

Coordinating the Medicare Modernization Act with State Pharmacy Assistance Programs: A State-Level Perspective

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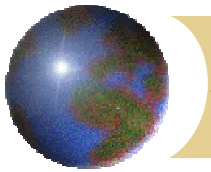
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National Medicare Congress

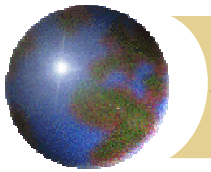
Washington, DC

November 2, 2005



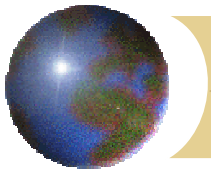
State Senior Pharmacy Assistance Programs

- Comprehensive or catastrophic prescription medication benefit for qualified individuals
- Twenty-two states with programs (Pennsylvania, New York, New Jersey, Michigan, Illinois & Connecticut)
- Collective enrollment of 1.8 million
- Many similarities in qualifying criteria and benefit structure
- Active states' task force working on Medicare since February '03



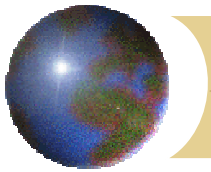
Pennsylvania Pharmaceutical Assistance
Contract for the Elderly
(PACE)

- Implemented 1984
- Currently Serving 280,000 older Pennsylvanians
- Gross annualized expenditure of \$480 Million
- Projected 2005 enrollment 335,000



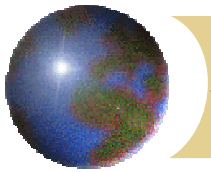
Program Eligibility Criteria

- Sixty-five years of age or older
- Pennsylvania resident
- Limited income
 - PACE =< \$14,500 (Single)
=< \$17,700 (Married)
 - PACENET =< \$23,500 (Single)
=< \$31,500 (Married)
- Not enrolled in Medicaid Rx
- No asset test



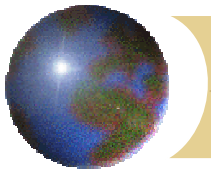
The “PACE Cardholder”

- 79 years old
- widow
- four or five maintenance medications
 - (anti-inflammatory, anti-platelet, osteoporosis treatment, lipid-lowering agent, and gastrointestinal agent)
- less than 10th grade education
- lives alone in a private residence



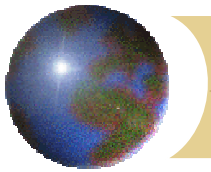
Medicare '04-'05 Discount Card

- \$600 annual Transitional Assistance(TA) Rx credit for Medicare beneficiaries with incomes less than 135% of FPL
- 151,000 PACE enrollees meet TA criteria (30,000 of which are also enrolled in Medicare HMO)
- PACE pharmacy benefit administrator (First Health) approved as Medicare card sponsor in effort to facilitate TA enrollment of qualified PACE enrollees
- PACE may “auto-enroll” TA eligibles, unless enrolled in Medicare HMO
- PACE pays TA coinsurance for its TA enrollees



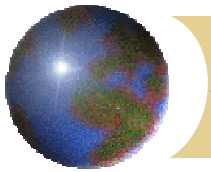
Implications

- Saves PACE \$150 million between June 1, 2004 and March 31, 2006 or 15% of gross outlay
- PACE “Auto-enrollment” of TA’s facilitates participation levels in Medicare Discount card program, particularly with respect to Medicare HMO enrollment of “exclusives.”
- Template for 2006 Medicare Part D Rx Benefit



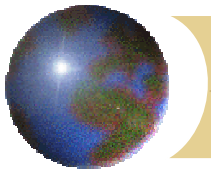
PACE

- Comprehensive Rx benefit
- 195,000 enrollees
- \$2,400 average annual Rx costs (per user)
- \$333 paid by enrollee (14%)
- Open formulary
- Open pharmacy network
- Open enrollment



PACENET

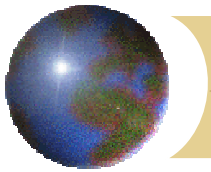
- Catastrophic Rx benefit (monthly deductible)
- 98,000 enrollees
- \$2,900 average annual Rx costs
- \$940 paid by enrollee (32%)
- Open formulary
- Open network
- Open enrollment



Medicare Rx Full Subsidy

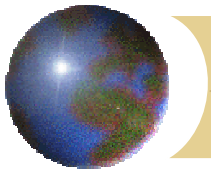
- Comprehensive Rx benefit
- Qualifying PACE enrollee pays \$145 (6%) annually
- Estimated 80,000 PACE qualifiers
- Closed formulary
- Closed network
- Defined enrollment period
- Income (<135% FPL) and asset tests (\$6,000 single/
\$9,000 married)

(Partial sliding subsidy available to persons with incomes between 135% and 150% FPL; estimated 20,000 PACE/PACENET qualifiers)



