



Beneficiaries Perspective on the New Medicare Prescription Drug Program

**Presented by
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for

The Second National Medicare Prescription Drug Congress

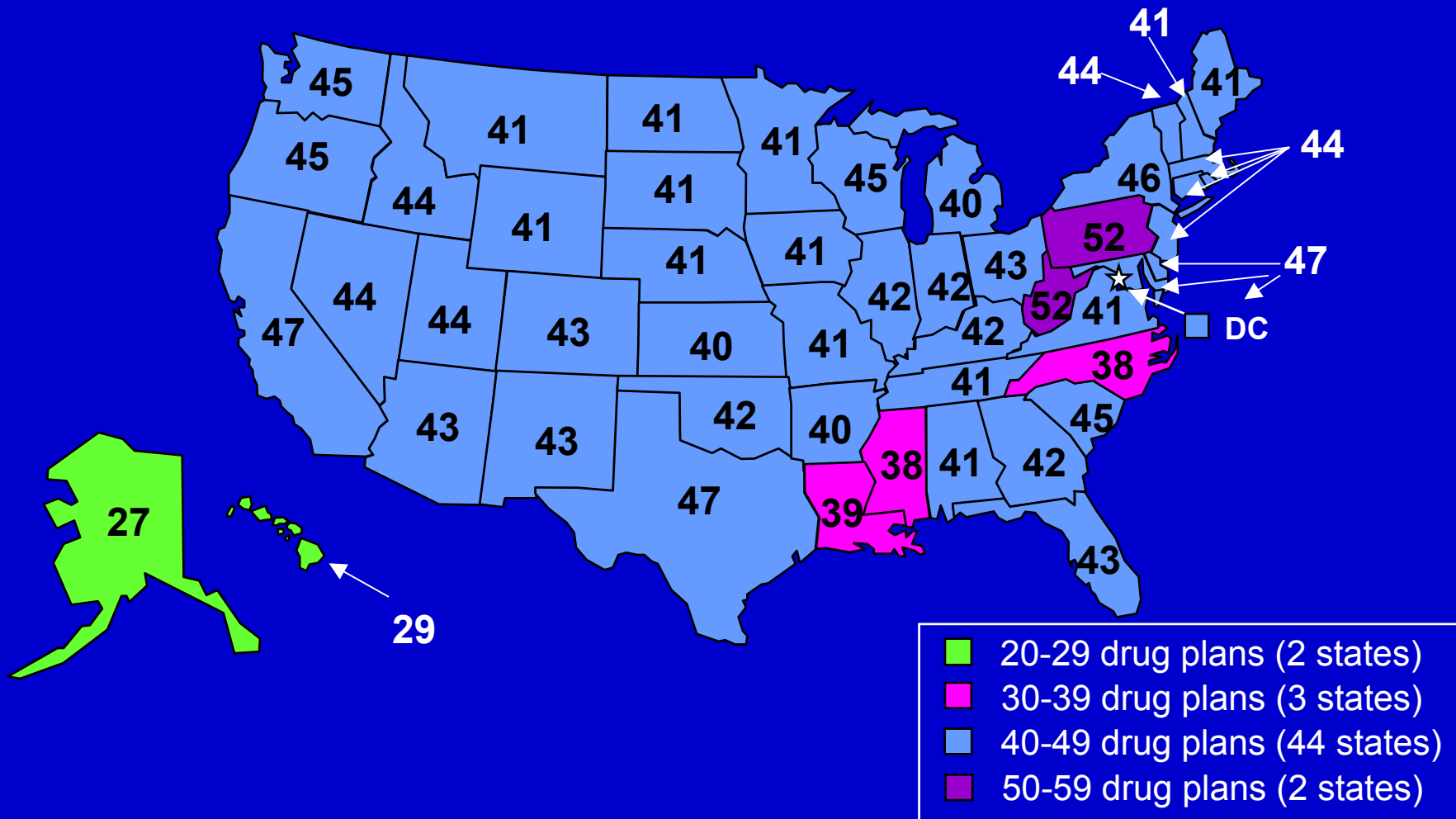
November 1, 2005

Countdown to Implementation

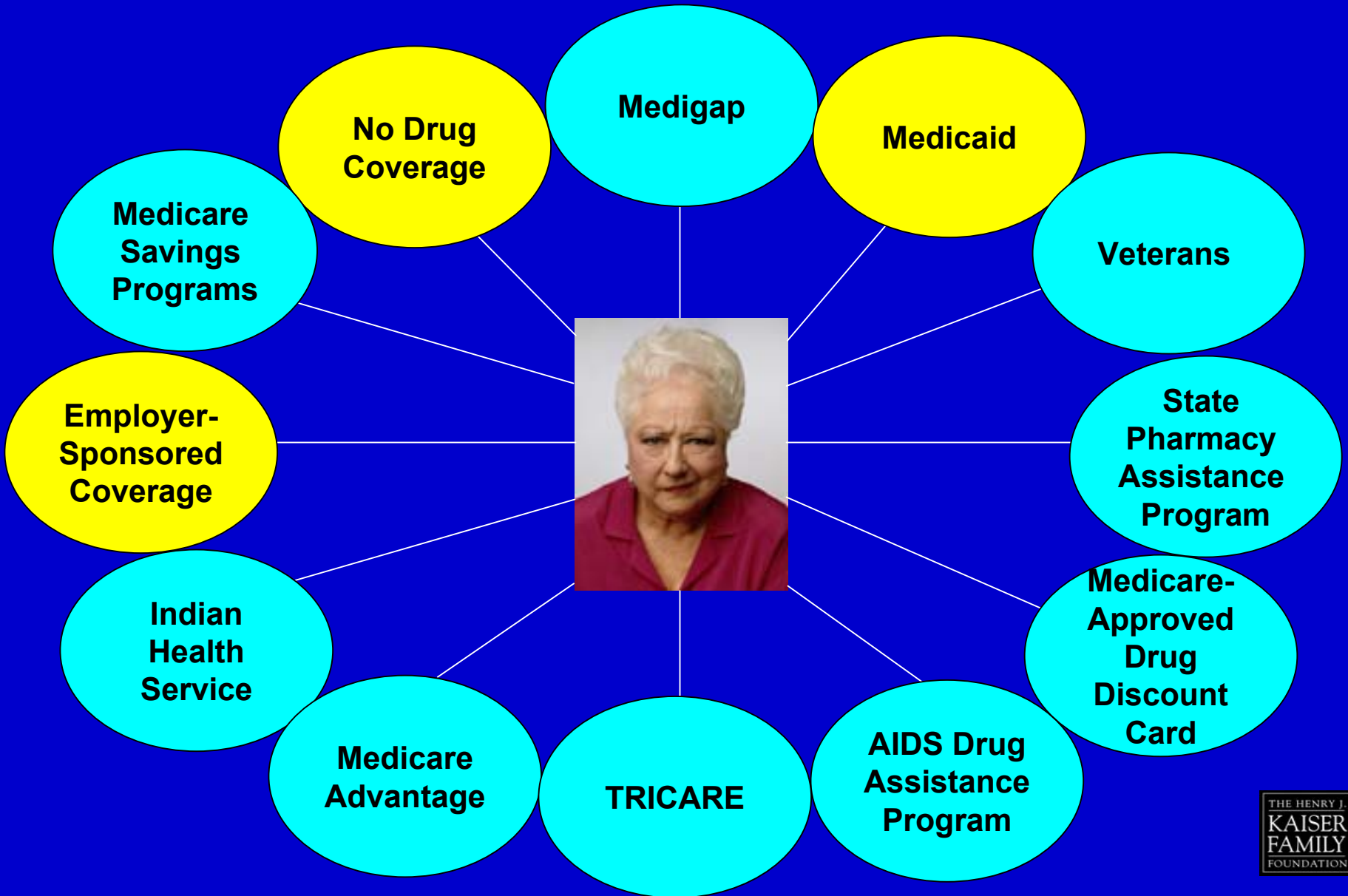
Date	Event	Days from today
June 6	Plans submit bids to CMS	<input checked="" type="checkbox"/>
July 1	SSA and Medicaid review low-income subsidy applications	<input checked="" type="checkbox"/>
August 9	CMS releases national average monthly bid amount	<input checked="" type="checkbox"/>
September 14	CMS scheduled to approve bids	<input checked="" type="checkbox"/>
October 1	Approved plans begin marketing	<input checked="" type="checkbox"/>
October 17	CMS begins releasing information about plans	<input checked="" type="checkbox"/>
November 15	Open enrollment begins (runs through May 2006)	14 days
December 31	Medicaid drug coverage for dual eligibles ends	60 days
January 1	Medicare drug coverage begins for drug plan enrollees	61 days

