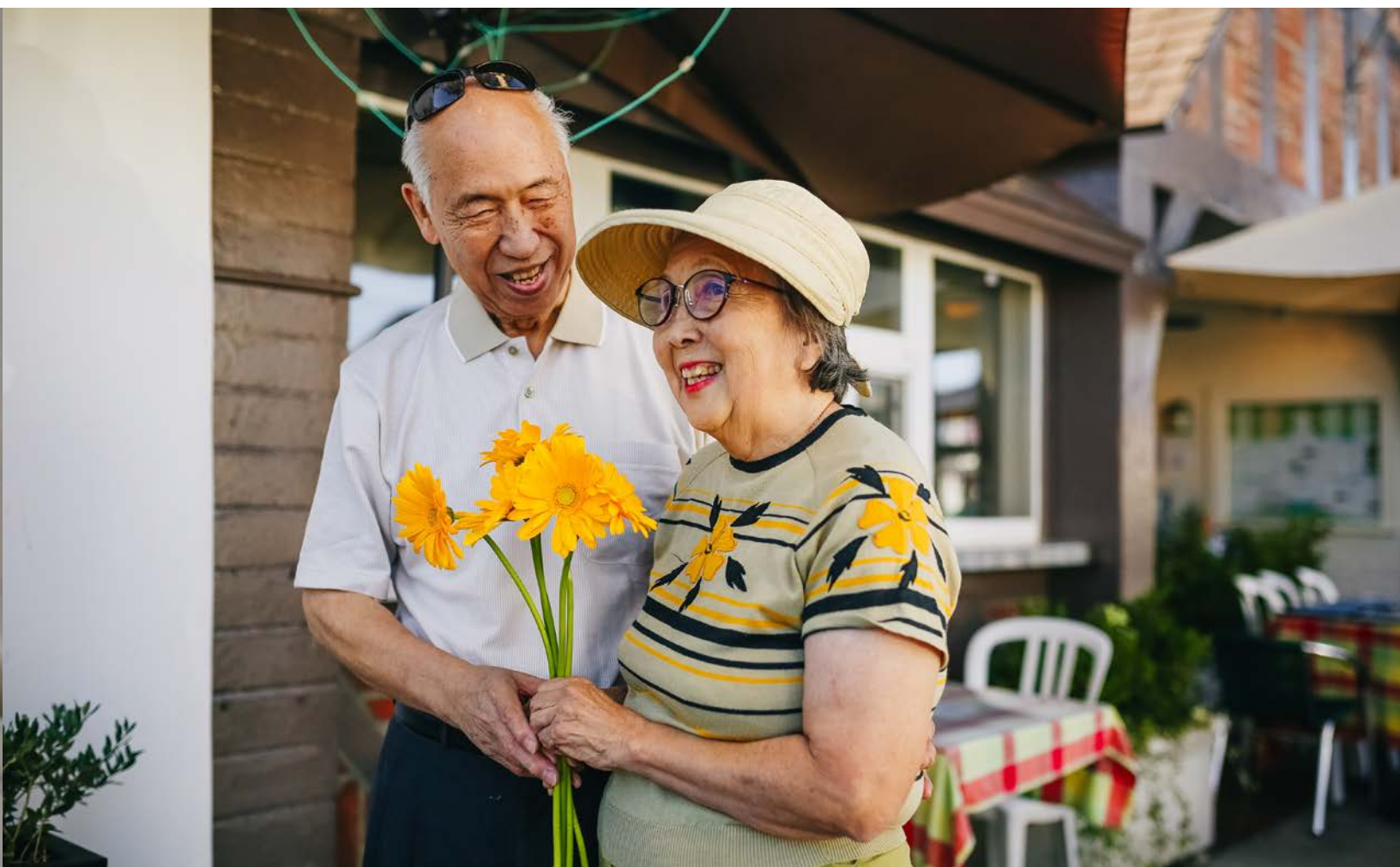
Total out-of-pocket healthcare costs will remain a concern for patients without further systemic policy and regulatory change. Older adults face cost-sharing for many healthcare services beyond prescription medications, including physician visits, hospitalizations, medical supplies, and dental, vision, and hearing-related care. Without charitable assistance, many patients make difficult tradeoffs between paying for essential healthcare services, prescription medications, and other life necessities.

In addition, ample research shows that the level of out-of-pocket costs increases the rate of treatment abandonment. Most recently, the [National Bureau of Economic Research](#) found that even relatively small out-of-pocket costs in Medicare Part D deter patients from filling high value prescriptions and result in increased mortality.



## **There is a significant unmet need for patient assistance**

With growing economic insecurity, rising healthcare costs, and an increasing rate of complex chronic illnesses, the true patient need for financial assistance exceeds what the PAN Foundation annually provides. In 2020, we provided financial assistance to over 170,000 people to help with their out-of-pocket treatment costs. However, given the size of our disease fund wait lists, the steady stream of inquiries that we receive from patients, caregivers, healthcare providers, and pharmacies, and the rapid growth of our FundFinder app to locate patient assistance, we can see that the national unmet need for financial assistance is tremendous.



