

Implications of Medicare Part D on Pennsylvania Medicaid

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Background Information

- 285,000 of Pennsylvania's Medicaid population are dual eligible and will access the Part D benefit on January 1, 2006
 - 130,000 are currently enrolled in capitated managed care programs
 - 80,000 are in long term care programs (nursing homes or waiver programs)
- 52% of FFS Medicaid drug spend was for dual eligible Part D covered drugs in FY 03-04
- 35% of capitated managed care drug spend was for dual eligible Part D covered drugs in FY 03-04

Issues for Pennsylvania Medicaid

- Benefit coordination issues
- Transition issues
- On going care coordination
- Cost implications

Benefit Coordination

- Pennsylvania will provide coverage for drug classes not covered by Part D
- Have not made a decision yet about OTCs for Part D covered drug classes
- Will not provide coverage to specific drugs not on a PDP formulary in Part D covered drug classes

Transition Issues

- Very concerned about how transitional drug coverage will actually work
 - We will not provide extended supply of drugs beyond normal 30 day supply
- Don't have PDP specific information about formulary construction, transition policies and pharmacy networks
 - Short window of time when specific info will be available
 - Especially concerned about transitional issues in nursing homes
- Unclear what value we will be able to bring consumers as they step through PDP selection process
- 6 of our 7 managed care plans have affiliated Medicare products or special needs plans – We will not discourage our plans from encouraging their members from signing up with affiliates

Ongoing Care Coordination

- Very concerned about loss of pharmacy management and access to data for
 - Nursing home residents
 - Waiver enrollees
 - Other disabled populations (MH/MR)
- Lack of coordination may lead to increased costs
 - No incentive for PDPs to work with us to coordinate care
 - Aggressive drug utilization management tools may negatively impact utilization of other services

Cost Implications

- We look like we will break even on the clawback – although recent improvements in pharmacy management may make clawback more costly than if we had kept the drugs for the duals
- A large portion of the Medicaid pharmacy spend now becomes a fixed cost
 - In essence we have turned an optional benefit into a mandatory one that is insensitive to state budget pressures
- Potential woodwork effect as a result of low income subsidy outreach
- Potential implications of lack of care coordination

Conclusion

- Part D is major step forward for the majority of senior citizens in Pennsylvania
- But,
 - Pennsylvania Medicaid is not a winner in Part D
 - At best cost neutral
 - Long term issues
 - Dual eligibles are not winners either
 - They will go through a difficult transition and receive no new benefits in return