

Committee on Ways and Means

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

States Benefit Significantly from Medicare Prescription Drug, Improvement and Modernization Act

Under the conference report, States, especially those with comprehensive pharmaceutical assistance programs, will benefit significantly.

Medicare Assumes the Cost of Prescription Drugs for Low-Income Senior Citizens

- Presently all states provide dually eligible Medicare beneficiaries prescription drug coverage through their Medicaid programs. On average, states pay 43% of these Medicaid costs, but many states pay up to 50%. In addition, about 25 states provide state pharmacy assistance programs for seniors with incomes above the dually eligible criteria. Prescription drugs are one of the fastest growing expenditures for states.
- The bill treats Medicare beneficiaries as seniors first and low-income second. As such, it makes the Medicare prescription drug benefit “primary” for low-income senior citizens, just as Medicare is the primary insurer for every other benefit (hospital, physicians, skilled nursing facilities, etc.). This ensures all low-income individuals receive uniform assistance regardless of where they live in America.
- The bill fully subsidizes premiums for seniors with income up to 135% of poverty, phasing out at 150% of poverty. It also fully subsidizes cost-sharing for seniors with incomes up to 135% of poverty, with the exception of nominal co-payments not to exceed \$5 per prescription. For seniors below 150% of the poverty level, a \$50 deductible and a sliding scale premium, and 15% coinsurance up to the catastrophic limit applies. There is no doughnut hole, or gap in coverage, for this group. As such, nearly all costs are covered.
- The federal government will—over a ten year period—partially assume costs currently incurred by states for providing Medicare’s standard prescription drug benefit to low-income (Medicare/Medicaid eligible) populations.

State Employee Retiree Plans Receive Additional Help

- State employee retirement plans – public teachers’ unions, Medicaid administrators, transportation workers and police officers – would receive the 28 percent subsidy offered to all private retiree plans if they have benefits as generous as the Medicare benefit.
 - This translates into billions of dollars in assistance over the next decade.

Provides Most Help to States With Pharmaceutical Assistance Programs

Some states have initiated pharmaceutical assistance programs to provide prescription drug assistance to low-income seniors. These states will receive the most assistance on their costs as Medicare becomes the primary payer for these seniors.

- **The conference report closes the doughnut hole for low-income seniors.**
 - The House bill allowed states pharmacy programs to fill in cost-sharing for low-income individuals that had drug spending in the doughnut hole (between \$2,250 initial coverage limit and \$3,600 catastrophic limit). This spending counted against the catastrophic limit.
 - The conference report eliminates the doughnut hole for those below 135% of poverty, and greatly reduces cost-sharing for those between 135% and 150% of poverty. This means states have fewer gaps in coverage to wrap around, reducing state expenditures significantly.
- **State Spending Counts Against the Catastrophic Benefit**
 - States can fill in beneficiary cost-sharing and deductibles and have that spending count against the catastrophic. This means state liability is limited to spending below the catastrophic limit (\$3,600), and for which there is no coverage.
 - The state pharmacy assistance programs could use money saved from the Medicare drug benefit to extend their assistance to persons with incomes above 150% of poverty, such as 200% or even 300% of poverty.
 - The state pharmacy program could fill in the costs for the copayments. This spending would count against the catastrophic cap.
- **Coordination Language Requires Medicare Plans to Work With States**
 - Create a seamless transition for the State and the senior;
 - Encourage a single drug card for simplicity;
 - Establish a uniform and easy to understand application form; and
 - Require coordination in enrollment file sharing, claims processing, payment and reconciliation reports.
- **Medicare is Primary Payer for Benefits**
- **A \$125 million fund would be established to help states transition to the new structure and coordinate with private plans. The fund is mandatory, not discretionary.**
- **State Pharmaceutical Assistance Transition Commission**
 - Requires Governors, state plans, beneficiaries and others to determine administrative problems in coordinating Medicare plans with the States and report back recommendations to Congress before the drug benefit is available in 2006