Beneficiaries in Most States Will Have a Choice of About 40 Medicare Prescription Drug Plans

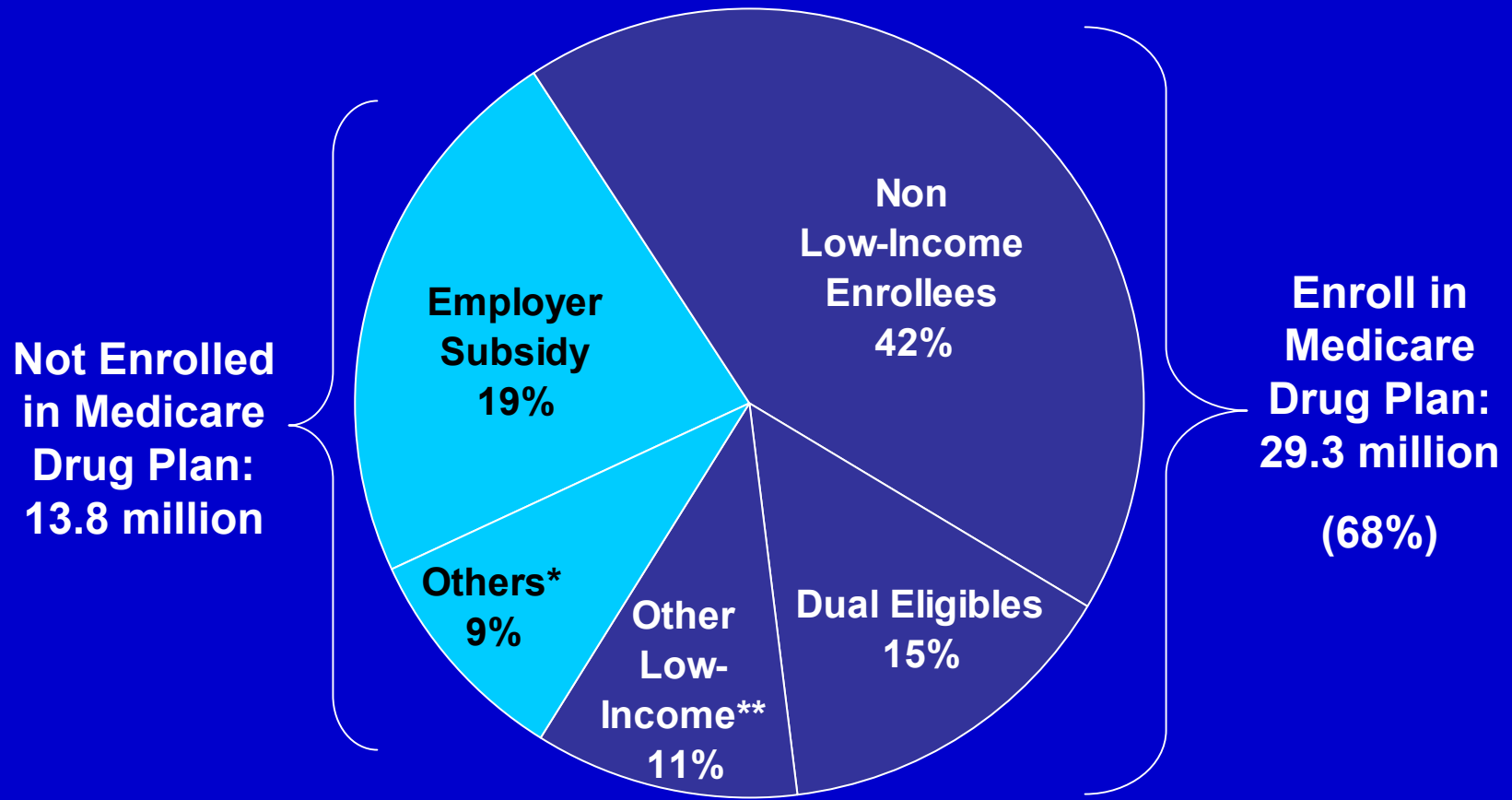
Many will also have choice among HMOs, PPOs and private fee-for-service plans



