Main points

- Results from BLS work on CNSTAT: *At What Price?* recommendation
  - using MEDSTAT data and episode methodology
- CPI methodology for pricing prescription drugs
  - the treatment of brands and generics
- CPI plans for incorporating Medicare D
- Our next steps
Recommendations from CNSTAT report “At What Price?”

- Recommendation 6.1: Create an experimental index using the price changes of selected diagnoses.
  - “BLS should select about 15 to 40 diagnoses from the ICD (International Classification of Diseases), chosen randomly in proportion to their medical treatment expenditures and use information from retrospective claims databases to identify and quantify the inputs used in their treatment and to estimate their cost.”
Disease-Based Price Indexes

Data –
- MEDSTAT claims data for
- Three cities: New York, Boston, Philadelphia

Project Results –
- No significant difference between:
  - BLS Medical Care Price Index and Disease based price index.
- Large price indexes variances due to large variances in both
  - Prices
  - Utilization
Results of MEDSTAT/Episode methodology
Philadelphia – Medical care

- Episode - Large sample
- Episode - small sample
- CPI
### Results from MEDSTATS Report

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<th>Small Sample Size: Replication</th>
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Unresolved Issues for Using Insurance Claims Data and Episode methodology

- We agree with Ana’s concerns with episode-based indexes based on PHARMetrics data:
  - Are the PHARMetrics data representative for patients covered with Commercial insurance?
  - Is there a right-censoring problem in forming episodes?
  - How should we handle records that can’t be grouped into episodes?
  - Do different groupers yield similar indexes?

- Our additional concerns
  - Diagnostic errors
  - Time lags and uncompleted claims
  - Multiple conditions for a patient
  - The uninsured are different
CPI Prescription Drugs - How CPI includes drugs in the sample

- Price both Rx drugs and Rx medical supplies
  - Mostly Rx drugs
- Quote characteristics for Rx drugs
  - Brand name, active ingredient, form, strength, quantity, NDC (National Drug Code), transaction price, and type of payer
  - Collected price – total amount received by the pharmacy (similar to Ana’s allowed price)
- Type of payer
  - Self-pay (cash) – total price (90% of sample)
  - Type of insurance
  - Medicare – up until now didn’t really reimburse for retail prescriptions
Allowed and total charges show similar growth rates.

BLS/MEDSTAT study showed similar results - Cash (total) prices have increased slightly more than prices using contingent claims data (allowed).
Treatment of generic drugs and Rx to over-the-counter (OTC) switches

PHARMetrics only covers the insured population and OTC switches drop out of sample.

- CAGR, 2001-2003
  - NDC: 6.0
  - Molecule: 4.7
  - BLS: 4.0
  - BLS (w/o OTC): 4.7
CPI for Brand and Generic drugs, Dec 2001 to Dec 2003

Percent change
Generic 10.2
Brand -3.2

25% of sample are generic drugs (and 9% of weighted sample using prices as weights)

Less than 5% of the drug sample are drugs for which we price both the Brand and Generic forms
Treatment of Insurance Coverage by BLS

Example: Uninsured seniors switch to Medicare Part D coverage in January 2006 and begin to pay lower prices

- As seniors switch, nominal expenditures fall
  - Uninsured seniors who switch to Medicare Part D will pay lower out-of-pocket prices, the effect on allowed prices is not clear
  - Total expenditures could increase if seniors were not purchasing drugs while uninsured

- Usual price index shows no price change
  - The assumption is that different insurance coverage implies a different commodity

- Real expenditures fall even if quantities did not
Only a potential price change for existing sample of Medicare discount cards

Potential price moves

Could be a chance the “undiscounted” price will be higher than card discount, especially since the price we collect is the insurance portion and the patient copay portion.

Methodologically the CPI could be recording price increases for these Medicare card to Part D switches whereas the real Medicare population will be experiencing out of pocket price decreases.

Otherwise full Part D observations eligible to rotate in w/ January 2006 TPOPS and Item Rotation like normal
Treatment of Insurance Coverage by BLS

- 90% Uninsured
- 10% Medicare Part D
- 25% Card
- 75%
Next Steps

- Continue to work with BEA to evaluate episode methodology
- Evaluate Kaiser Health Insurance Data and the MEPS data
- Evaluate Medicare D and current drug card sample
- Continue frequent conversations with CMS