Drug plans non-compliant with Medicare regulations in six therapeutic classes

Prescription drug plans, on average, cover 83% of drugs required by CMS

- Ninety-one percent of all Medicare beneficiaries receive pharmaceutical care insurance.
- Formularies, on average, include 83% of drugs that CMS requires for six therapeutic categories.
- Some drug plans do not comply with CMS’s rule that requires they pay for 75% of the costs of drugs in the six therapeutic categories, between the deductible and the initial coverage limit.
- Medicare beneficiaries spend an average of $15-$35 per 30-day prescription.
- Fifteen percent of the drugs studied required authorization prior to dispensing, including drugs in categories in which the use of prior authorization is not sanctioned.

The United States Centers for Medicare and Medicaid Services (CMS) requires that pharmaceutical insurance plans pay 75% of the costs of “all or substantially all” drugs in six therapeutic categories deemed medically necessary for Medicare beneficiaries. In addition, CMS limits the use of certain conditions of reimbursement for drugs in these categories. However, a Tufts CSDD study of 206 drugs in the six categories shows that drug plans are not complying with the CMS regulations, as formularies, on average, include 83% of the 206 drugs, while imposing conditions of reimbursement on 18% of the 206 total.

These formulary restrictions could impair access to medically necessary pharmaceuticals. Rectifying non-compliance, however, comes at a price. More stringent laws requiring coverage of each and every drug in these six categories will mean higher costs for Medicare beneficiaries. CMS must weigh the advantages and disadvantages of regulations concerning coverage and conditions of reimbursement: the more CMS mandates, the less leverage plans have to negotiate favorable drug prices.

This Tufts CSDD Impact Report summarizes the first analysis of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 with respect to regulations requiring coverage of pharmaceuticals across the six therapeutic categories CMS designated as medically necessary.