

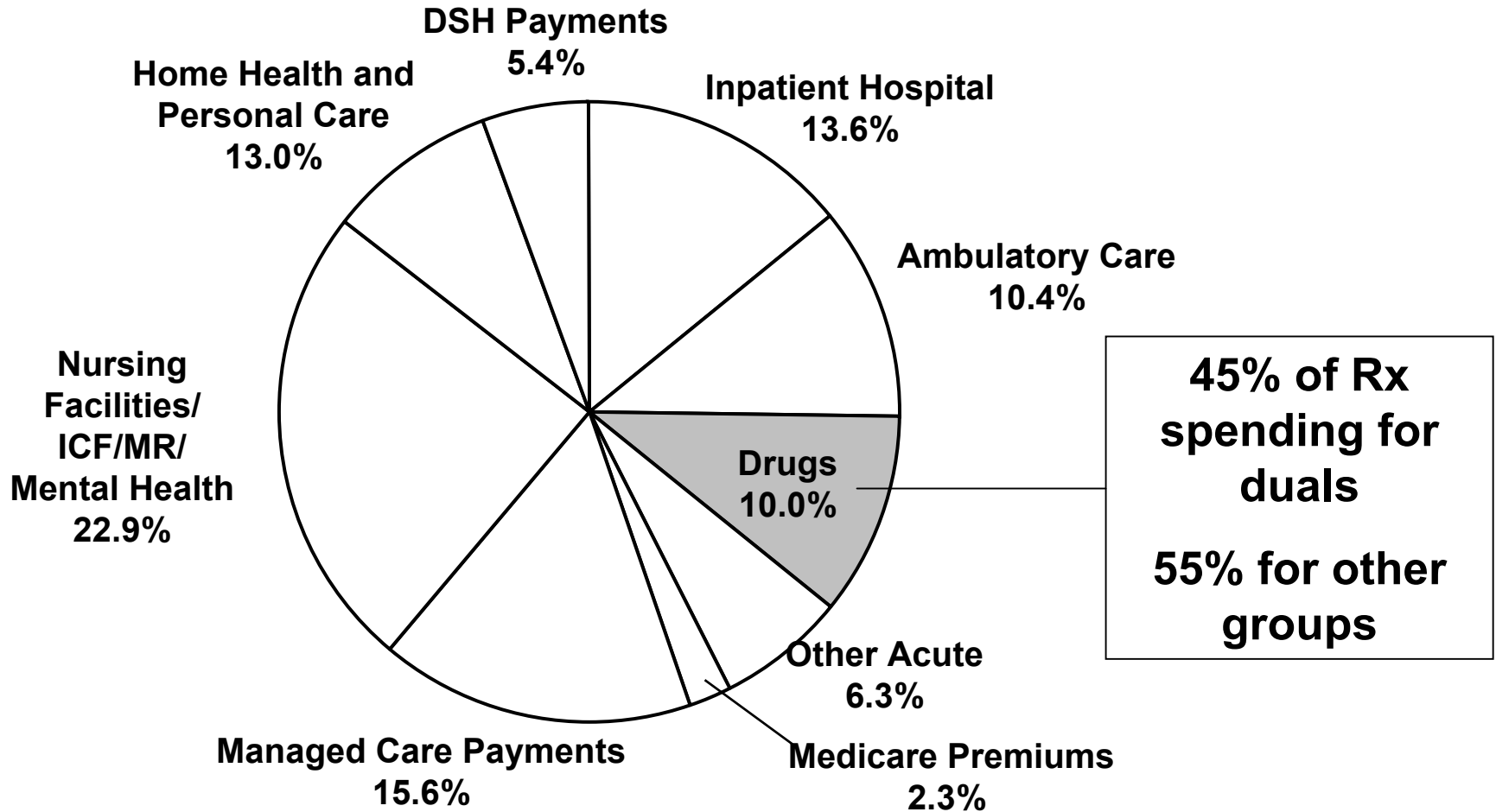
MMA Implementation: Issues Facing States

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Presentation to Medicare Congress
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Figure 2

