

# Medicare<sup>Rx</sup>

Prescription Drug Coverage

## Secretary's One Month Progress Report on the Medicare Prescription Drug Benefit

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Secretary of Health and Human Services*

*February 1, 2006*



We are one month into the most significant change in Medicare since the program began 40 years ago.

We have seen progress in this first month, and we have seen some unexpected problems. The situation was best described to me by a pharmacist I met in Alabama who said, "Still plenty of bumps, but it is much better."

I make no excuses. We own the problems. These are our problems to solve, and we are.

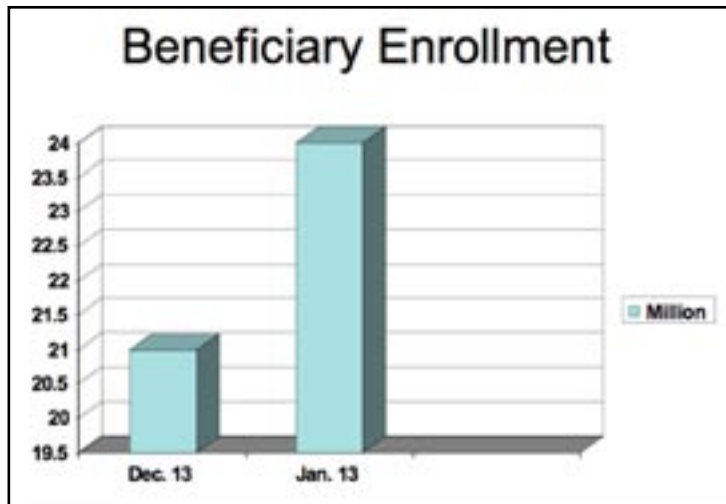
The Medicare Prescription Drug Benefit is a good deal for seniors. The measure of our success should be that all seniors have problem-free access to coverage that saves them money, keeps them healthier, and gives them peace of mind.

## I. Progress Review — Drug Benefit is Working

For the vast majority of seniors, the new benefit is working.

- Drug plans are filling millions of prescriptions every day.
- Hundreds of thousands of beneficiaries are enrolling each week.
- More than 24 million Medicare beneficiaries are already enrolled.
- We are well on the way to meeting our goal of enrolling between 28 and 30 million people this year.

It is clear from people I have met all over the country that the benefits of the prescription drug plan are real. Part D not only saves seniors money, it is an important part of



our national effort focused on keeping ourselves healthy rather than just paying the bills when people get sick.

### Savings for Seniors

Last week in Oklahoma City, I met a delightful woman named Dorothy.

Dorothy was just signing up for the prescription benefit that day. She is paying about \$300 a month for her medicines.

Using her laptop, a health care counselor logged onto www.Medicare.gov. It took about thirty minutes to type in the information on Dorothy's Medicare card and list her six prescriptions.

***In just 30 minutes, Dorothy went from spending \$300 to \$36 a month, saving over \$3,000 this year.***

When the counselor was finished, the computer showed five different plans that fit Dorothy's needs. Naturally, Dorothy chose the least-expensive plan. Instead of paying \$300 a month, Dorothy will now pay about \$36 a month, including co-pays. As a result, she will save more than \$3,000 this year.

Dorothy was so delighted that she gave me a kiss and a high-five. She told a television reporter that she had lots of ways to use the money.

I'm hearing about people like Dorothy all across the country.

### Better Health for Seniors

I met a pharmacist named Bill at a grocery store in Jacksonville, Florida. He told me about a customer of his who hadn't signed up for a plan because she wasn't taking any medicine. But Bill remembered that the customer's doctor had prescribed medicine for her to prevent osteoporosis. When Bill asked her about it, she said that she couldn't afford the medicine, because it cost more than \$100 a month.

***A pharmacist in Florida enrolled a customer who was not taking osteoporosis meds because she could not afford the \$100 a month cost. She now gets her meds for \$1.00 a month.***

Bill enrolled her in the Medicare drug benefit. She was eligible for extra help, and she will now get her medicine for \$1.00 a month. In addition to saving her money, that medicine might save her a debilitating injury or a costly visit to the emergency room.

While Medicare has always paid the medical bills for seniors with osteoporosis, it has not covered medicines that would prevent the disease in the first place.

### Savings for Taxpayers

Our latest report on the cost of drugs under the prescription drug plan shows the competitive marketplace is reducing the price of prescription drugs for consumers and taxpayers.

