

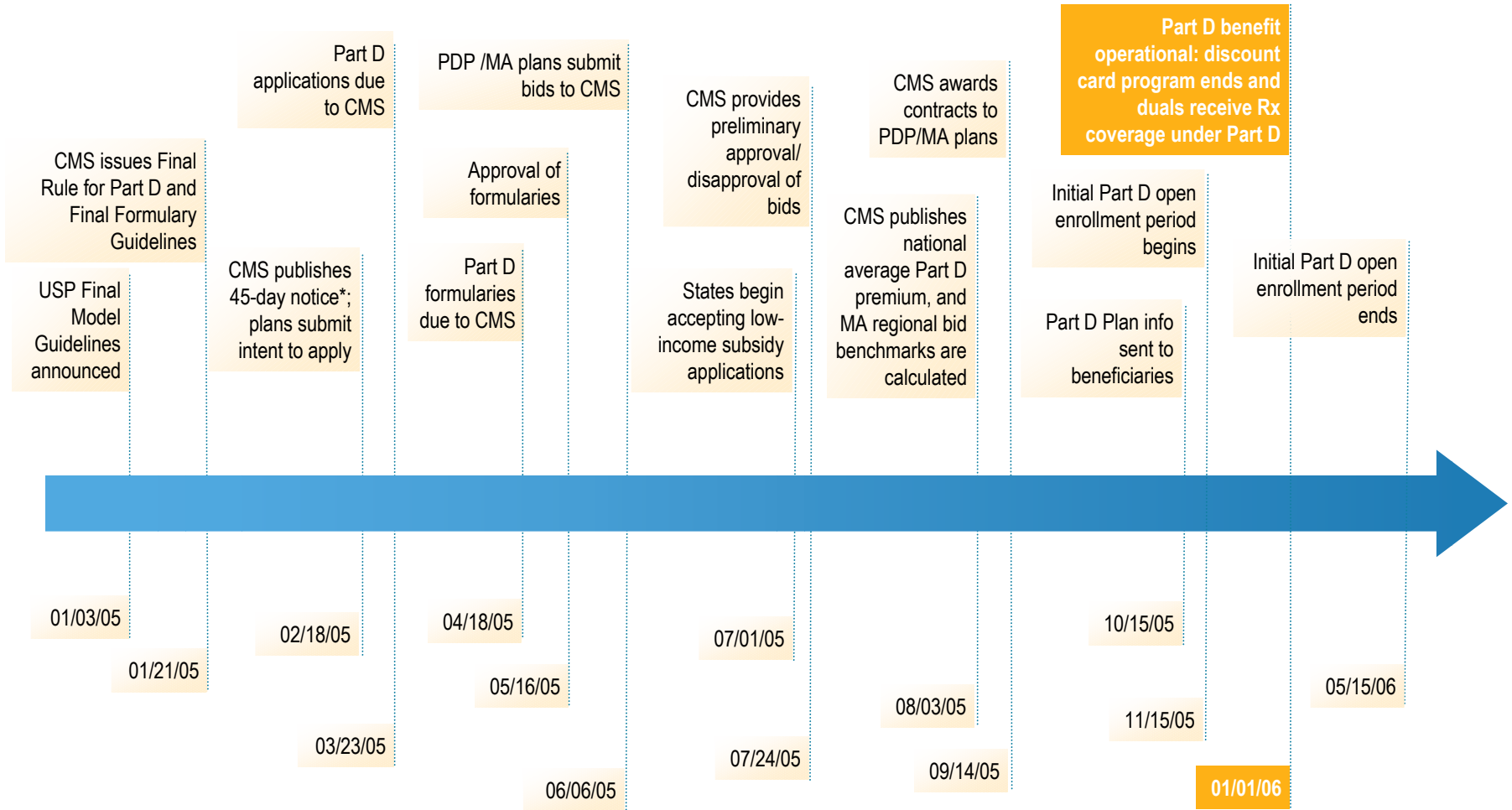


The Medicare Modernization
Act: *The Impact on States and
Low-Income Beneficiaries*

