

# Medicare<sup>Rx</sup>

Prescription Drug Coverage

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

---

*Prepared by Mike Leavitt,  
Secretary of Health and Human Services*

*February 22, 2006*



We are now at the 53rd day since implementation of Medicare prescription drug coverage. After reviewing the numbers and experiences to date, I can report that we are seeing solid progress. But we are not done. We continue to work aggressively to solve the problems that inevitably occur in transitions this size.

**Enrollment is going up; Costs are going down.**

More than 25 million enrollees are now receiving prescription drug benefits and we are adding on average of 250,000/week. The marketplace is working. Competition among drug plan choices is slowing down spending growth. This means that the costs of drug coverage are less than expected. States, taxpayers and, most important, seniors are saving.

**States are completing their transition to the new Medicare prescription drug program.**

Forty-four states and the District of Columbia are participating in a program that will limit their costs and ease the transition to Medicare drug coverage for certain people who are also in Medicaid. We are paying for the administrative costs of states that work with Medicare and for pharmacists who use Medicare's billing systems. This is paying off in lower state billing and greater use of Medicare coverage. Most states do not need to use their billing systems at all or are using them for only a very small share of prescription drug claims for people with both Medicare and Medicaid.

**Systems are improving and where we find problems, we are fixing them.** We are working to ensure that Medicare beneficiaries and health care professionals who participate are receiving the best service that Part D organizations can deliver.

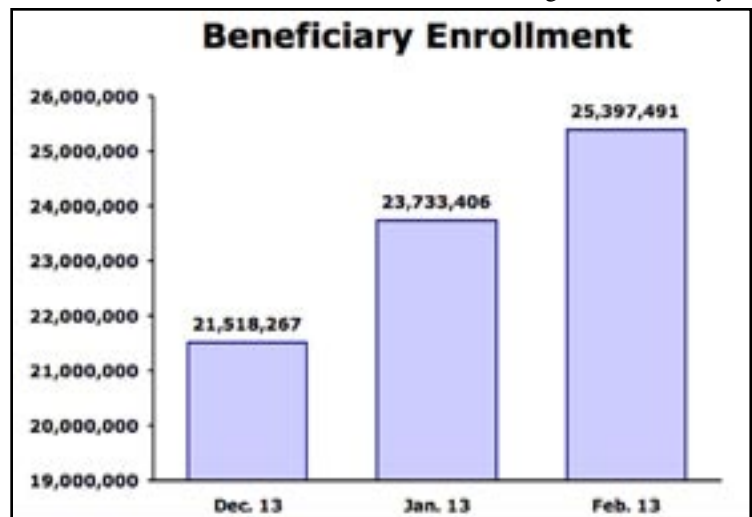
- We have taken steps to make the "data handoffs" between Medicare, drug plans, states, and pharmacies work more smoothly and quickly.
- This has been a difficult transition but the efforts of pharmacists particularly stand out as heroic.
- The majority of retail pharmacies are able to perform real-time eligibility determinations.
- There is a steady decline in the number of Helpline and client eligibility calls by pharmacists.
- We are conducting frequent checks with the drug plans on enrollment and co-payment information for their dual eligible beneficiaries, and more rapid data transfers involving these beneficiaries.
- We have instituted a program of performance measurement and evaluation to ensure that organizations are delivering the service that beneficiaries deserve. I am not yet satisfied with the response time achieved on drug plan 1-800 lines.

**Email sent 2/8 to HHS from Danny Cottrell, Pharmacist in Alabama**

I now have over 750 enrolled patients entered into my system and we filled approximately 650 prescriptions on Medicare Part D this week. I did have one lady that got over \$1,200 dollars worth of medicine for \$15 so there definitely are some winners.

We will use this ongoing monitoring program to provide feedback to Part D organizations. We will work with the programs to improve overall customer service, and we will impose sanctions as the results warrant.

The drug benefit program is a good deal for all of us, and especially for the tens of millions of seniors and persons with disabilities who have new or better coverage. I continue my



commitment to constant problem solving and improvement so that all can fully enjoy these benefits as we move forward.

**Seniors, Taxpayers, and States Are Saving**

Because of strong competition among the drug plan choices and other recent steps to slow down drug spending growth, the costs of Medicare drug coverage are much less than had been expected.

- Seniors and persons with disabilities are seeing premiums one third lower on average, reduced about \$12 per month or nearly \$150 per year less than expected.
- Seniors are saving \$1,100 on average on their annual prescription drug costs as a result of the Part D benefit.
- Taxpayers are saving billions. Since last July, the projected cost of the benefit has come down by \$7.6 billion in 2006, and \$30 billion over next five years.
- States will see \$700 million in additional savings during 2006 in their reimbursement to the federal government, and states will spend \$37 billion less than projected over the next ten years.

