

# Medicare<sup>Rx</sup>

Prescription Drug Coverage

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

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

*April 4, 2006*



The Medicare Part D Prescription Drug Plan is now three months old. In that short time, we have more than 27 million Medicare beneficiaries who have prescription drug coverage and are enjoying significant savings in their drug prescription costs.

As I have traveled the country, I have learned that seniors are choosing the drug plan that best meets their individual health needs. In fact, around 90 percent of beneficiaries are enrolled in a plan different from the standard plan designed by the government. Many are choosing plans that offer lower deductibles, or no deductibles; fixed co-payments for most drugs; and extra coverage in the coverage gap.

Customer service has been strengthened and data-exchange systems have been improved. Costs have gone down and they have gone down more than we expected. A massive outreach program is carrying the Part D message from the heart of our cities to the heartland of America. That effort will escalate as we approach the end of the May 15 enrollment period.

**We are urging all seniors to sign-up before the May 15 deadline so that they do not pass up an average savings of \$1,100 per person.**

We are at another critical juncture. The transition period, during which drug coverage issues were to have been resolved, has just ended. We have made every effort to work with plans, pharmacists and physicians to ensure smooth transitions to drugs that are covered and, when necessary, to provide timely exceptions.

But we know that drug plans have not yet resolved these issues for all beneficiaries. We have told plans that the requirement that they provide an effective and smooth

transition for any drug changes does not end with the close of the transition period. Plans can meet this requirement by giving affected enrollees a temporary supply of their prescribed drugs until the

issues have been resolved. It is simply not acceptable that any beneficiary should have to go without a needed medication.

We have made clear to the plans that our goal is for them to meet higher standards of customer service, which we will make transparent to the public. We have also made it clear to plans that the monitoring we are conducting now will inform our decisions about plan participation in 2007.

Looking ahead, we are taking further steps to make sure the drug benefit works even better for even more beneficiaries. We expect to see continuing improvements in customer service. We expect to see simplifications in how pharmacists and doctors can work with beneficiaries when a requested drug is not covered

In the longer term, this means a stronger Medicare Part D program, one that uses competition in the marketplace

and oversight to streamline the experience as we continue to help millions of people live longer, healthier lives

The benefits are here today. The promise for tomorrow is even greater.

## Enrollment

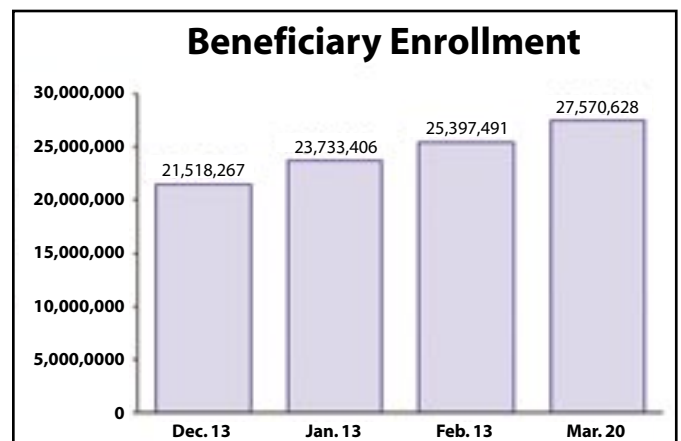
More than 27 million beneficiaries now enjoy Medicare Rx drug coverage — coverage that is completely new for many and better than prior coverage for others. As

a result, we are well on our way to achieving our goal of having 28 to 30 million enrollees in our first year.

More and more people are signing up for Medicare Advantage plans too. In the past 5 weeks, over 330,000 beneficiaries have enrolled in those plans. Today, a total of nearly 7 million people are enrolled in Medicare Advantage plans. That's up from 5 million in 2004.

We are seeing this progress for two reasons.

First, people have seen that the fundamentals of the program are sound — the savings are real and so are the benefits.



Second, over the past 5 weeks, volunteers have spent countless hours educating and enrolling beneficiaries. We and our partners have conducted more than 5,200 Medicare events — an average of more than 1,000 events each week.