Medicaid Expenditures by Service, 2003

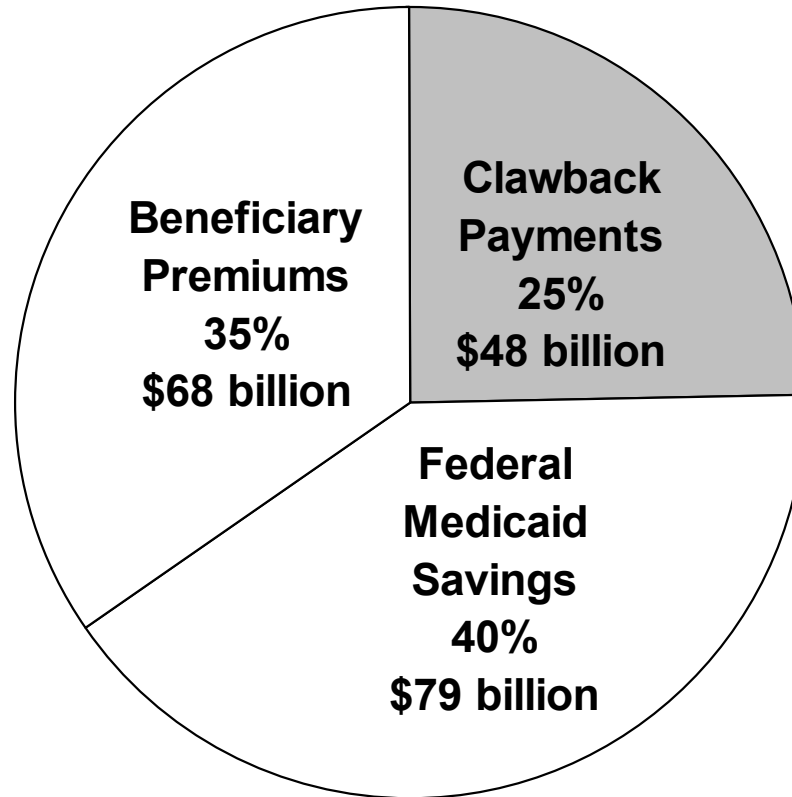


Total = \$266.1 billion

SOURCE: Urban Institute estimates for the Kaiser Commission on Medicaid and the Uninsured.

Figure 3

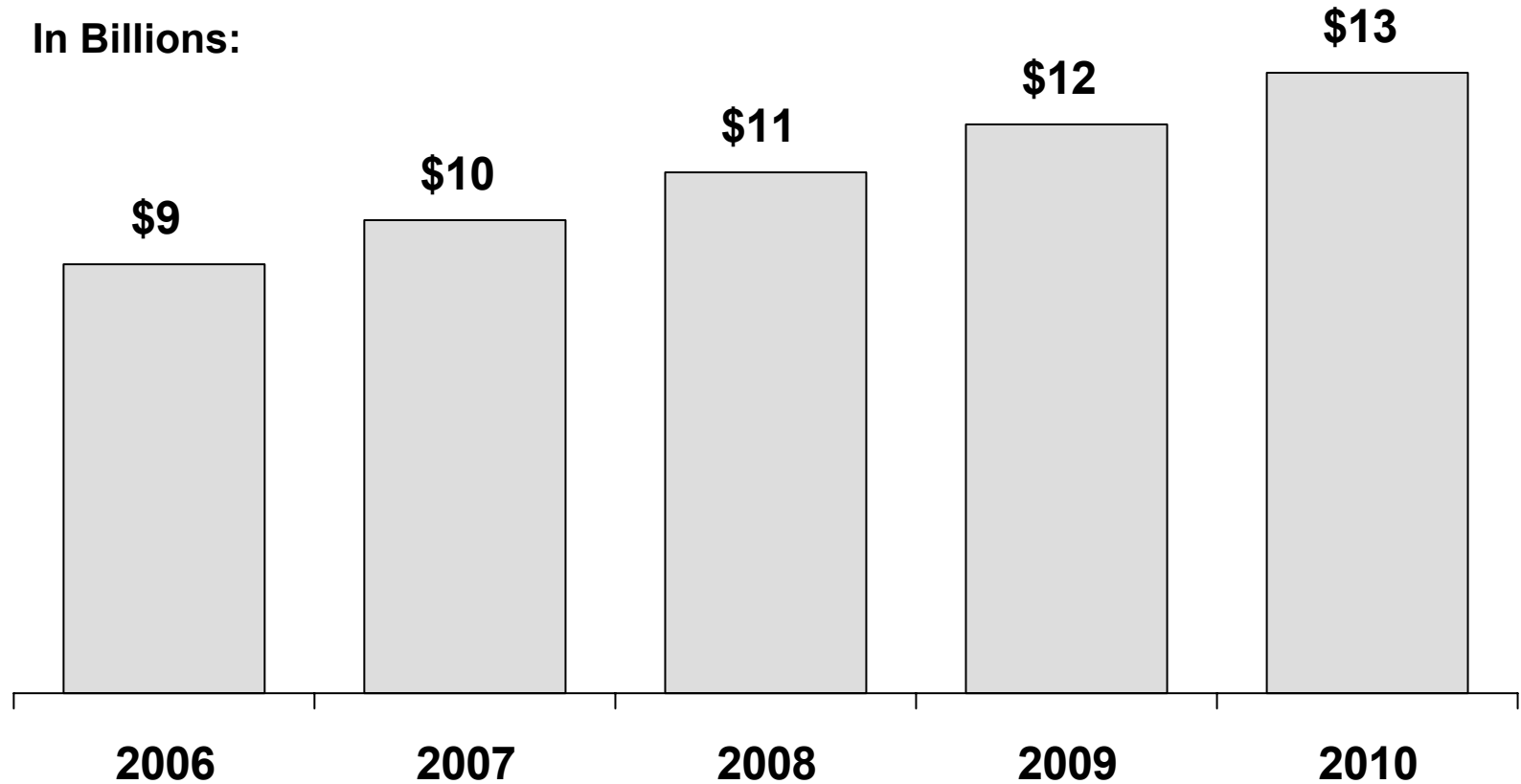
Offsets to Cost of Medicare Part D, 2006-2010