**States Completing Transition to Part D**

Through a temporary program, Medicare will reimburse drug claims and associated administrative costs incurred by states to support the transition of dual-eligible beneficiaries to Medicare drug coverage. The Medicare drug benefit is working for the vast majority of dual eligible beneficiaries in most states:

- Approximately 15 states have not used their state payment systems at all and are only seeking reimbursement for administrative costs.
- Of those states that are using their payment systems, most have had only limited drug claims.
- Florida has had fewer than 100 claims billed to their state system.
- Pennsylvania has incurred only a few thousand claims over the past six weeks.
- In these states, the state claims account for well under one percent of prescriptions for dual-eligible beneficiaries.

Among the small number of states that have higher rates of prescription drug claims billed to state systems, most (New Jersey, New York, Connecticut, Maine, and Vermont) are including drug claims billed for other beneficiaries (such as those in their state prescription assistance programs) in addition to Medicaid drug coverage.

Many states believe their Medicaid payments for prescriptions are higher than payments under the competitive Medicare drug plans. Under the reimbursement program, Medicare will pay the difference between those payment rates. The reimbursement program for administrative payments and limited drug payments will continue as needed for the coming weeks.

5 million Medicare beneficiaries not only save money; they also have much better drug coverage.

## Enroll Early In the Month

Because it takes time to process enrollments, there are real advantages to joining a Medicare drug plan at the beginning of the month. We are getting that message out through our partners and via the web.

**To date, more than 2 million people have enrolled on line.**  
[www.medicare.gov](http://www.medicare.gov)

- Almost all who join or change plans before the 15th of each month will get their prescriptions filled quickly and conveniently.
- Allows Medicare and plans time to update their systems and mail important documents (e.g., confirmation letter, membership card, welcome package) before effective date.
- Allows early enrollees to get the most out of their coverage from the first day it is effective.

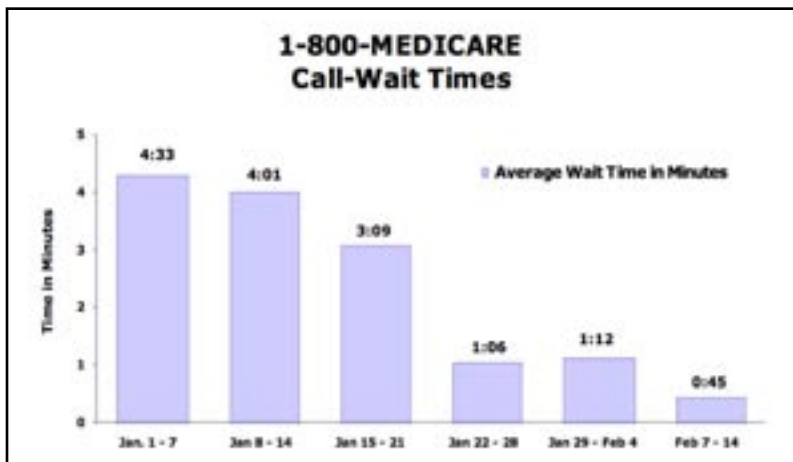
Enrollees who join later in the month may have to spend extra time at the pharmacy to get their prescriptions filled, especially if they try to use their coverage shortly after enrolling. There are some things that can make filling prescriptions easier if you enroll late in the month. If possible, wait to use your drug coverage until you receive the enrollment confirmation letter from your plan (in about a week) or (even better) your drug plan ID card shortly after that. Take the letter or card with you on your first trip to the pharmacy. Your pharmacist will use these documents to help make sure your prescriptions are billed smoothly.

If you enrolled late and need to use your coverage immediately, call ahead to your pharmacy, allow some extra time, and bring as many of the following items as possible with you:

- Name of your Medicare drug plan;
- Welcoming letter from the plan; and
- Enrollment confirmation number.

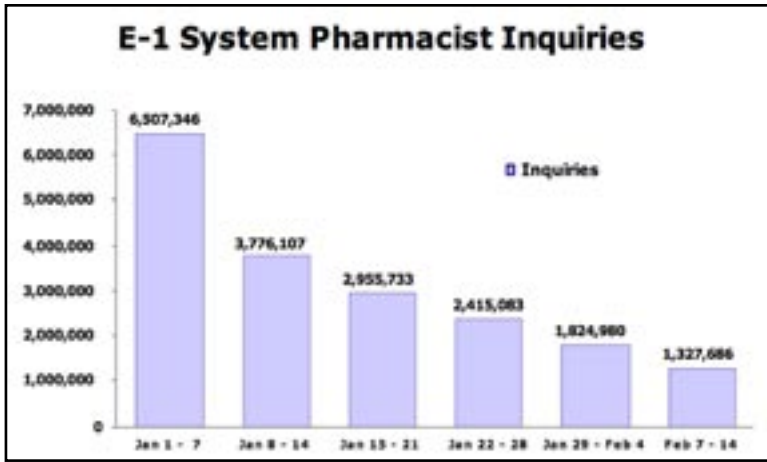
If applicable also bring:

- Copy of the yellow automatic enrollment letter from Medicare;
- Medicaid card; and
- Approval letter from the Social Security Administration, or other proof that you qualify for extra help.