Current Source of Supplemental Coverage Is Major Factor in Decision to Enroll in Part D Plan, or Not



Nearly 30 Million Medicare Beneficiaries Are Expected to Enroll in Part D Plan in 2006



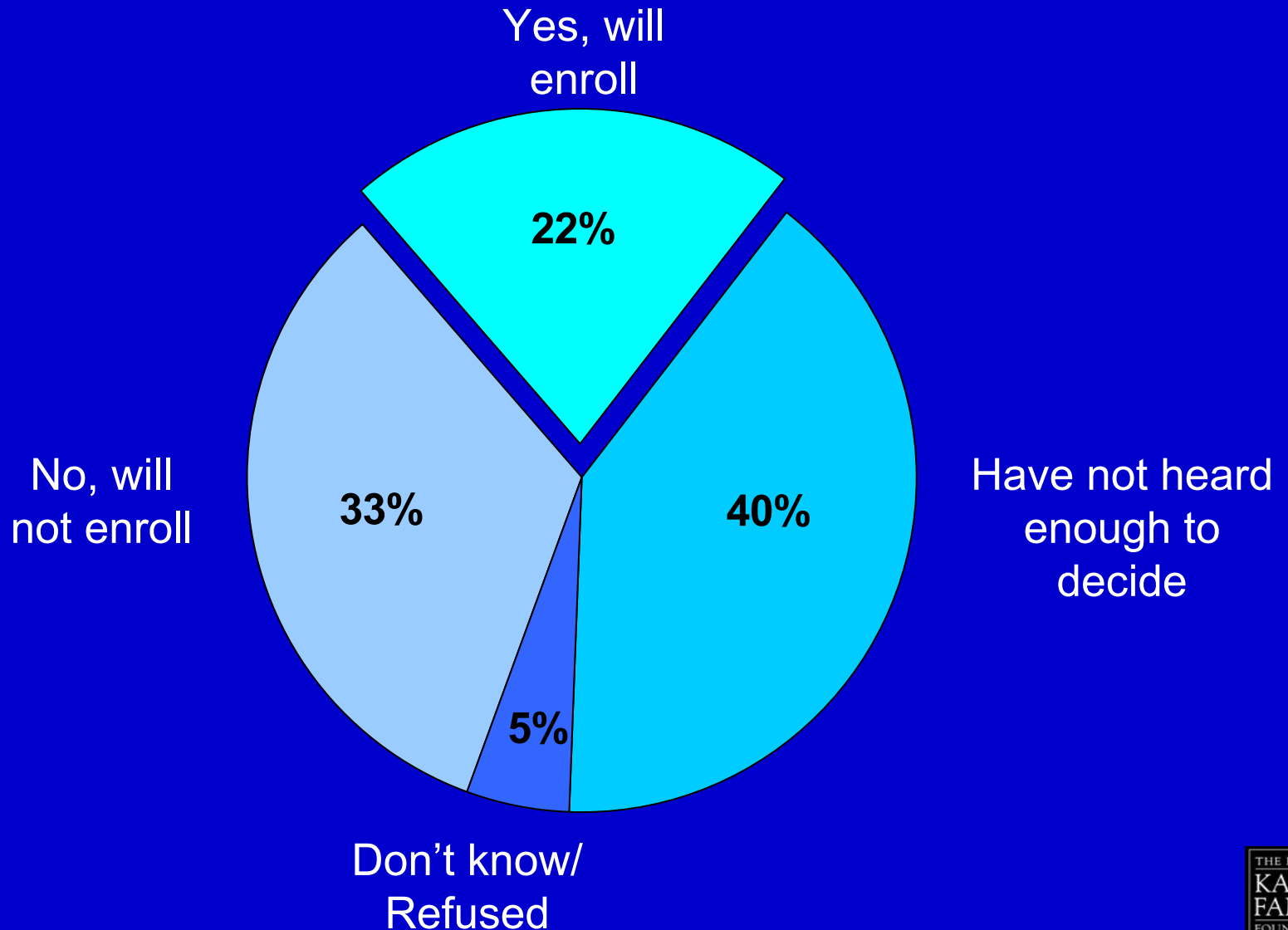
Total = 43.1 Million Medicare Beneficiaries