\$195 Billion

Figure 4

Projected State “Clawback” Payments, 2006-2010



SOURCE: CMS, January 2005 Final Rule on MMA Implementation. Estimates are shown on a calendar year basis.

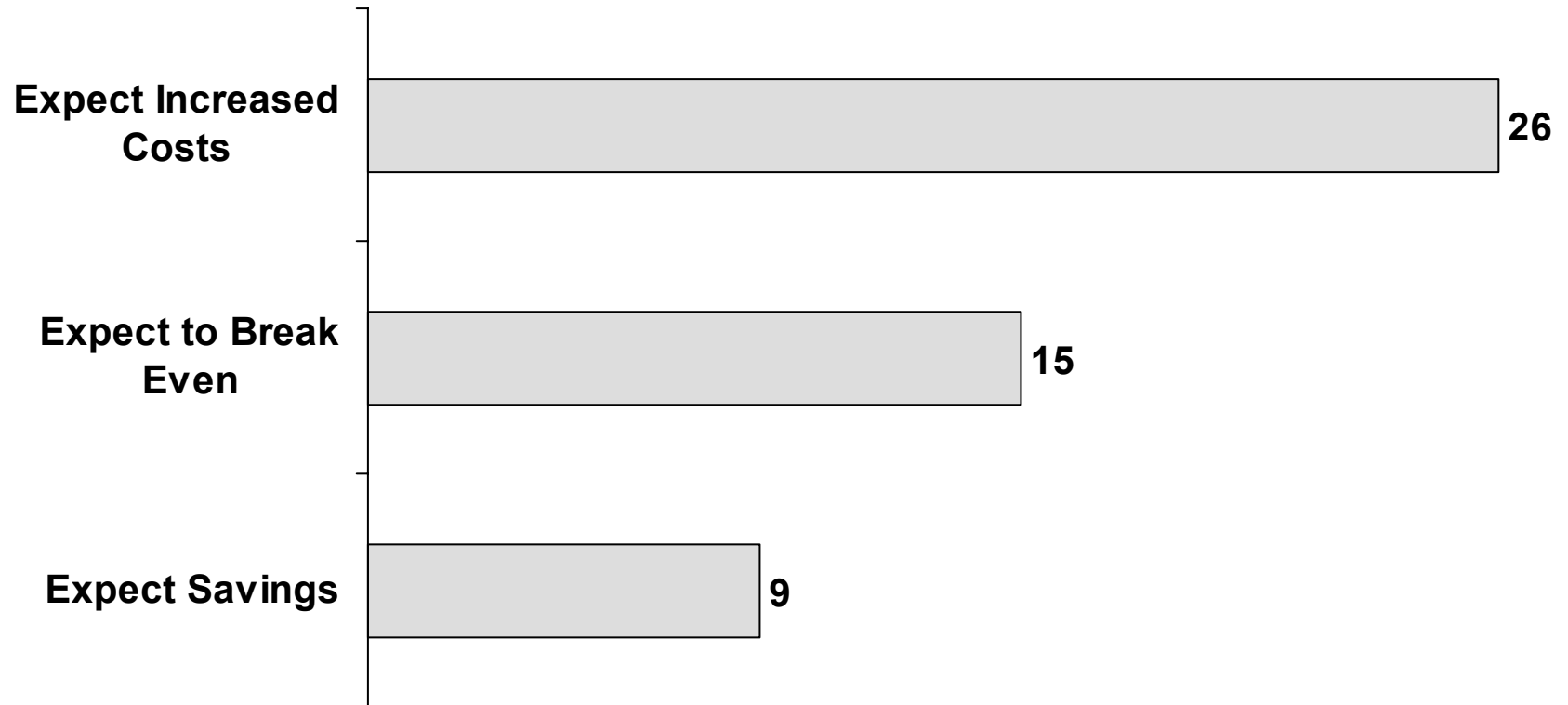
Issues With the Clawback Calculation

- Base year is 2004 (so subsequent cost containment activity is not factored in)
- Inflated by annual growth in Part D benefit (may be higher than what states would have experienced)
- One size fits all (no state-to-state variation)