When the program was being developed, before we had any actual experience with the cost of drug coverage, it was estimated that the Part D benefit would cost about \$700 billion in its first ten years.

But as plans compete for seniors' business, they are driving the costs of prescriptions down. According to our latest estimates, the costs of the Medicare prescription drug benefit are significantly less than expected.

- Independent experts had projected premiums of over \$37 a month. But thanks to the power of competition, we estimate that individuals can now expect to pay on the average only \$25 a month — about a third less than previously estimated.

- The federal government now projects the cost to be about 20 percent less per person in 2006. Over the next five years, payments are now projected to be more than 10 percent lower than first estimated. That is a significant savings for taxpayers.

**The federal government is now projected to spend about 20 percent less per person in 2006.**

## II. Problems - Find, Fix & Finish

Any time you make a change this big in a small period of time, you have unanticipated problems.

The measure of our success should not be that we have had no unexpected problems at the outset, but rather that we were able to find, fix and finish the unexpected problems quickly.

That has been true for the implementation of Part D. While the system has worked for the vast majority of participants, the first trip to the pharmacy has been frustrating for some.

**We are focused on fixing the problems.**

We are intensely focused on the following issues:

### Connecting the First Time

It is our highest priority that no Part D participant leaves the prescription counter without the medicines they need. Any time that happens, it is a problem. And any problem like that needs a solution.

For that reason, the most important indication of our success is going to be the number of people who have a successful experience the first time they go to the pharmacy after enrolling.

### Dual-Eligibles and Late Enrollees

The first-time experience at the pharmacy has been positive for most enrollees. Those who faced difficulties were mostly people with Medicare and Medicaid who previously got their drug coverage from Medicaid, and who did not have complete information when they tried to fill their prescriptions. This included people who switched plans, particularly near the end of the month, and some others

whose information was not transferred smoothly between Medicare, drug plans and states. This was a group of potentially several hundred thousand people out of more than 6 million "dual eligibles."

### Data Transmission

To address this problem, we've taken steps to make sure drug plans have up-to-date information on all their dual eligible beneficiaries, and steps to improve the "data translation" between Medicare, health plans and states.

**Experts projected premiums of over \$37 a month. New projected estimates are \$25 a month.**

When data has been transmitted from states to Centers for Medicare and Medicaid Services or CMS to plans, the "hand-shake" between different data systems has not always been perfect. As a result of these imperfections, names of beneficiaries and accurate cost-sharing information were not showing up. While most of the data is transferring correctly, we must make sure we fix our data and systems issues. We are doing constant quality improvement in this area.

We are continuing to work to improve the information available to pharmacists, and it is getting better every day.

### Enrolling Early

Because it takes a little time for information to catch up with a beneficiary, it's important for beneficiaries to know that they can minimize the problems with using their coverage for the first time by:

- Allowing more time between when they enroll and when they use their coverage
- Enrolling early in the month, ideally before the 15th to allow more processing time.

We estimate 90% of those who enroll or change plans before the 15th of the month will get their prescriptions without taking much time. The other ten percent will still see their prescriptions filled, but are more likely to spend extra time at the pharmacy working through some details. People who sign up for Medicare drug coverage on their

Email sent to HHS from Danny Cottrell:  
It was a pleasure meeting with the Secretary and his staff Friday in Birmingham. I wanted to report to you that there has been a significant improvement in things since Friday morning. Here is a brief update.

1. The E1 Transactions which I had been unable to complete are now working reasonably well. One that I had sent Wednesday and rejected went through. I am also getting a number of non-dual eligibles starting to go thru.
2. Letters from the PDP's are still behind but there has been a tremendous influx of letters since Thursday.
3. The PDP's seem to be doing a better job of having the correct copay's. not perfect but better.

In all, if it improves as much in the next 7 days as it has the past 7 days we will be close to getting some significant relief.

