



State Coverage Initiatives National Meeting  
Health Care Reforms: Re-examining State Strategies

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# **MEDICARE PRESCRIPTION DRUG, IMPROVEMENT, AND MODERNIZATION ACT OF 2003**

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# Highlights: Drug Benefit

- ✍ **\$410 billion over 2004-2013 (Begins 2006)**
- ✍ **Voluntary Part D—limited chances to enroll**
- ✍ **Competing plans**
- ✍ **Enrollee premium based on plan choice**
- ✍ **Premium subsidies + reinsurance**
- ✍ **Income-related Medicare subsidies/benefits**
- ✍ **Interim discount card with subsidies**

# Standard Drug Benefit

	<u>2006</u>	<u>2013</u>
Annual deductible:	\$ 250	\$ 445
Coinsurance to initial limit:	25%	25%
Initial limit:	\$2,250	\$4,000
Out-of-Pocket (OOP) Threshold:	\$3,600	\$6,400
Coverage gap:	\$2,850	\$5,066
Coinsurance above OOP: (greater of)	\$2/\$5 or 5%	\$3/\$8 or 5%

# Drug Plans

- ✍ **Rx benefits available through:**
  - ✍ Prescription Drug Plans (PDPs)
  - ✍ Medicare Advantage plans (MA-PDs)
  - ✍ Employer plans (do not enroll in Part D)
- ✍ **10 to 50 regions designated by HHS**
- ✍ **Minimum choice guarantee: 2 plans**
  - ✍ Government “fallback” if necessary

# Low-income Subsidies

- ✍ All Medicare beneficiaries (including duals) are eligible for Part D

## Generally:

- ✍ Incomes <135% of poverty\*:

- ✍ No premium
- ✍ No coverage gap
- ✍ Small copays

- ✍ Incomes 135-150% of poverty\*:

- ✍ Reduced premium
- ✍ No coverage gap
- ✍ Reduced cost-sharing

\*Subject to various asset test rules

# Medicare/Medicaid Dual Eligibles

- ✍ **Full dual eligibles “deemed” eligible for low-income subsidies applicable to those under 135% of poverty**
  - ✍ No premium, no deductible
  - ✍ \$1 generic/\$3 brand copays for duals < 100% FPL, otherwise \$2/\$5
  - ✍ No copays above out-of-pocket limit
- ✍ **No copays for institutionalized**

# Medicaid Implications

- ✍ **Medicaid no longer covers drugs for duals**
  - ✍ States can only get federal match for coverage of drugs in classes not covered under Part D
- ✍ **Plans will define formularies, prior authorization, other access rules**
  - ✍ May appeal for coverage of necessary non-formulary drugs
- ✍ **Part D prices not applicable for Medicaid “best price”**
  - ✍ Prices negotiated for Medicare enrollees by endorsed discount cards, PDPs, MA-PDs, retiree plans

# Medicaid Administration

- ✍ **States responsible for eligibility determinations for low-income subsidies**
  - ✍ Also done by Social Security Administration
  - ✍ “Woodwork” effect
  - ✍ Full duals “deemed” eligible for low-income subsidies
  - ✍ QMB, SLMB, and QI *may* be deemed eligible if Secretary finds eligibility is comparable to that required under Part D
- ✍ **States will get regular administrative FMAP**

# Medicaid “Clawback”

✍ **States pay federal government an amount for each full benefit dual eligible**

✍ **Amount calculated as:**

✍ **State share of 2003 per capita Rx costs per dual**

✍ **Trended forward by:**

✍ **Average annual per capita U.S. Rx spending growth 2004-2006**

✍ **Medicare per capita growth 2006 forward**

✍ **Declining percentage**

✍ **Begins at 90% of per capita costs in 2006**

✍ **Stabilizes at 75% in 2014**

# State Pharmaceutical Assistance Programs (SPAPs)

- ✍ **SPAPs may provide supplemental benefits**
  - ✍ May pay premiums and/or cost-sharing
  - ✍ Payments would count towards out-of-pocket limit
  - ✍ May not impair cost management strategies
- ✍ **Medicare drug plans must coordinate benefits with SPAPs**

# Discount Card



- ✍ Begins within 6 months of enactment
- ✍ Up to \$30 enrollment fee allowed
- ✍ Enrollment in only one plan
- ✍ Low-income subsidies:
  - ✍ <135% of poverty and no other Rx coverage (except Part C or Medigap)
  - ✍ \$600 per year on account (plus annual fee)
  - ✍ Enrollees must pay minimum coinsurance

# Highlights: Medicare Reform

## Medicare Advantage (MA)

-  Replaces Medicare+Choice

## New MA regional plans (PPOs)

-  Must cover large, defined regions
-  Bonus payments for entry and retention

## MA and Part D benefits

-  All MA sponsors must offer MA plan option with Part D drug benefits
-  Part D rules apply

# **“Premium Support”**

## **“Comparative Cost Adjustment”**

- ✍ **Demonstration begins in 2010 for 6 years**
- ✍ **FFS Medicare competes with private plans in up to 6 regions or areas where plan enrollment is >25%**
- ✍ **Government contribution tied to plan bids**
  - ✍ **Low income exempted**
  - ✍ **Part B premium can't rise more than 5% per year**
- ✍ **Congress must act to extend or expand**