* "Others" not enrolled includes federal retirees with drug coverage through FEHBP or TRICARE, and those who lack drug coverage.

** "Other Low-Income" includes non dual eligibles with incomes <150% FPL.

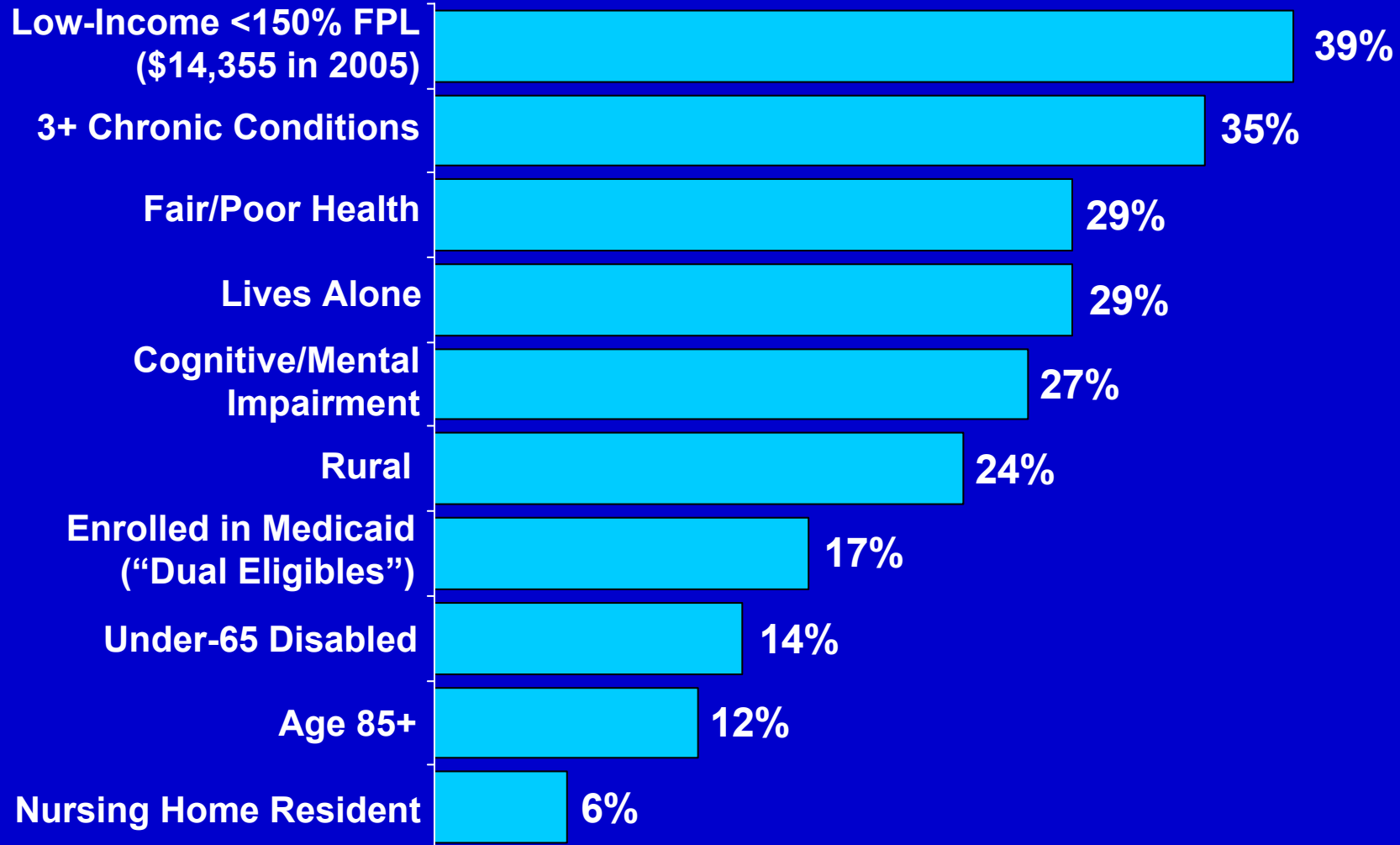
SOURCE: HHS OACT, MMA Final Rule, January 2005.