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MMA Establishes a New Medicare Drug Benefit On January 1, 2006



*CMS notice of 2006 rate methodology and assumptions; public may comment

Low-Income Receive More Complete Coverage with Tiered Subsidy Levels

	2006 Premium	2006 Deductible	2006 Co-pays	Coverage Gap
Up to 100% FPL <i>and</i> a dual eligible	None	None	\$1 / \$3	None
Up to 135% FPL or all other duals	None	None	\$2 / \$5	None
135 - 150% FPL*	Sliding Scale*	\$50	15% of drug cost	None
Over 150% FPL	~ ~\$35	\$250	25% of drug cost	Yes**

* Sliding scale premium defined:

- 135% - 140% FPL, CMS will cover 75% of premium
- 140% - 145% FPL, CMS will cover 50% of premium
- 145% - 150% FPL, CMS will cover 25% of premium

** Between \$2,250 and \$5,100 of total drug spending in 2006

Note: 100% of FPL in 2005 is \$9,570 for one-person household and \$12,830 for two-person household; 135% of FPL is \$12,920 and \$17,321 respectively; 150% of FPL is \$14,355 and \$19,245 respectively



Duals' Drug Coverage will Shift from Medicaid to Medicare Part D

- Dual eligibles will have to enroll in a Part D plan to continue receiving prescription drug benefits
 - » Duals will be subject to the same protections as all beneficiaries
 - » Subject to new formularies
 - Prior authorization (PA) system will change
 - » Duals may have higher cost sharing
 - Unlike in Medicaid, pharmacists can deny drug for failure to pay

 - Part D plans may not have the same incentives as states
 - » In general, plans will mainly seek to reduce the cost of Rx drug coverage
 - » Duals' care may become even more fragmented
 - » Special Needs Plans (SNP) may become more prominent
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Auto-enrollment Reduces Likelihood That Duals Experience Gap in Coverage