# Key findings: impact to PAN's disease funds

We modeled the scenarios of the two proposed annual cap levels to understand the impact to Part D prescription drug spending within PAN's disease funds. Our analysis uses data from the most recent year with complete information available to PAN at the time of publication. In addition, our formularies are comprehensive and include all prescription medications that are covered by both Medicare Part B and D.

It's important to note that our analysis is limited in the respect that it is based on funding levels that did not meet the full scope of patient need. While our findings demonstrate broader trends, the biggest takeaway is that the need for charitable assistance remains high.

## 1. PAN could increase the number of grants offered and patients served at current annual funding levels

In the scenarios of a \$2,000 or \$3,100 cap and current funding levels, PAN would save between \$157 to \$209 million across its disease funds. These savings could be reallocated toward a significant number of new grants for those most in need, helping between 32,000 to 43,000 additional patients.

Annual Part D cap scenario	Savings in total grant spending (all funds)	Number of new patients PAN could help*
\$2,000	\$209 million	43,000 additional patients
\$3,100	\$157 million	32,000 additional patients

*\*Based on grants awarded during the most recent year for which complete data is available to PAN and an average assistance amount across all funds of \$4,854. Number of new patients PAN could help is an approximation.*

## 2. PAN could serve more patients with the greatest need

A limit on out-of-pocket spending may reduce the need for charitable assistance from individuals with higher levels of economic stability. With sustained funding levels, PAN could serve patients experiencing greater economic distress, who will continue to struggle to afford their out-of-pocket costs.

More than half of patients who receive grants from PAN today have annual incomes of less than \$25,000. These patients—and thousands like them—will still need financial assistance to start and stay on treatment even with the implementation of a Medicare Part D cap.

### 3. Disease funds are already underfunded—and a Medicare Part D cap would not decrease patient need.

PAN’s disease funds do not always have available funding for patients. Although the rate of funding availability varied across programs—some funds were available year-round while others were not—overall, PAN met just over one-third of projected patient need for financial assistance in the year analyzed. In addition, PAN maintains a wait list for every closed fund. In many cases, there are no other charitable patient assistance foundations or manufacturer programs available to the individuals who have signed up for the wait list.

Although a Medicare Part D cap would lead to a reduction in grant spending in many disease funds, these savings would be integral to providing urgently needed financial assistance.

For example, disease fund C, representing a common type of cancer, would see annual savings of \$5 to \$8 million with a Part D cap. However, the fund was only available for a portion of the year and maintained a list of patients waiting for assistance. This is a disease area with significant need for support with out-of-pocket treatment costs. At its current funding levels, PAN would be able to help over 1,400 additional patients struggling to afford the costs of treatment for disease C, even if a Medicare Part D cap were implemented.

### 4. Some disease funds would be minimally impacted by a Medicare Part D cap.

Based on our data, approximately 24,000 patients who received assistance from one of 13 disease funds with assistance amounts at or below \$2,000 would see little to no change to their out-of-pocket costs with the implementation of a cap.

In the scenario of a \$3,100 cap, approximately 30,000 patients receiving assistance from one of 20 disease funds at PAN would see little to no reduction in their need for out-of-pocket cost support, still requiring the same level of financial assistance for their treatment.

<b>Annual Part D cap scenario</b>	<b>Disease funds with minimal to no impact in grant spending</b>	<b>Approximate number of patients who would see minimal to no impact in their out-of-pocket costs</b>
<b>\$2,000</b>	13 funds	24,000
<b>\$3,100</b>	20 funds	30,000

**5. Disease funds with assistance available year-round would still require sustained funding.**

Even funds that were available throughout the year will require sustained charitable contributions when patient need remains high.

For example, disease fund B had assistance available year-round. In either cap scenario, average spending per patient in disease fund B would decrease. PAN could reallocate the savings to create up to 6,100 additional grants for patients with that disease who will continue to struggle to afford their out-of-pocket treatment costs.

With approximately 21,000 people diagnosed with disease B each year who need lifelong treatment, the continued need for assistance remains high.





# Disease fund case studies

These four case studies look at grants awarded and claims data considering the proposed Part D annual caps. We selected the following disease funds because they illustrate several scenarios:

- 1. The PAN assistance amount is above the proposed cap.
- 2. The PAN assistance amount falls below the proposed cap.
- 3. The fund was open almost all year.
- 4. The fund was closed for a significant portion of the year.

## Disease A

### ASSISTANCE AMOUNT FALLS BELOW THE CAP

Disease A is a common chronic illness with a significant patient need for assistance with out-of-pocket medication costs. Tens of millions of Americans have been diagnosed with this disease. The need for financial assistance is unlikely to decrease with a Medicare Part D cap.

