

Issue Brief:

Medicare Drug Discount Card

May 2004



**Oregon Health
Policy and Research**

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Issue Brief: Medicare Drug Discount Card

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 includes as one of its provisions a transitional Medicare Drug Discount Card Program that begins in June 2004 and will sunset when the new Medicare "Part D" drug insurance benefit becomes available in 2006. Early data from the Centers for Medicare and Medicaid Services (CMS) shows the discount cards are saving beneficiaries an estimated 10% to 17% on average retail pharmacy prices for brand name drugs and more on generic drugs. The Drug Discount Card Program also provides for additional transitional assistance to beneficiaries with incomes no more than 135% of the federal poverty level (FPL). This Issue Brief addresses expectations regarding the state's role as well as specific issues of eligibility and enrollment for Oregon Medicare beneficiaries.

WHAT IS THE BENEFIT?

Medicare drug discount cardholders will have access to prescription medications at discounted prices at participating pharmacies.

- CMS expects the discounts to come from negotiated concessions, such as discounts, rebates and subsidies from manufacturers and pharmacies, and that the savings for beneficiaries will be 10% to 17% for brand name prescription medications.
- CMS contracts with private companies, called *endorsed sponsors* (at least two in every state), to offer the new discount cards.
- As of the first week of May 2004, there are 20 endorsed sponsors in Oregon representing 41 different Medicare Drug Discount Cards.
- Discounts vary across endorsed sponsors and across drugs.
- Endorsed sponsors may offer mail order services, but must also offer convenient access to discounted drugs through a network of pharmacists in the community.
- There is an annual enrollment fee of no more than \$30 paid by the beneficiary to the endorsed sponsor.
- Beneficiaries may enroll in only one Medicare card program in a calendar year unless they move to a state in which their discount card isn't offered, join or leave a Medicare Managed Care Plan, enter or leave a long-term care facility, or if the sponsor stops offering their discount card.

Medicare Enrollees In Oregon:

As of July 2002, there were 503,783 Oregonians receiving Medicare benefits. Of these, 439,573 were eligible for Medicare because of their age and 64,210 were eligible due to disability.

*Source: Centers for Medicare and Medicaid Services (CMS).

To find out how to enroll, Medicare beneficiaries should:

- *Call 1-800-MEDICARE (1-800-633-4227) and ask about Medicare Drug Discount Cards. TTY users should call 1-877-486-2048*
 - *Go to www.medicare.gov on the web. Select "Prescription Drug and Other Assistance Programs."*
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- The Transitional Assistance Program provides additional assistance to certain low-income Medicare beneficiaries.

WHAT IS THE TRANSITIONAL ASSISTANCE BENEFIT FOR LOW-INCOME CARDHOLDERS?

- This program provides prescription drug payments up to \$600 in 2004 and up to \$600 in 2005 for cardholders with annual incomes less than 135% FPL, which is equivalent to \$12,569 for an individual and \$16,862 for married individuals.
- The full \$600 will be available to cardholders in 2004 no matter when they enroll, but will be pro-rated by \$150 a quarter in 2005. For instance, an individual enrolling in a card program between January 1st and March 31st of 2005 will have the entire \$600 available, but someone enrolling between April 1st and June 30th will have only \$450 available and so on.
- Any transitional assistance remaining unused from 2004 will be added to their 2005 total.
- CMS will pay the annual enrollment fee for this group.
- There is a coinsurance for covered drugs of 5% for beneficiaries under 100% FPL and 10% for those between 100% and 135% FPL, ending when the \$600 is spent.
- The card sponsor will be responsible for ensuring the appropriate coinsurance is charged and for tracking the balance remaining of an individual's \$600.
- After a beneficiary is approved for the transitional assistance, the \$600 will be applied to their drug discount card. After paying the 5% to 10% coinsurance, the pharmacist will deduct the prescription amount from the card. The pharmacist or a statement printed at the point of sale will tell the beneficiary how much of the \$600 remains.

WHICH DRUGS WILL BE INCLUDED IN THE DISCOUNT PROGRAM?

- While the endorsed sponsors may establish a preferred drug list (or formulary), CMS requires that endorsed sponsors provide a discounted price for at least one drug in each of the 209 drug categories. The categories are based on Medicare beneficiaries' most commonly needed drugs.
- Beneficiaries are expected to choose a single discount card based on which sponsor offers the best discount on their prescribed drugs. This information is available at the toll-free telephone hotline (1-800-MEDICARE) and on the web at www.medicare.gov.