One in Five Seniors Said They Plan to Enroll in a Medicare Drug Plan in 2006



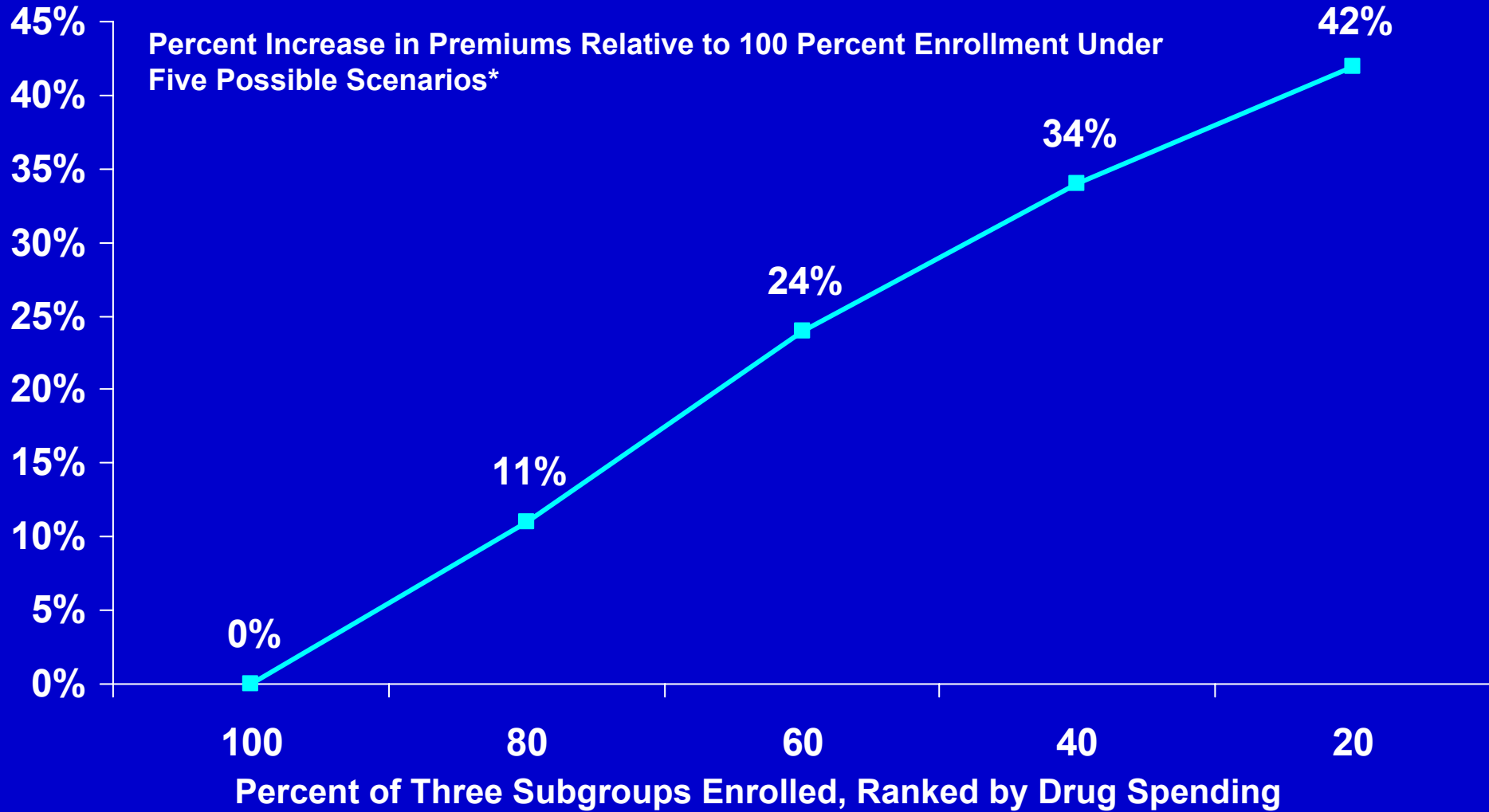
Medicare Covers a Population with Diverse Needs and Circumstances