Those grassroots efforts have helped millions of people make informed, confident choices about their Medicare drug coverage. CMS is funding State Health Insurance Assistance Programs (SHIPs) with \$30 million to provide local help to enroll beneficiaries. SHIP volunteers work



**"It's like a Christmas present when people see their savings from a drug plan."**

— Pharmacist Scott Procknow, Sun Prairie, WI

with beneficiaries in their communities and have hosted and participated in nearly 36,000 events in the past year. The funding covers the remainder of this enrollment period (through May 15) as well as the 2007 enrollment period that begins in November.

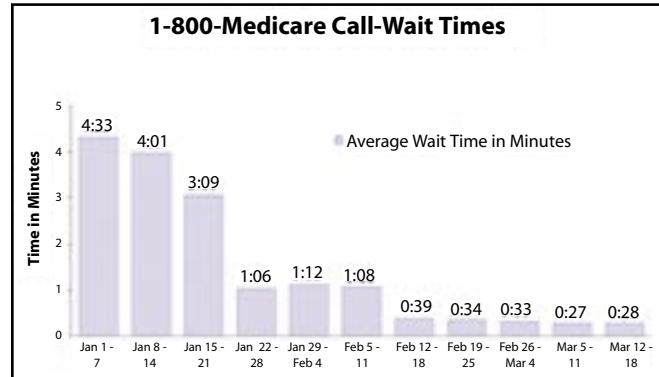
## Transition

The transition period for people who started coverage in the drug benefit's early days formally ended March 31. CMS intensified its efforts during this period (when drug coverage issues could be resolved) to assist beneficiaries. Plans are required to provide easily accessible and comprehensive information on their websites.

Plans are also required to provide effective exceptions and

appeals procedures and materials. These include rapid responses and toll-free access for the providers who requested exceptions and appeals. Additionally, CMS worked with plans and pharmacists to implement electronic coding and messaging that will help pharmacists

Now that the enrollment status and coverage of these beneficiaries is confirmed, CMS is working with drug plans to ensure that each beneficiary is enrolled in the plan of their choice. These beneficiaries will be receiving a CMS letter stating clearly that the beneficiary changed plans and providing them with the opportunity and assistance to reaffirm their enrollment choice.



## Increased Outreach

CMS has increased its support on enrollment efforts all across the country leading up to the close of the initial enrollment season on May 15. Resources have been added to keep call-wait times down and to provide beneficiaries with the support they need at 1-800-MEDICARE.

In our enrollment efforts, we are planning particular emphasis on rural areas and beneficiaries who

may qualify for the low-income subsidy. The Medicare Rx bus has traveled more than 200,000 miles across the country to provide people with personal help as they make decisions about prescription drug coverage. More than 70 percent of these mobile office stops have been in rural communities.

**“I want to thank you for Medicare Part D. As a 47 year-old disabled person, striving to get two daughters through college ... I need every bit of savings I can get. Sincere thanks from the bottom of my heart.”**  
— Delaware Beneficiary

Additional outreach includes public and private collaborations to reach the populations who historically have been the hardest to reach. The National Medical Association was joined in a call to action by numerous civil rights, religious, and political leaders, including the Congressional Black Caucus Health Braintrust, representatives from the NAACP, National Urban League and the Alpha Phi Alpha Fraternity.

Print, radio and television advertisements have been produced in Spanish and English, and outreach materials have been translated into Chinese, Korean, Russian, Tagalog and Vietnamese. Many beneficiaries are receiving personalized counseling in these languages.

### Help is here.

If the drug you take is not covered, your pharmacist, doctor, and plan can work together to get the help you need.

To get the help you need:

- (1) Ask your pharmacist to identify a generic or other alternative drug your plan covers.
- (2) Call your doctor to discuss the alternatives your pharmacist suggests.
- (3) Ask your plan for an exception, if needed.
- (4) Ask your plan for an expedited review, if urgent.
- (5) Ask your plan if they will cover a temporary supply of the drug you use, while they review your request.

**Additional help is available 24 hours a day, seven days a week at 1-800-MEDICARE**

know what to do to ensure that beneficiaries will get the right drugs at the right prices.

