

# **Overview of the New Medicare Prescription Drug Law**

**Ian D. Spatz**

**Merck & Co., Inc.**

**January 14, 2004**



# Medicare Rx Benefit: Overview

- ✓ Drug benefit for all beneficiaries
- ✓ Very generous drug benefit for low-income persons
- ✓ Competing, private drug-only plans
- ✓ Strengthened private, integrated plans
- ✓ Incentives for employers to retain coverage
- ✓ Moving Medicaid-eligible elderly from Medicaid to private plans for drug benefits

# Medicare Rx Benefit: Provisions

## Drug benefit delivery system through private plan model, with shared risk

- Prescription drug plans for those in traditional FFS – private, risk-based, drug only plans
- Medicare Advantage Prescription Drug Plans – PPO's and HMO's deliver integrated health and drug benefit
- Employers – will receive 28% subsidy for Rx costs between \$250 - \$5000

# Medicare Rx Benefit: Provisions

## Standard Benefit

- Premium based on amount set by plans (\$35 estimated avg. monthly)
- \$250 annual deductible
- 25% beneficiary coinsurance from \$250 to \$2,250
- 100 percent beneficiary coinsurance up to \$3600 in out of pocket spending (donut hole)
- 5 percent beneficiary coinsurance after \$3600 in out of pocket spending (catastrophic coverage)

# Medicare Rx Benefit: Provisions

## Low Income Benefit

- Medicaid eligibles <100 percent of Federal Poverty Level (dual eligibles)
  - No premium or deductible
  - \$1/\$3 (generic/brand) co-payments up to catastrophic
  - No co-payments above catastrophic

# Medicare Rx Benefit: Provisions

## Low Income Benefit, cont'd

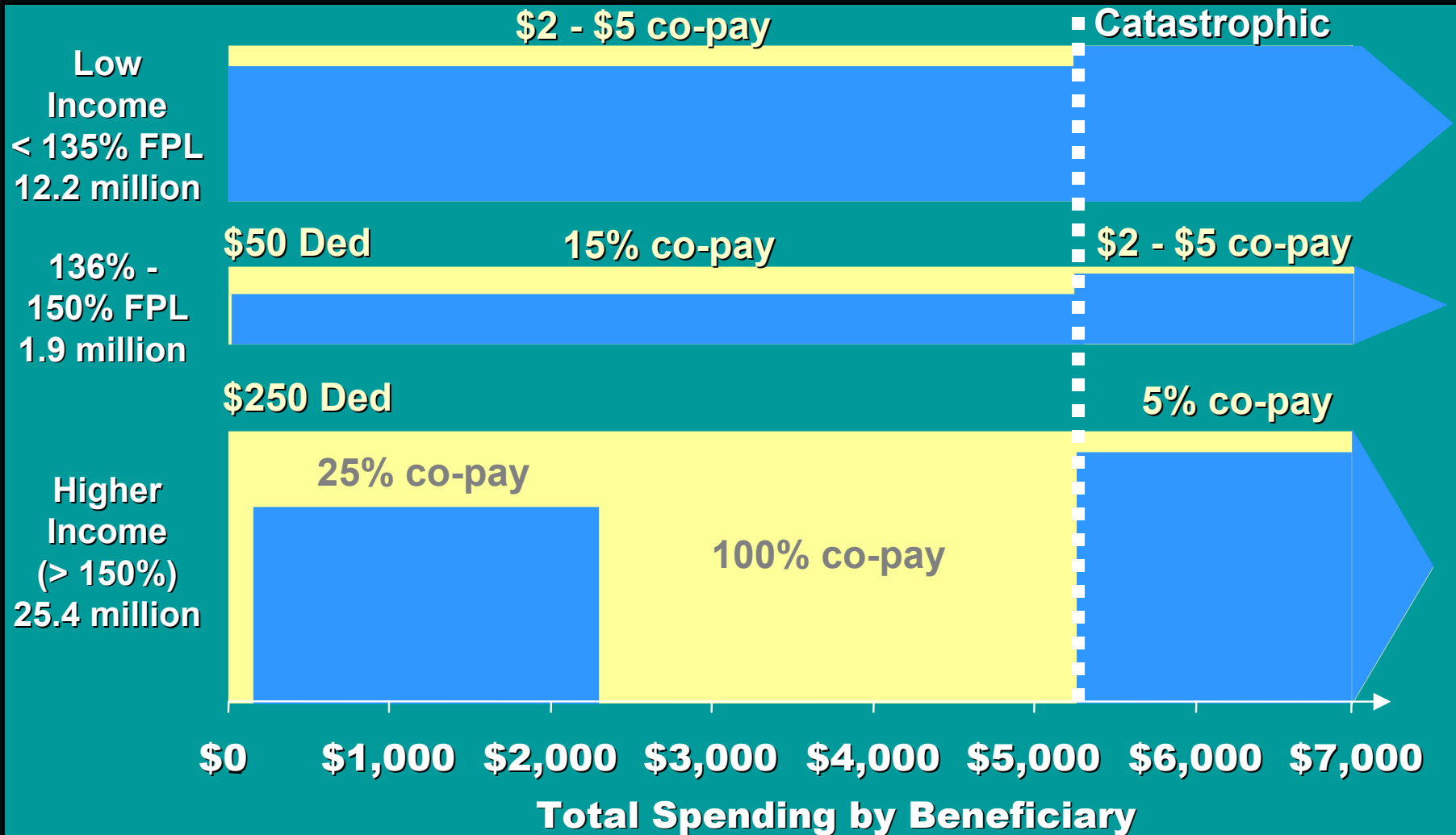
- < 135 percent FPL
  - No deductible or premium
  - \$2/\$5 co-payments up to catastrophic (no donut hole)
  - No co-payments above catastrophic