- States have no control over payment

Figure 6

State Estimates of Fiscal Impact Associated with FY 2006 Medicare Part D Clawback Obligations

Number of States as of July 2005:



SOURCE: Kaiser Commission on Medicaid and the Uninsured survey of Medicaid officials in 50 states conducted by Health Management Associates, October 2005.

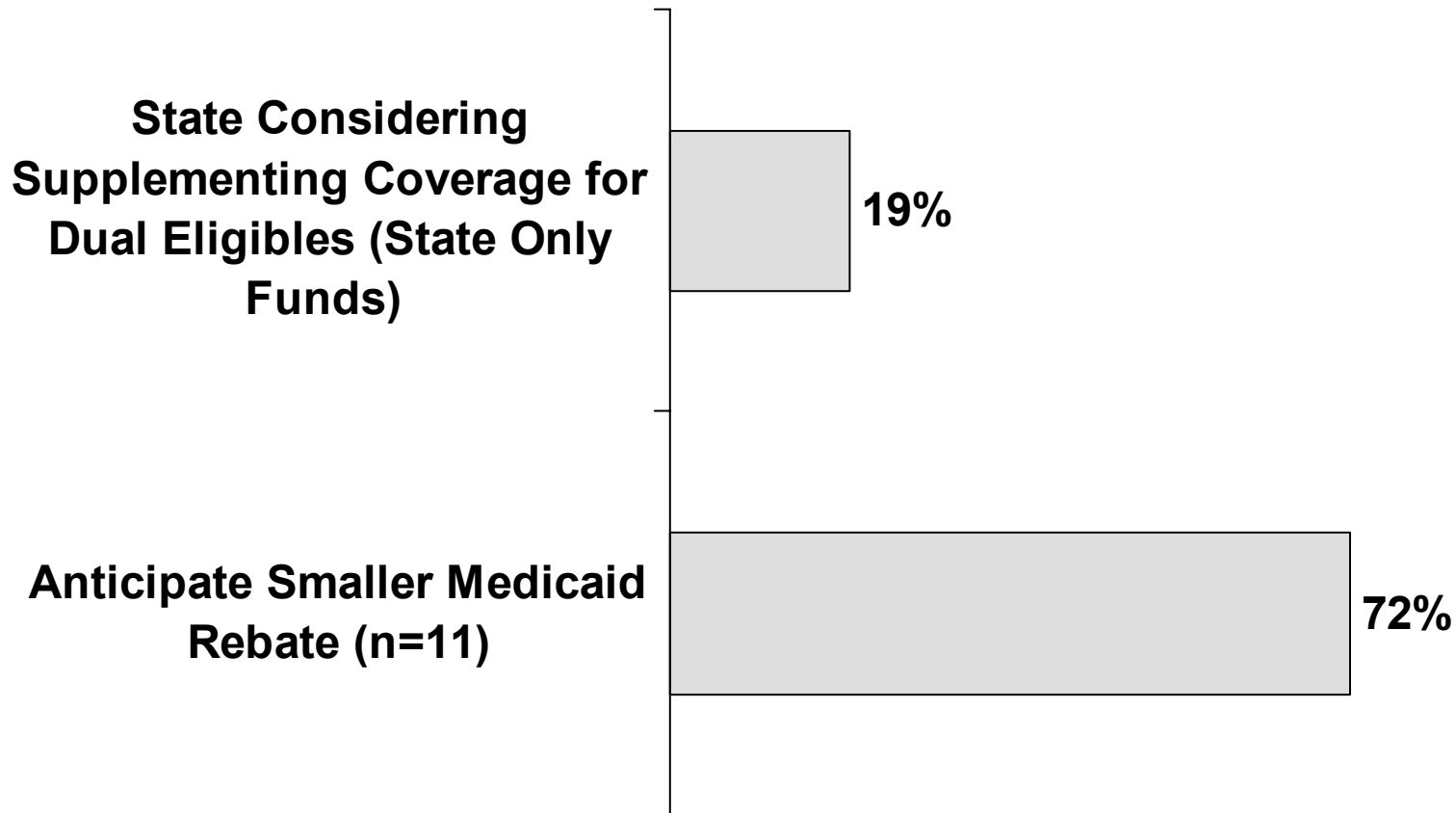
What Determines Whether and How Much a State Saves as a Result of MMA?