Still plenty of bumps but it is much better.

own should expect to get a confirmation letter with information their pharmacist can use in about a week or so after they enroll. In 3 to 5 weeks, they'll get a drug plan card. Beneficiaries should:

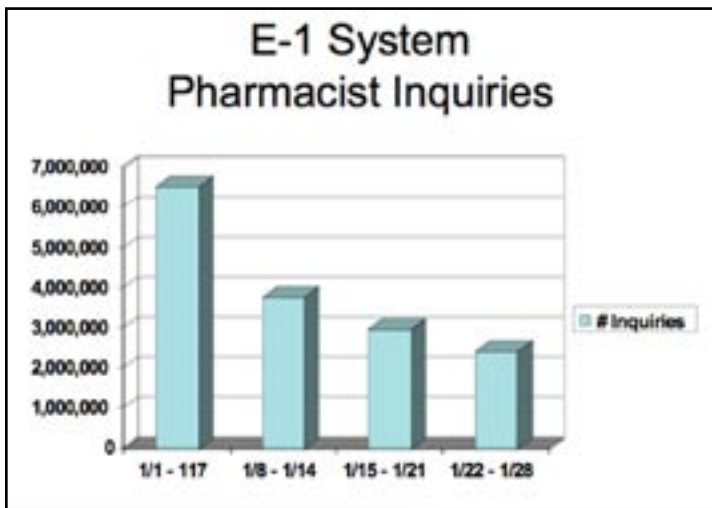
**Enroll early. We estimate 90% of those who enroll or change plans before the 15th of the month will get their prescriptions without taking much time.**

- Take the card with them to the pharmacy.
- Take the letter if they have not received a card.

- Once a person has their coverage they will be connected in the system.

### Customer Service

Especially in the early days of the benefit, when pharmacists could not easily get coverage information on a



number of people with Medicare and Medicaid, lots of phone calls meant long phone delays. It is simply unacceptable for a pharmacist or a Plan D participant to wait 30 minutes or longer on the phone to solve a problem.

Part of the reason for service delays included:

- E-1 system pharmacists use for billing purposes has not worked perfectly,
- Data translation problems and the fact that enrollees and people who switched plans late in the month were not yet in the system,
- Some drug plans did not anticipate and staff for the volume of calls they received.

We are working with the plans to make sure wait times can be reduced to eliminate any hassle for pharmacists and their customers.

The wait times have gotten much better over the course of the month.

### Wait times for 1-800-Medicare

Those who call 1-800-MEDICARE now experience virtually no wait time before getting through.

### Good Service is a Requirement

We have also seen most drug plans respond with enhanced customer and pharmacy service.

Pharmacists tell us that wait times for most of the individual drug plans are improving as well. Our monitoring of the customer and pharmacy help lines is confirming this.

Good service is a requirement in the Medicare drug benefit, and we are pleased that many plans are meeting and exceeding these expectations now.

To help make sure that all drug plans are producing good service and are recognized for it:

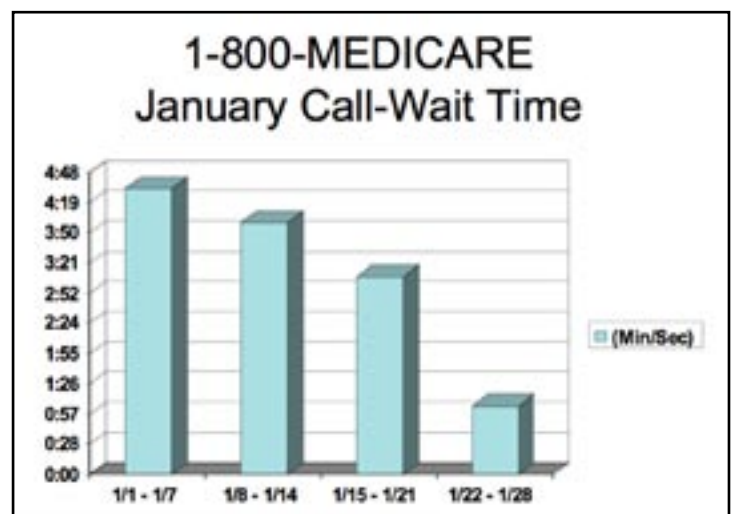
- We will increase our monitoring and reporting of wait times.
- Any plan that does not meet its commitment to provide prompt service will be dealt with through the corrective actions that I have authority to take.

### Pharmacy Support

The efforts of pharmacists over the last month have been nothing short of heroic. I've visited with and heard from pharmacists all over the country. They have been selfless, compassionate, and committed to service.

I've met pharmacists throughout the country who provided three-to-five day supplies of medicines to beneficiaries without payment — and often no

expectation of one — until things could be straightened out.



**Alabama pharmacist Danny Cottrell personally enrolled 1,400 of his customers.**

This drug plan is a big change for pharmacists. Many are learning new systems. All are

carrying the extra responsibility to help their customers.

I talked to a pharmacist in Alabama named Danny Cottrell who personally enrolled about 1,400 of the people he serves into a prescription drug plan that was right for them.