# Medicare Rx Benefit: Provisions

## Low Income Benefit, cont'd

- 135 percent FPL-150 percent FPL
  - \$50 deductible
  - Sliding share premium subsidies
  - 15% beneficiary coinsurance up to catastrophic limit (no donut hole)
  - \$2/\$5 co-payments above catastrophic

# Medicare Rx Benefit: Provisions



■ Patient Pays ■ Coverage



# Medicare Rx Benefit: Provisions

## Prices During Periods of Non-Coverage

- Standard beneficiaries will have access to negotiated discounts prior to meeting the deductible and “donut hole” period
- Low income beneficiaries have no “donut hole”

# Medicare Rx Benefit: Provisions

- Formularies developed & reviewed by a P&T committee
- At least 2 drugs within each therapeutic category and class
- Plans may use tiered cost-sharing
- Plans exempt from Medicaid “Best Price”
- E-Prescribing for docs

# Medicare Rx Benefit: Discount Cards

## Interim Discount Card

- Similar to other cards on market
- Annual enrollment fee is capped at \$30
- Discounts on at least 1 drug in each class
- Plans will publish retail prices
- Special low income assistance <135% of FPL
  - No annual enrollment fee
  - \$600 subsidy per year
- Begins June 2004

# Importation: Medicare Provision

- Repeals the MEDSA Act
- Allows pharmacists and wholesalers to import medicines from Canada
- Allows individuals to import 90 day supplies of medicines from Canada.
- **BUT ONLY IF ...** HHS Secretary certifies safety and significant cost savings
- No HHS Secretary has deemed this possible, effectively preventing implementation

# Medicare Rx Benefit: Provisions

## Medicare Part B

- Amends current law payment rate of AWP minus 5% to:
  - for 2004, AWP (as of 4/1/2003) minus 15% (Secretary can increase or decrease reimbursement based on market surveys)
  - for 2005 and after, Average Sales Price (ASP) plus 6% (Secretary can adjust reimbursement where ASP does not reflect widely available market prices)
- Physicians may choose competitive bidding system beginning in 2006