Part D Benefit May Facilitate Formulary Appeals

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WASHINGTON — Patients may find it easier to appeal denials of payment for medications under Medicare's new Part D prescription drug benefit than they do under other health programs, an analyst said during a meeting of the Medicare Payment Advisory Commission.

Specifically, the new benefit offers quicker alternatives to getting formulary exceptions for nonpreferred drugs than private plans or Medicaid, Joan Sokolovsky, Ph.D., a MedPAC senior analyst indicated. The new prescription drug benefit, a part of the Medicare Modernization Act of 2003, goes into effect in January.

MedPAC analysts reviewed the appeals processes in several private plans and in Medicaid to see how they compare with the upcoming Part D prescription drug benefit. The commission queried a number of stakeholders in these markets, including physicians, pharmacists, consumer advocates, health plan representatives, and pharmacy benefit manager representatives.

Shorter, expedited time frames and the ability to appeal copays, however, could lead to an increased volume of appeals, and possibly higher premiums.

While Medicare's regulations on appeals generally support the processes of Medicaid and private health plans, MedPAC did find some fundamental differences, Dr. Sokolovsky said.

More situations are considered "coverage determinations" under the Part D benefit and may be appealed, she said. For example, Medicare beneficiaries will be able to appeal an increased copayment if they are prescribed a nonpreferred drug as opposed to a preferred drug. Dr. Sokolovsky said that private plans reported having little experience with this kind of adjustment.

The time frame for handling exception requests is also shorter under Part D, Dr. Sokolovsky continued. "If under an urgent request for an exception, a [Medicare Part D] plan must handle these determinations within 24 hours. That's typically faster than required for most [private insurers] now."

Shorter, expedited time frames and the ability to appeal copays, however, may lead to an increased volume of appeals, and possibly higher premiums, she said.

To minimize appeals, Medicare Part D plans may put fewer restrictions on separate, tiered cost sharing on nonpreferred drugs. "Good communication is important to prevent an excessive increase in appeals," she said.

In some cases, physicians under Part D must get prior approval or authorization before nonpreferred drugs are covered.

From its interviews with stakeholders, MedPAC learned that prior authorization often creates burdens for both beneficiaries and providers in commercial and Medicaid plans.

Prior authorization should ideally take place before the prescription is written—but often doesn't, Dr. Sokolovsky said.

"Physicians frequently don't know what the drugs are on their patients' formularies, or which ones require prior authorization." Patients often become aware of the need for prior authorization when the pharmacist tries to process the prescription and gets a notice that the drug is not covered, but lists other drugs that would be covered.

Private health plans tend to keep detailed information on the disposition of exception requests; however, some information never comes back to a plan, she said. For example, the private plans MedPAC surveyed didn't seem to know how often a beneficiary paid out of pocket for a drug when the drug was not covered, how often pharmacists contact physicians or the plan member when a drug isn't covered, or if the physician even had time to respond to the situation.

One physician who MedPAC analysts surveyed reported that his practice spends several hours a day trying to resolve prior authorization matters.

Private plans have tried to minimize this burden by educating their members and physicians about their formularies.

"Some plans deal with the burden by simply placing fewer drugs on prior authorization," she said. ■