Pharmacists are also concerned about the impact Part D will have on their business operations. Most have negotiated payment terms with the health plans that are different than those they are accustomed to. Pharmacists are worried about that. Pharmacists should expect to be paid in accordance with their plan contracts.

I can — and will — take corrective action if a plan is not in compliance with its contractual agreements.

### **Extending Transition Coverage to 90 Days**

As I've traveled the country, I have heard some allegations about compliance with necessary drug coverage. Early on, there were concerns about plans fulfilling the transition policy and the six-class drug coverage requirements. We are seeing many plans taking steps to provide transition coverage effectively, including extending the transition period.

Most plans are complying with Medicare's requirements, including transition policies for new enrollees who may need to change prescriptions from one medication to another similar medication.

**Medicare will notify plans that the 30-day transitional coverage period in effect will now continue for 60 more days.**

To build on these steps being taken by plans and to assure coverage, Medicare will notify plans that the 30-day transitional coverage period in effect will now continue for 60 more days. We've worked with many plans that are already taking this step.

That means that plans are providing a full 90 days of coverage. The extra time will:

- Help smooth the transition to Medicare.
- Enable beneficiaries to arrange for alternative treatments (enabling them to save more money, or to work out ways to continue their current drug if needed).

I appreciate the ways that drug plans have worked with us to assure a sufficient transition period for Medicare beneficiaries.

### **Reimbursing the States**

In early January, many states used their Medicaid reimbursement systems to pay pharmacies that were filling prescriptions for dual-eligible beneficiaries. We worked cooperatively with states to insure people were getting their prescriptions.

Last week, I announced a reimbursement plan for the states. We will assume that states are paying what they have advanced on behalf of plans. If they paid higher

rates or had administrative costs on top of that, we will assure they are treated fairly.

**Between now and February 15, 2006, we will work with the states to assure that the backup system is no longer needed.**

Between now and Febru-

ary 15, 2006, we will work with the states to assure that the backup system is no longer needed. By that date, states should be acting only as a payer of last resort and should be working with us to help all pharmacists use the Medicare billing systems. We've already seen that states that take these steps can minimize billing to their systems. However, I want to make certain that no one goes without the medicines they need, and so I will provide a temporary extension to state reimbursement plans if needed.

### **Anticipating Future Problems**

We will continue to work with pharmacists, drug plans, and states to provide the best possible service. But solving existing problems is not sufficient. We must anticipate future ones as well.

In addition to the problems we have already identified, we want to ensure that we are anticipating other problems and fixing them before they happen. For example:

- We anticipate there will be problems on February 1 with people who enrolled or switched late the month before.
- We are notifying beneficiaries who did not have premiums withheld the first month they enrolled to expect to pay two premiums in the next month.
- We are also looking even further down the road to make sure we incorporate the lessons we have learned into the plan contracts we write for the next enrollment period.

### **Part D of The Future**

As more and more people use their Medicare coverage to save money, it is important that we continue to address current shortfalls and anticipate future problems. We are at the beginning of a continuing process of care and improvement; guided by the lessons we've learned over the first month.

***The prescription drug plan will help millions of Americans live longer, healthier lives.***

We are starting now to prepare for the next planning year — informed greatly by what we have ex-

perienced this year. The marketplace is already reducing cost and will begin to simplify the process. Why? This is what consumers want and that is what this benefit is all about.

from Oklahoma City. Like millions of others around the country, Dorothy is likely to live a longer, healthier life because of the benefit.

Each day we are making progress implementing the drug benefit. Each day, we are seeing more seniors enroll and start to save. Each day we are getting closer to success.

The Medicare prescription drug benefit will continue to serve those in need in the days and years ahead. The program has been active for only 30 days, but its benefits are designed to last for decades to come.

## **Conclusion**

I began this report by talking about Dorothy, my friend

### **Summary of Action Steps:**

- Making sure drug plans have up-to-date information on all their dual eligible beneficiaries
- Improving the “data translation” between Medicare, health plans, and states
- Calling 1-800-MEDICARE means virtually no wait time
- Monitoring and reporting call wait times for drug plans
- Assuring plans meet contractual payment terms for pharmacies
- Extending transition coverage for a beneficiary’s current drugs to 90 days
- Working with the states to assure a backup system is no longer needed
- Establishing a reimbursement plan for the states and if needed, providing a temporary extension to state reimbursement plan
- Continuing the process of problem-solving and improvement — guided by the lessons we’ve learned

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