## Medicare Advantage Plan: Better Benefits; Enrollment Up

Over 5 million beneficiaries are now receiving their Part D coverage through Medicare Advantage plans, including over 500,000 who have enrolled since the drug benefit became available November 15, 2005. Before the new Medicare drug benefit, not all Medicare Advantage plans offered drug coverage, and those that did generally had benefits that ran out or that only covered generic drugs. Now, many plans are offering much broader prescription drug coverage for zero additional premiums. Most plans offer coverage that exceeds the Medicare basic benefit, and there are no caps – the protection against high drug expenses never runs out. This means that more than



As a last resort, if you must pay out-of-pocket for the prescription, save your receipts and you can get reimbursed by your Medicare drug plan after your enrollment has been processed. **You should never go without prescriptions you need.** Medicare has backup systems in place to help make sure you get them. If you need help paying for your medicines right away, you can get assistance from a Medicare caseworker by calling 1-800-MEDICARE.

### Employers and Unions Continue to Offer Drug Coverage

There has been an especially strong response from employers and unions who are continuing to offer prescription drug coverage to their Medicare retirees. Some had predicted that many employers and unions would drop high-quality, affordable drug coverage, continuing a steady trend over the past 15 years. However, employer/union participation in Medicare’s new retiree drug subsidy program has been even better than predicted, with more retirees enjoying more secure retiree coverage as a result of Medicare’s new subsidy program.

To date, about 6.4 million qualified retirees are enrolled in plans that are working with the Medicare

**Retirees are enjoying more secure coverage from their employer/union participation in Medicare’s subsidy program**

**A Class Act**  
*The 6th grade class at St. Boniface School in Ft. Smith, Arkansas demonstrated one of the best volunteer partner experiences. Students decided that their community service project would be to learn how to use the Medicare Prescription Drug Plan finder and assist Medicare beneficiaries in selecting a plan. The students dedicated time each week to invite local beneficiaries to their school computer lab. The students provided personalized help in using the computers to find a plan that might work for them. Then a local Medicare-trained counselor helped each individual make a final choice. This is a great example of community service and intergenerational conversation – and both the students and the beneficiaries profited from their experience.*

retiree drug subsidy program. Another 1 million retirees are in employer coverage that incorporates or supplements Medicare’s new prescription drug coverage, and an

additional 500,000 retirees are continuing in coverage

that is at least as good as Medicare’s standard prescription drug coverage. In addition, about 3.1 million Federal retirees continue to receive drug coverage.

Together, that means about 11 million federal and non-federal retirees will be able to keep the good coverage they have now under the support provided by the Medicare drug benefit. Because so many beneficiaries are receiving high quality retiree coverage, fewer need to sign up for coverage on their own.

### Medicare Events Highlights

More than 25 million Medicare beneficiaries now have Medicare Prescription drug coverage. Since no one way of choosing a plan works best for everyone, we are providing many ways for people to learn about this new benefit and obtain assistance in choosing a plan. These opportunities include:

- Calling 1-800-MEDICARE,**
- Enrolling on line at [www.Medicare.gov](http://www.Medicare.gov),**
- Attending events in local communities, or**
- Engaging in conversations with friends or families.**

Since the beginning of January there have been over 1600 events across the country where people can ask questions and get personalized assistance in determining

a plan that meets their needs. There are many hundreds of organizations across the country making this happen in small towns and big cities – in libraries, church halls, and senior centers. Thousands of volunteers and partner organizations are dedicated to helping people who want to choose a plan and enroll in Part D.

This is truly a grassroots, intergenerational effort. I enrolled my own parents and have advised people across the country to sit down and have a family conversation about this important topic.

“Friends and Family First” continues to be my personal advice.

## Summary of Action Steps:

- Continuing to work with drug plans to assure accurate and up-to-date information on all their dual eligible beneficiaries, through additional file checking and more frequent data exchanges.
- Continuing to improve “data translation” between Medicare, health plans, and states, with continued reductions in the number of rejected or delayed transactions.
- Providing responsive service to Medicare beneficiaries through 1-800-MEDICARE.
- Reliably measuring and monitoring plans’ customer service and wait times.
- Conducting aggressive education, outreach, and monitoring for the extension of transitional coverage for a beneficiary’s current drugs.
- Working with states participating in reimbursement program to assure effective use of Medicare coverage, by connecting dual-eligible beneficiaries to their Medicare health plan and helping pharmacists use Medicare backup systems in cases where a backup is needed.
- Continuing the process of problem-solving and improvement — guided by the lessons we’ve learned to date.

### **Harris Interactive Survey**

#### **(Wall Street Journal 2/15/06) reports:**

- *Most seniors who have enrolled in a Medicare drug plan say they found it difficult to choose a plan and to understand benefits; however, once enrolled only one in four found the plan difficult to use.*
- *60% of seniors said they did not have trouble reaching anyone who could answer questions about their benefit plan.*
- *80% of seniors enrolled in Medicare drug plan approved of the prescription drug benefit.*
- *94% approved of a subsidy for lower-income seniors to cut out-of-pocket costs.*

*Note: Other surveys have also found that seniors who have enrolled overwhelmingly believed that it was worth the effort.*

Medicare<sup>Rx</sup>  
Prescription Drug Coverage