Finally, CMS will continue to hold plans accountable for results. It has increased its monitoring of plan call centers to ensure that beneficiaries receive timely and accurate information. CMS is also monitoring beneficiary complaints related to failures and effective transition coverage

Transitions can often be beneficial. For instance, the Consumers Union recently found that by switching to lower-cost medicines that are equally effective as the ones they are currently on, seniors could save enough money to cover the costs of their premium!

## Enrollment Reconciliation

CMS has worked with plans to ensure that new enrollees, including those who are moving from Medicaid to Medicare, are properly connected to coverage. During the initial stages of implementation, to help assure that beneficiaries received uninterrupted drug coverage, a relatively small number of beneficiaries were carried on the books of more than one Medicare drug plan. Most of these people were enrolled in a plan and then switched to another plan near the end of a month.

## 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 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

**"Those who need expensive drugs will benefit most from Part D, but almost everyone will get some kind of break."**

— Jane Bryant Quinn in *Good Housekeeping*

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.

## State Waivers

States stepped in to implement the Medicare Rx drug benefit. By mid-March the vast majority of the states were no longer using their billing systems.

The states and CMS have worked closely to enroll those beneficiaries who were moving from Medicaid to Medicare. CMS will no longer be reimbursing states for using their Medicaid systems to pay for dual-eligible beneficiaries. CMS is still assisting those states that may need help with casework issues and CMS will continue to reimburse these states for administrative expenses until May 5th.

CMS continues to work with states to ensure that all dual-eligibles and low income subsidy eligible individuals are able to obtain their prescriptions drugs through their Medicare prescription drug plans.

## System Update

CMS has leveraged its relationships with the program partners, especially plans, states, and the Social Security Administration, to make significant improvements in data management and exchange. We are providing timely responses to drug plan transactions, and we are working with particular drug plans to resolve cases where their transactions contain errors. CMS is providing regular enrollment files for drug plans, including twice-monthly confirmations of eligibility and co-pay information for dual-eligible beneficiaries, so that plans can quickly confirm the accuracy and completeness of their beneficiary records. Because of those efforts, data-match rates among our partners are now very high.



Cong. Ernest Istook Jr. and Sec. Leavitt with volunteers at Oklahoma City Medicare event.

## Savings

Part D savings have been even greater than expected.

Our independent actuaries initially estimated that beneficiaries should expect to pay, on average, about \$37 per month in premiums. Today, however, the average beneficiary monthly premium is \$25 a month, and in some parts of the country, beneficiaries are seeing premiums of less than \$2 per month.

In January, the Lewin Group, a health care research and management consulting firm, reported that beneficiaries with chronic conditions, especially those with multiple conditions, would see significant savings by enrolling in a drug plan.

**"We are sounding the alarm and asking all organizations to organize senior enrollment activities across America."**

— Dr. Sandra L. Gadson,  
President of the National  
Medical Association

People who had no coverage are likely to see the greatest savings. A PricewaterhouseCoopers study (commissioned by Medicare Today, a non-partisan partnership organization) demonstrated that Medicare beneficiaries without existing drug coverage would see average annual out-of-pocket costs decline from \$1905 to \$626 under the plan. In fact, seniors who previously did not have drug coverage are saving, on average, more than half on their annual drug costs.

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## Action Steps:

- Continue frequent data exchanges and accuracy checks with drug plans to assure beneficiary information is as up-to-date as possible.
- Continue to improve the quality of “data translation” between Medicare, drug plans and states, resulting in reductions in the number of rejected or delayed transactions.
- Maintain high level of support to keep 1-800-MEDICARE call-wait times down and quality of beneficiary assistance high.
- Measure and monitor plans, customer and provider service, including monitoring of plan care-center wait times.
- Implement further steps, such as consistency of pharmacy codes and forms, to simplify formulary exceptions and prior authorization processes.
- Monitor complaints about plan formulary exceptions and prior authorization processes, to ensure timely resolution and effective drug coverage
- Continue aggressive outreach and education to plans, providers and pharmacists so that beneficiaries have appropriate medications during any transition period.
- Continue to work with states to assure effective use of Medicare coverage, including financial support for state administrative costs where appropriate.
- Continue the process of problem solving and improvement — guided by the lessons we’ve learned to date.

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