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 issues Final Rule for Part D and Final Formulary Guidelines
- USP Final Model Guidelines announced
- CMS publishes 45-day notice*, plans submit intent to apply
- Part D applications due to CMS
- Part D formularies due to CMS
- Approval of formularies
- PDP /MA plans submit bids to CMS
- CMS provides preliminary approval/disapproval of bids
- CMS awards contracts to PDP/MA plans
- CMS publishes national average Part D premium, and MA regional bid benchmarks are calculated
- States begin accepting low-income subsidy applications
- Part D Plan info sent to beneficiaries
- Initial Part D open enrollment period begins
- Initial Part D open enrollment period ends
- Part D Plan info sent to beneficiaries
- 01/03/05
- 01/21/05
- 02/18/05
- 03/23/05
- 04/18/05
- 05/16/05
- 06/06/05
- 07/01/05
- 07/24/05
- 08/03/05
- 09/14/05
- 10/15/05
- 11/15/05
- 05/15/06
- 01/01/06

*CMS notice of 2006 rate methodology and assumptions; public may comment
## Low-Income Receive More Complete Coverage with Tiered Subsidy Levels

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<tbody>
<tr>
<td><strong>Up to 100% FPL and a dual eligible</strong></td>
<td>None</td>
<td>None</td>
<td>$1 / $3</td>
<td>None</td>
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<tr>
<td><strong>Up to 135% FPL or all other duals</strong></td>
<td>None</td>
<td>None</td>
<td>$2 / $5</td>
<td>None</td>
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<tr>
<td><strong>135 - 150% FPL</strong></td>
<td>Sliding Scale*</td>
<td>$50</td>
<td>15% of drug cost</td>
<td>None</td>
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<tr>
<td><strong>Over 150% FPL</strong></td>
<td>~ $35</td>
<td>$250</td>
<td>25% of drug cost</td>
<td>Yes**</td>
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* 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
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”

Number of Duals

\[ \text{X} \]

Drug Per Capita Costs in 2003

\[ \text{X} \]

Inflation Factor for 2003-2006

\[ \text{X} \]

\[ \frac{1}{12} \] (SMAP)

State Duals’ Drugs Cost Baseline

Total Part D Duals’ Drug Costs*

State Payment for Duals’ Drug Coverage without Reducing Factor

Actual State Contribution

State Savings Resulting from Clawback

2006 Baseline

2015

Year

*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


**MA and MI have closed program enrollment.

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