Study examines cost-effectiveness of medicare drug plans in schizophrenia and bipolar disorder

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A new study published online today in the *American Journal of Managed Care* found that in Medicare Part D, generic drug coverage was cost-saving compared to no coverage in bipolar disorder and schizophrenia, while also improving health outcomes. Researchers from the University of Pittsburgh School of Medicine, the Pitt Graduate School of Public Health, and Western Psychiatric Institute and Clinic of UPMC note that policymakers and insurers should consider generic-only coverage, rather than no gap coverage, to both conserve health care resources and improve health.

Medicare Part D offers prescription drug coverage for Medicare beneficiaries and since the program's inception in 2006, many enrollees have benefited from improved drug coverage and increased medication use. However, a major concern is the large coverage gap in the standard Part D design, where beneficiaries pay 100 percent of medication costs out-of-pocket. About one-third of all Medicare beneficiaries enter this coverage gap each year, and once there, they often reduce medication use, which may lead to increases in hospitalization and medical spending.

"This coverage gap is an even larger concern for Medicare beneficiaries with severe mental disorders such as bipolar and schizophrenia," said Kenneth J. Smith, M.D., M.S., associate professor of medicine and clinical and translational science at the University of Pittsburgh, and lead

author of the study. "Our cost-effectiveness analysis of Part D plans is an unconventional yet instructive way to inform managed care decision-making."

Added concerns for mental health patients include:

- Mental health patients are much more likely to enter the "gap:" 62 percent of Medicare beneficiaries with bipolar disorder and 56 percent of those with schizophrenia entered the gap in 2007.
- If they discontinue psychotropic medications, they may relapse to more severe episodes and require psychiatric hospitalization.
- They experience high rates of comorbid chronic physical conditions such as heart disease and diabetes, which can be exacerbated by untreated mental illness and increase morbidity, medical spending and mortality.

The standard Part D benefit in 2007 included four phases: (1) an initial $265 deductible; (2) a period in which beneficiaries paid 25 percent of drug costs between $265 and $2,400; (3) a coverage gap in which they paid 100 percent of costs between $2,401 and $3,850, where they reached their total out-of-pocket spending catastrophic limit; and (4) a catastrophic coverage period where they paid 5 percent of costs.

Although the standard Part D benefit includes these four phases, some companies offering Part D drug plans modified the design and offered either "actuarially equivalent" or enhanced plans. In 2007, for example, 72 percent of stand-alone Part D plans had the standard coverage gap, 27 percent offered coverage for generic drugs used in the gap, and fewer than 1 percent offered coverage for both brand-name and generic drugs.

"Our objective was to examine differences in health outcomes and costs between coverage groups in patients with bipolar disorder and

schizophrenia," added Smith. "We were most interested in differences between the no-gap and generic coverage groups because policies governing the plans' availability and affordability could affect health costs and outcomes for beneficiaries entering the coverage gap."

Of the more than 180,000 patients with bipolar disorder and schizophrenia that were evaluated, 14.6 percent had no gap coverage, and 7.1 percent had generic coverage. The remainder had low-income subsidies with more generous coverage, and therefore, were not strictly comparable to the other two groups. When comparing the no-gap coverage and generic gap coverage groups, patients with generic coverage had better health outcomes and reduced total medical costs as follows:

- In disabled recipients with bipolar disorder and no coverage, costs were $570 per person more than generic coverage ($25,090 annually for no gap coverage compared to $24,520 for generic coverage)
- In an aged recipient with bipolar disorder and no coverage, costs were $563 more per year than generic coverage
- In a disabled recipient with schizophrenia and no coverage, costs were $1,312 more per year than generic coverage
- In an aged recipient with schizophrenia and no coverage, costs were $1,289 more per year than generic coverage

Costs were lower with generic coverage due to fewer hospitalizations when this coverage was in place. The authors conclude that generic coverage in the gap is cost-saving compared with no-gap coverage (the standard part D design) and improves health outcomes.

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