The PAN Foundation disease A fund helped about 10,000 patients in the year reviewed and was open for enrollments approximately 40 percent of the year.

Although the current assistance amount is below the projected cap, many patients enroll in a second grant the same year to help pay for their out-of-pocket medications. With a \$2,000 cap, patients would require less on average in assistance, which would lead to PAN helping an approximately 220 additional people. At the \$3,100 cap level, there would be almost no savings impact. In other words, the need for this disease fund will remain unchanged.

### Fund overview

Total patients served: approximately 10,000

Approximate percentage of year the fund was open at PAN: 40%

#### \$2,000 cap

Annual savings (amount spent above cap)	\$314,173
Approximate number of additional patients PAN can help	220

#### \$3,100 cap

Annual savings (amount spent above cap)	\$10,774
Approximate number of additional patients PAN can help	10

## Disease B

### ASSISTANCE AMOUNT IS ABOVE THE CAP; FUNDS OPEN ALL YEAR

Disease B is a common type of cancer. Over 20,000 patients in the United States will be diagnosed annually with this cancer and require long-term treatment.

The fund for disease B was open throughout the year reviewed and served over 12,000 patients. Although PAN stands to save significant grant dollars, these savings could translate into serving approximately 6,100 additional patients.

The continued patient need for assistance with disease B costs would remain significant due to its high incidence rate and long-term treatment requirements.

#### Fund overview

Total patients served: Over 12,000

Approximate percentage of year the fund was open at PAN: 100%

#### **\$2,000 cap**

Annual savings (amount spent above cap)	\$53,428,229
Approximate number of additional patients PAN can help	6,100

#### **\$3,100 cap**

Annual savings (amount spent above cap)	\$44,371,945
Approximate number of additional patients PAN can help	5,100

## Disease C

### ASSISTANCE AMOUNT IS ABOVE THE CAP; FUND CLOSED SIGNIFICANT PORTION OF THE YEAR

A leading medical association estimates that more than 250,000 new cases of disease C, a type of cancer, will be diagnosed this year.

Disease C was open for enrollment approximately 20 percent of the analyzed year and funding was allocated quickly due to the significant patient need. Although PAN would annually see savings of \$5 to \$8 million with a Part D cap, disease C needs significantly more charitable contributions to meet the true patient need for financial assistance with their out-of-pocket treatment costs.

#### Fund overview

Total patients served: Over 4,500

Approximate percentage of the year the fund was open at PAN: 20%

#### \$2,000 cap

Annual savings (amount spent above cap)	\$8,001,591
Approximate number of additional patients PAN can help	1,500

#### \$3,100 cap

Annual savings (amount spent above cap)	\$5,624,980
Approximate number of additional patients PAN can help	1,000



## Disease D

### ASSISTANCE AMOUNT IS ABOVE THE CAP; FUND OPEN MOST OF THE YEAR

Just under one million people in the United States were living with this disease in 2020, a figure that is predicted to rise. PAN sees a consistent need for financial assistance with treatment costs for disease D, with approximately 60,000 Americans newly diagnosed each year.

Funding was available for disease D for approximately 75 percent of the year analyzed. PAN was able to help over 6,000 patients, but the true patient need is greater. PAN could use the savings from the Part D cap to help approximately 1,300 additional patients struggling with treatment costs of disease D. Like other disease states with large patient need, additional funding would be required to match the patient population's need for financial assistance with treatment costs.

#### Fund overview

Total patients served: Over 6,000

Approximate percentage of year the fund was open at PAN: 75%

#### \$2,000 cap

Annual savings (amount spent above cap)	\$4,258,162
Approximate number of additional patients PAN can help	1,300

#### \$3,100 cap

Annual savings (amount spent above cap)	\$2,218,699
Approximate number of additional patients PAN can help	700



## Conclusion

Even with a Medicare Part D cap, out-of-pocket patient spending would remain higher than what millions of Medicare beneficiaries can afford. Ultimately, a Part D cap is just one of the many systemic policy strategies needed to address healthcare access challenges for Medicare beneficiaries. Until treatment is affordable and accessible to even the most vulnerable of our nation's older adults and people with disabilities, charitable assistance foundations will remain a vital part of the safety net.

## About the PAN Foundation

The PAN Foundation is an independent, national 501 (c)(3) organization dedicated to helping federally and commercially insured people living with life-threatening, chronic, and rare diseases with the out-of-pocket costs for their prescribed medications.

Since 2004, we have provided nearly 1 million underinsured patients with \$4 billion in financial assistance. Partnering with generous donors, healthcare providers and pharmacies, we provide the underinsured population access to the healthcare treatments they need to best manage their conditions and focus on improving their quality of life. Learn more at [panfoundation.org](http://panfoundation.org).

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