Drugs Not Included

- *For anorexia, weight loss, or weight gain*
 - *To promote fertility*
 - *For cosmetic purposes or hair growth*
 - *For symptomatic relief of cough and colds*
 - *For prescription vitamins and mineral products, except prenatal vitamins and fluoride preparations*
 - *Nonprescription drugs*
 - *Outpatient drugs for which the manufacturer seeks to require associated tests or monitoring services be purchased exclusively from the manufacturer or its designee as a condition of sale.*
 - *Barbiturates (Central Nervous System Depressants such as Seconal or Nembutal)*
 - *Benzodiazepines (Anti-Anxiety Agents such as Valium, Librium, Clonazepam or Lorazepam)*
 - *Any drug payable under Medicare Part A or Part B*
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WHO WILL BE ELIGIBLE FOR THE MEDICARE DRUG DISCOUNT CARD?

- All Medicare beneficiaries residing in one of the 50 states or the District of Columbia, **except for those with Medicaid outpatient drug coverage**, will be eligible to enroll in the drug discount program.
- There is no asset test or income requirement.
- There is a single eligibility determination for the 18-month life of the program.
- CMS estimates that only one in six of those eligible will actually sign up for the card, partly because of the relatively short life of the program and partly because some groups, such as seniors with retiree health benefits are less likely to have a need for a drug discount card.

WHO WILL BE ELIGIBLE FOR THE TRANSITIONAL ASSISTANCE PROGRAM?

- Anyone who is eligible for the drug discount card, and
 - ✓ Has an income less than 135% of the federal poverty level (FPL). Included is income from retirement benefits, Social Security, Railroad Retirement, the Federal government or other sources. It also includes disability benefits and veteran's benefits or anything someone would report on his or her taxes.
 - ✓ Does **not** have coverage for discount card drugs through TRICARE, the Federal Employee's Health Benefit Plan, a group health plan, or through other health insurance coverage
- CMS expects that about 2/3 of those eligible will take advantage of the Transitional Assistance Program.
- Eligibility is verified by CMS using federal sources of income data.
- There is no asset test.
- There is a single eligibility determination for the life of the program.

WHAT IS THE STATE'S ROLE?

- The state's role in eligibility determination is minimal. The Department of Human Services is required to send a list of Medicare beneficiaries who also receive Medicaid (called dual eligibles) to CMS on a monthly basis.

How many Oregonians will be eligible for the Medicare Drug Discount Card?

The Oregon Medical Assistance Program (OMAP) reports about 50,000 Medicare beneficiaries in Oregon as eligible for an outpatient drug benefit through Medicaid: This group is NOT eligible for the Medicare Discount Drug Card program.

OHPR estimates that 450,000 beneficiaries may meet the CMS criteria for drug discount card eligibility.²

Applying the CMS-projected sign up rate of 1 in 6, as many as 75,000 Oregonians will likely sign up for a Medicare Discount Card.

1: OMAP, Dec. 2003.

2: Estimate based on 500,000 Medicare eligibles minus 50,000 dual eligibles.

How Many Oregonians will be eligible for Transitional Assistance?

The most recently available data from the 2000/2001 Current Population Survey shows 24% of Oregon's Medicare beneficiaries have incomes less than 135% FPL.¹

- *If this proportion remains the same, as many as 70,000 Oregonians may meet the criteria for the Transitional Assistance Program.²*
- *Applying the CMS projected sign-up rate, about 46,000 Oregonians may sign up for Transitional Assistance.*

1: Kaiser Family Foundation, "State Level Poverty Data for the Medicare Population, July 2003.

2: Estimate based on 120,000 Medicare beneficiaries below 135% FPL minus 50,000 dual eligibles.

Financing the Medicare Discount Drug Card Program

The Medicare Discount Drug Card Program funding will come from federal general revenues. CMS estimates the program costs will be:

2004

\$2.4 billion in Transitional Assistance

\$.14 billion to pay enrollment fees for beneficiaries with Transitional Assistance

2005

\$2.5 billion in Transitional Assistance

\$.14 billion to pay enrollment fees for beneficiaries with Transitional Assistance

2006

\$.1 billion for the first four and one-half months in Transitional Assistance

Additionally, \$134 million over the life of the program for administrative costs.