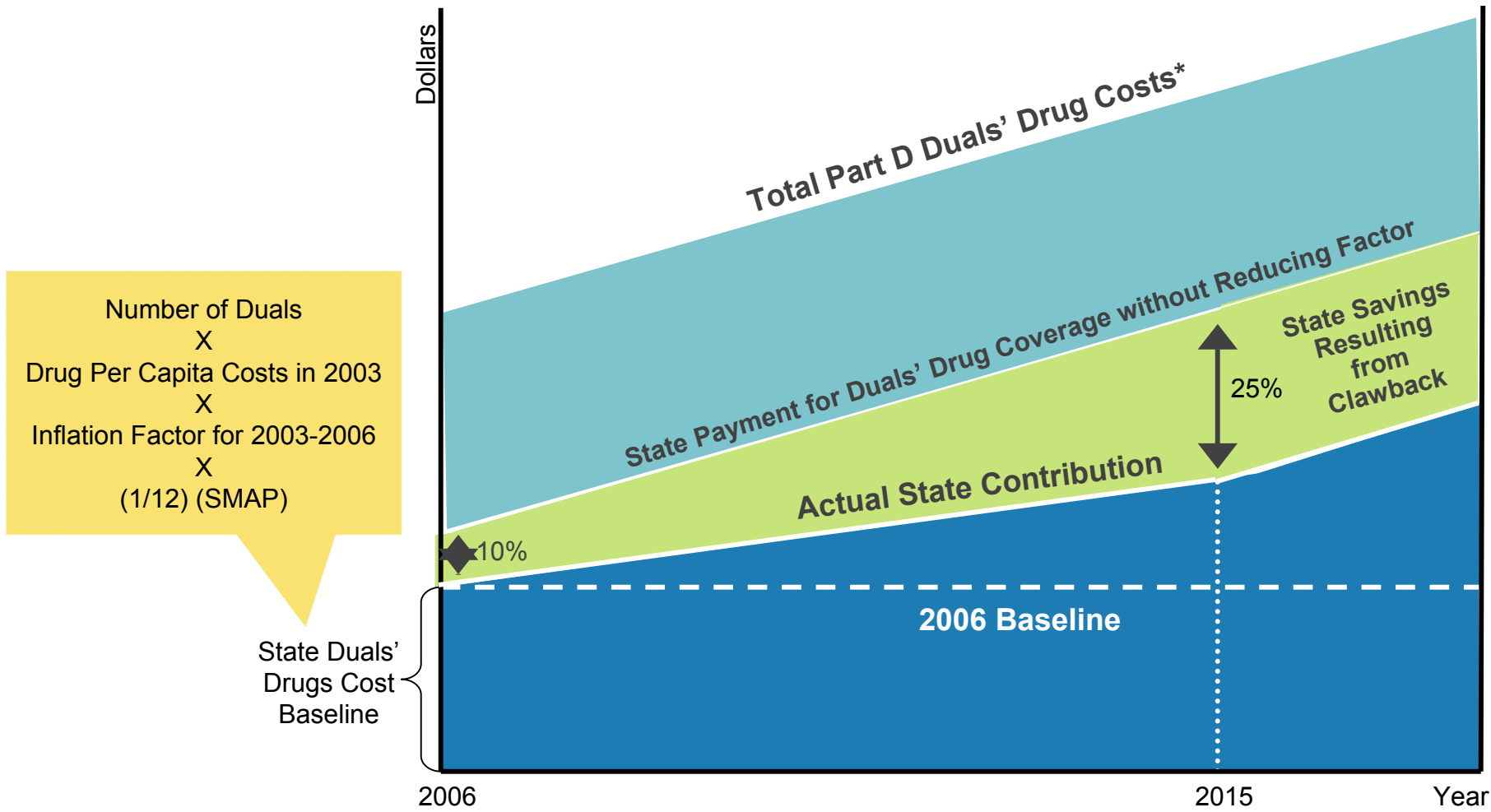
- Full duals who do not choose a plan will be automatically enrolled in a qualifying PDP between Oct 15 and Dec 31, 2005 on a random basis
 - » Low-income beneficiaries may not have full access to all plans based on premium payment structure
 - » Full duals may switch into another PDP or MA-PD at any time
- CMS will “facilitate enrollment” for full duals in MA plans and for others eligible for the low-income subsidies
 - » QMBs, SLMBs, and QIs will automatically be eligible for one of the under 135% FPL subsidies

• Full Dual is defined as beneficiary eligible for Part D and comprehensive Medicaid coverage, including medically needy but excluding Pharmacy Plus 1115 waiver beneficiaries.

• Part D premium subsidy will not exceed greater of a) low-income benchmark premium amount and b) lowest premium of basic coverage option in a region [formula ensures one PDP in a region will be available to low-income]



States are Still Required to Pay a Portion of Duals' Drugs Costs through "Clawback"



*Growth in duals' drug costs may not be equal to total growth in Part D spending.