Percent of total Medicare population:



SOURCE: All data from Medicare Current Beneficiary Survey 2002 Cost and Use File 2002 except income data from March 2004 Current Population Survey.

Premiums Could Rise with Lower than Expected Enrollment Among Beneficiaries with Relatively Low Drug Costs



*Note: The five enrollment scenarios assume 13.5 million beneficiaries participate including: Medicare Advantage (MA) enrollees (n=5.5 million), individuals eligible for both Medicare and Medicaid (dual eligibles) (n=6.4 million), and Medicare beneficiaries enrolled in state pharmacy assistance programs (SPAPs) (n=1.6 million).

Source: Avalere Health LLC estimates using a model developed by the Actuarial Research Corporation for the Henry J. Kaiser Family Foundation.

Does It Really Matter Which Medicare Drug Plan a Beneficiary Chooses?

Maryland

47 PDPs (plus some local HMOs)



✓ Monthly Rx Premiums

- \$6.44-\$68.91 (PDP)
- \$0-\$57.36 (MA-PD)

✓ Deductibles

- \$250 in 18 of 47 PDPs

✓ Copayments

- Tier 1: \$2-\$10; 25%
- Tier 2: \$15-\$66; 25%
- Tier 3: \$40-\$66; 25%-75%
- Specialty tier: none; 25%-33%

✓ Cost-Sharing in Donut Hole

- No, in 6 of 47 PDPs

✓ Covered Drugs

✓ Cost Management Tools

✓ Pharmacies in Network

✓ Mail Order Discounts

Looking to the Future

- **New drug benefit has potential to provide significant help – but requires some legwork**
- **New drug plans differ in fairly significant ways**
- **Beneficiaries likely to need unbiased one-on-one counseling to make enrollment decisions**
- **Not yet easy to compare annual out-of-pocket costs across plans for a given individual with a specific list of drugs**
- **Could be difficult for beneficiaries to differentiate among large number and different types of plans, all marketed with Medicare logo**
- **At the moment, most say they don't understand much about the new drug benefit...but it is still early**