May 8, 2007

MEDICARE PART D

Enrolling New Dual-Eligible Beneficiaries in Prescription Drug Plans

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Highlights

Highlights of GAO-07-824T, a testimony before the Committee on Finance, U.S. Senate

Why GAO Did This Study

Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), dual-eligible beneficiaries—individuals with both Medicare and Medicaid coverage—have their drug costs covered under Medicare Part D rather than under state Medicaid programs. The MMA requires the Centers for Medicare & Medicaid Services (CMS) to enroll these beneficiaries in a Medicare prescription drug plan (PDP) if they do not select a plan on their own. CMS enrolled about 5.5 million dual-eligible beneficiaries in late 2005 and about 634,000 beneficiaries who became dually eligible during 2006.

GAO was asked to testify on (1) CMS's process for enrolling new dual-eligible beneficiaries into PDPs and its effect on access to drugs and (2) how CMS set the effective coverage date for certain dual-eligible beneficiaries and its implementation of this policy. This testimony is based on a GAO report that is being released today, *Medicare Part D: Challenges in Enrolling New Dual-Eligible Beneficiaries* (GAO-07-272).

What GAO Recommends

GAO's report contains several recommendations, including that CMS require PDPs to modify beneficiary notices and that CMS monitor the implementation of its payment policy. CMS did not agree with all of the recommendations, but it has taken steps to implement some.

www.gao.gov/cgi-bin/getrpt?GAO-07-824T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathleen M. King at (202) 512-7119 or kingk@gao.gov.

What GAO Found

CMS's process for enrolling new dual-eligible beneficiaries who have not yet signed up for a PDP involves many parties, information systems and administrative steps, and takes a minimum of 5 weeks to complete. For about two-thirds of these individuals—generally Medicare beneficiaries who subsequently qualify for Medicaid—pharmacies may not have up-to-date PDP enrollment information needed to bill PDPs appropriately until the beneficiaries' data are completely processed. As a result, these beneficiaries may have difficulty obtaining their Part D-covered prescription drugs during this interval. CMS has created contingency measures to help individuals obtain their new Medicare benefit, but these measures have not always worked effectively. For the other one-third of new dual-eligible beneficiaries—Medicaid enrollees who become Medicare-eligible because of age or disability—CMS eliminated the impact of processing time by enrolling them in PDPs just prior to their attaining Medicare eligibility. This prospective enrollment, implemented in late 2006, offers these dual-eligible beneficiaries a seamless transition to Medicare Part D coverage.

CMS set the effective Part D coverage date for Medicare-eligible beneficiaries who subsequently become eligible for Medicaid to coincide with the date their Medicaid coverage becomes effective. Under this policy, which was designed to provide drug coverage for dual-eligible beneficiaries as soon as they attain dual-eligible status, the start of their Part D coverage can extend retroactively for several months before the date beneficiaries are notified of their PDP enrollment. GAO found that CMS did not fully implement or monitor the impact of this policy. Although beneficiaries are entitled to reimbursement for covered drug costs incurred during this retroactive period, CMS did not begin informing them of this right until March 2007. Given their vulnerability, it is unlikely that these beneficiaries would have sought reimbursement or retained proof of their drug purchases if they were not informed of their right to do so. Also, CMS made monthly payments to PDPs for providing drug coverage during retroactive periods, but did not monitor PDPs' reimbursements to beneficiaries during that time period. GAO estimated that in 2006, Medicare paid PDPs millions of dollars for coverage during periods for which dual-eligible beneficiaries may not have sought reimbursement for their drug costs.