MMA Brings Other Fundamental Changes to States

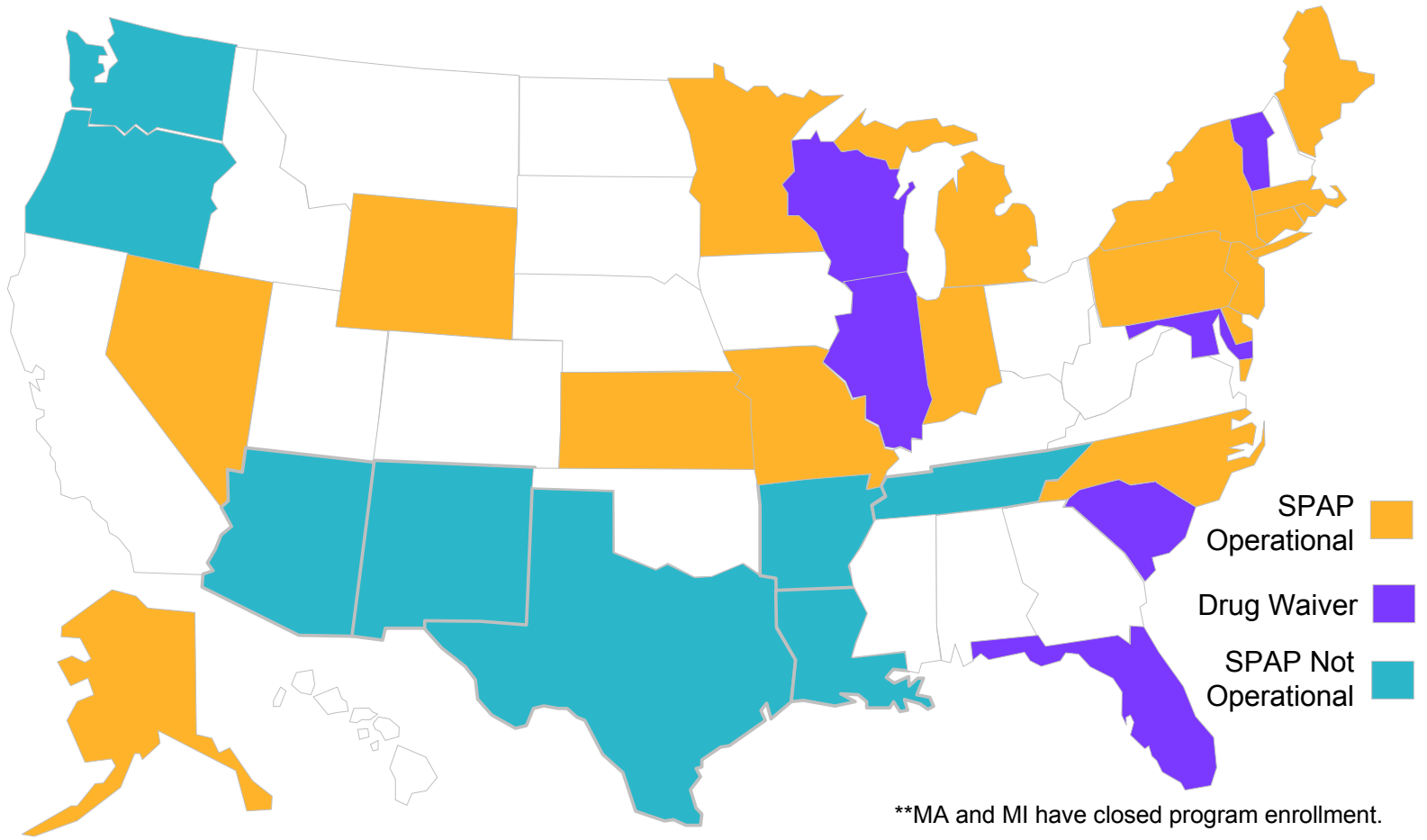
- Loss of dual eligible populations in Medicaid may diminish states' ability to negotiate supplemental rebates with drug manufacturers
- States (with the Social Security Administration) will determine eligibility for subsidies and enroll low-income beneficiaries
- States will be asked to supplement federal efforts for education and outreach
- Opportunity to shift State Pharmaceutical Assistance Program (SPAP) enrollees to Medicare
- States can wraparound Part D and fill in cost sharing and coverage gaps through SPAPs
 - » States are not permitted to only wraparound preferred PDPs

States With Operating and Pending SPAPs and Discount Programs

States w/
Discount
Only
Programs

AZ, CA,
CT*, FL,
HI, IL, IA,
ME, MD,
MA, MI,
MT*, NH,
NM*, OH,
OR, SC*,
VT*, WA,
WV

*Indicates
program not
operational



**MA and MI have closed program enrollment.

NOTE: IL, MD, VT, WI operate both state-only and waiver subsidy programs.

SOURCE: National Conference of State Legislatures. State Pharmaceutical Assistance Programs, 2005 edition. Available at: <http://www.ncsl.org/programs/heal/drugaid.htm>, accessed March 14, 2005.