- How much it saves on drug coverage for duals through Medicaid
- How much it saves on drug coverage through state-only programs (heavily concentrated in three states)
- Clawback Payments
- Unexpected New Enrollment in QMB/SLMB
- Administrative Costs from Enrolling Duals
- Net state losses about \$1B this year
 - Grow to more than \$2 billion in 2010

Figure 8

Impact on Medicaid of Medicare Drug Law

(percentage of states reporting)



SOURCE: Kaiser Commission survey conducted by the Health Policy Institute, Georgetown University (2005).

NOTES: Based on survey responses from 37 states in 2005. n = number of states responding to the survey question.

Challenges in Transitioning to Part D Coverage

- Sharing information needed for transition (states identifying duals for feds)
- Helping beneficiaries process information about wide array of choices available to them
- How duals get assigned to plans (can be randomly assigned or select)
- Subsidy for lowest cost average plan
- Medicaid drug coverage ends December 31st—no transition period

Decisions States Are Making Now

- **How to make transition less abrupt for duals?**
- **Will the state fill in the gaps in coverage for dual eligibles**
 - Provide “backup” coverage for drugs (on temporary or ongoing basis)
 - Pay drug copayments so beneficiaries continue to receive drugs
 - States fill in the gaps at their own expense – federal funding is banned
- **Administering Eligibility Determinations for Low-Income Subsidy**
 - Very few states have appropriated funds for new administrative costs

Harmful Medicaid Provisions in House Reconciliation Bill

- **Rolling back key standards that make coverage affordable for beneficiaries to permit states to:**
 - Restrict benefits and eliminate guarantee of comprehensive coverage for children through Early and Periodic Screening Diagnostic and Testing
 - Significantly increase cost sharing for all services for many beneficiaries
 - Substantially increase “tiered” co-payments for prescription drugs
 - Allow providers to deny services to beneficiaries who are unable to pay

Falloff in Use of Prescription Drugs After Tiered Copayments Were Imposed in Minnesota

- In 2003, Minnesota imposed tiered copays of \$1 to \$3 on some Medicaid beneficiaries. Research documented:
 - Half of beneficiaries who needed medications could not get them due to cost
 - One-third of those people went to ER or were admitted to a hospital for reasons related to not having needed medication
 - Three-quarters of those who went without their medications reported that their health was harmed