Source: GAO-04-347R, Dec. 22, 2003.

- The state has no enrollment responsibilities for either the drug discount card program or the transitional assistance program. Beneficiaries enroll with an endorsed sponsor.
- The state may choose to pay enrollment fees for enrollees who do not qualify for transitional assistance, but there will not be any federal Medicaid match available for that participation.
- The state has no direct responsibility for program outreach and education. CMS states that provider outreach will be conducted through a variety of channels.

WHAT IS THE IMPACT FOR OREGONIANS CURRENTLY RECEIVING LIMITED ANTI-VIRAL AND ANTI-REJECTION DRUGS THROUGH A SPECIAL STATE-ONLY PROGRAM?

Individuals currently receiving this limited prescription drug benefit can enroll in the Medicare Drug Discount Card program because there are no federal matching funds used to provide the state benefit.

HOW WILL THE MEDICARE DRUG DISCOUNT CARD WORK WITH OREGON'S SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM (SPDAP)?

Individuals enrolled in Oregon's Senior Prescription Drug Assistance Program (SPDAP) can also enroll in the Medicare Drug Discount Card because there are no federal matching funds used to provide this benefit. SPDAP's eligibility criteria are somewhat different than the Medicare Discount Card Program: individuals must be 65 or over, have assets under \$2,000 and income no more than 185% FPL. There is also a 6-month uninsurance (prescription coverage) requirement as well as a \$50 annual premium for Oregon's program.

The federal legislation creating the Medicare Drug Discount Program encourages states to coordinate their pharmaceutical discount programs with the Medicare program. Options for Oregon could include subsidizing the coinsurance for the transitional assistance programs and subsidizing the premiums for seniors between 135% and 185% FPL.

HOW WILL INDIVIDUALS SIGN UP FOR THE MEDICARE DRUG DISCOUNT CARD AND THE TRANSITIONAL ASSISTANCE PROGRAM?

- Enrollment begins May 3, 2004.
- CMS anticipates that interested beneficiaries will call the toll-free number or go to the CMS website to compare Discount Drug Card Sponsors in their state.
- Callers will be referred to the endorsed sponsor of the drug card offering lower costs for the drugs they take and will be mailed an enrollment form by the sponsor.
- Individuals choosing to apply for transitional assistance will do so on the same enrollment form used for application to the Medicare Drug Discount Card program.
- Sponsors are not allowed to enroll beneficiaries applying for transitional assistance until after CMS has verified their eligibility.

CHALLENGES

- Because endorsed sponsors can establish formularies and will have differing negotiated prices, beneficiaries with multiple drug regimens may not find the deepest discount for all of their drugs with a single card sponsor.
- Beneficiaries will not be allowed to switch to a new drug card during a calendar year if their drug regimens change. They will be required to wait for the annual open enrollment period.
- According to CMS, endorsed sponsors with many enrollees will have the necessary leverage to negotiate significant discounts with manufacturers, part of which they will pass through to consumers. Community pharmacy organizations have expressed concern that they may end up carrying a disproportionate share of these discounts.
- The primary state budgetary impact for the 2003-2005 biennium is expected to be from administrative costs associated with the monthly dual eligible data submission to CMS. The dollar amount is undetermined at this time, but there will be a 50-50 federal match for these costs.
- There may be increased enrollment in Medicaid resulting from an "outreach effect": when Medicare beneficiaries call about transitional assistance, some may find they qualify for Medicaid.

Medicare-Approved Sponsors in Oregon

*Advance PCS Health LP
Aetna Health Management LLC
Argus Health Systems, Inc.
Caremark Advantage Inc.
Catalyst Rx
Computer Sciences Corp.
Express Scripts Inc.
First Health Services Corp.
Health Net Life Insurance Co.
Long Term Care Pharmacy Alliance LLC
Medco Health Solutions Inc.
PacificCare of Oregon, Inc.
PharmaCare Management Services Inc.
Pharmacy Care Alliance Inc.
PMB Plus, Inc.
Scrip Solutions LLC
SXC Health Solutions Inc.
United Healthcare Insurance Co. (with AARP)
WellPoint Pharmacy Management
WHP Health Initiatives Inc.*