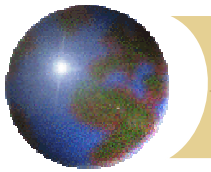
Medicare Rx Catastrophic

- Catastrophic Rx benefit (monthly premiums, annual deductible, 25% coinsurance and “donut hole”)
- Qualifying enrollee pays \$1,965 (58%) annually
- All PACE/PACENET enrollees qualify
- Closed formulary
- Closed network
- Defined enrollment period

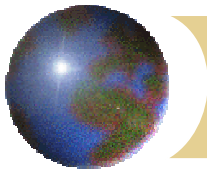


Options

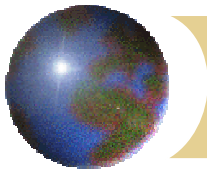
- Eliminate PACE/PACENET
- “Wrap around” Part D Rx as qualified State Pharmacy Assistance Program (SPAP), coordinating benefit with as many as fifteen different plans
- Establish PACE/PACENET as a stand alone, “non-qualified” SPAP, enrolling nearly all cardholders in a single Part D plan



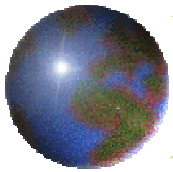
CONTRASTING PACE STRUCTURE WITH MEDICARE PART D SUBSIDY PLANS			
PACE PROGRAM		PART D: FULL AND PARTIAL SUBSIDY	
		FULL	PARTIAL
	STRUCTURE		
<= \$14,500 SINGLE <= \$17,700 MARRIED	INCOME	<= \$12,920 INDIVIDUAL <= \$17,321 COUPLE	\$12,920-\$14,355 INDIVIDUAL \$17,321-\$19,325 COUPLE
NONE	ASSET TEST	<\$6,000-I; <\$9,000-C	<\$10,000-I; <\$20,000-C
NONE	PREMIUM	NONE	SLIDING SCALE UP TO \$35
NONE	ANNUAL DEDUCTIBLE	NONE	\$50
\$6/GENERIC \$9/BRAND	COPAYMENTS	\$2/GENERIC \$5/BRAND	15% TOTAL COST
COPAYS DO NOT CHANGE	CATASTROPHIC PHASE AFTER \$5,100	NO COPAYS	COPAYS CHANGE TO \$2/GENERIC \$5/BRAND



RESULTS OF CLAIM PRICING SIMULATION		
	PACE	PART D FULL SUBSIDY
ANNUAL DRUG COST	\$2,419.09	\$2,419.09
PREMIUM	\$0.00	\$0.00
CARDHOLDER PAYMENTS	\$333.45 (13.8%)	\$144.69 (6.0%)
CARDHOLDER PAYMENTS, WITH PREMIUM	NA	NA
AVG. COST DIFFERENCE TO CARDHOLDER	\$188.76 MORE	PART D IS LESS
AVG. COST DIFFERENCE TO CARDHOLDER, WITH PREMIUM	NA	NA
% CARDHOLDERS PAYING MORE WITH PART D	0%	
% CARDHOLDERS PAYING MORE WITH PART D WITH PREMIUM	NA	NA



CONTRASTING PACENET STRUCTURE WITH MEDICARE PART D STANDARD PLAN		
PACENET PROGRAM		MEDICARE STANDARD
	STRUCTURE	
250% FPL \$23,500 SINGLE; \$31,500 MARRIED	INCOME	NONE
NONE	ASSET TEST	NONE
NONE	PREMIUM	\$444
\$480 (\$40/MONTH)	ANNUAL DEDUCTIBLE	\$250
\$8/GENERIC \$15/BRAND	COPAYMENTS	25% TOTAL COST
NONE	COVERAGE LIMIT CATASTROPHIC PHASE	MEMBER PAYS 100% BETWEEN \$2,250 - \$5,100 TOTAL COST
COPAYS DO NOT CHANGE	AFTER \$5,100	COPAY CHANGE TO 5% TOTAL COST



RESULTS OF CLAIM PRICING SIMULATION		
	PACENET	PART D FULL SUBSIDY
ANNUAL DRUG COST	\$2,936.94	\$2,936.94
PREMIUM	\$0.00	\$444.00
CARDHOLDER PAYMENTS	\$937.64 (31.9%)	\$1,521.08 (51.7%)
CARDHOLDER PAYMENTS, WITH PREMIUM	NA	\$1,965.08 (58.1%)
AVG. COST DIFFERENCE TO CARDHOLDER	PACENET IS LESS	\$583.44 MORE
AVG. COST DIFFERENCE TO CARDHOLDER, WITH PREMIUM	PACENET IS LESS	\$1,027.44 MORE
% CARDHOLDERS PAYING MORE WITH PART D	57.3%	
% CARDHOLDERS PAYING MORE WITH PART D WITH PREMIUM	99.8%	

The claim pricing simulation included enrolled cardholders in either PACE or PACENET who had no breaks in coverage from 5/1/04-4/30/05 and who had one or more claims. Cardholders with third-party claims and Medicare discount plan claims were excluded, as were cardholders without utilization.