

Medicare^{Rx}

Prescription Drug Coverage

Secretary's Progress Report IV on the Medicare Prescription Drug Benefit

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An American Moment

When President Bush signed the law creating the Medicare Part D Prescription Drug Benefit on December 8, 2003, he brought about the biggest change in Medicare in forty years. Introduction of the new benefit created an unprecedented opportunity and a breathtaking challenge.

The opportunity, as the President put it, was for over 42 million older Americans to have “better choices



President George W. Bush, Secretary Mike Leavitt, and the Medicare Rx bus. HHS photo by Chris Smith.

and more control over their health care, so they can receive the modern medical care they deserve.”

The challenge was to reach out to those millions of seniors and people with a disability, to educate them

about the benefits of the prescription program, and to help them select the best plan.

The challenge has been met, and today, for over 38 million Americans – 90 percent of people with Medicare – the promise is being fulfilled, day in and day out, prescription by prescription. In fact, well over 3 million Part D prescriptions are being filled each day, and the cost of monthly plan premiums are nearly 40 percent lower than original estimates. Thanks to Part D, seniors are saving an average of \$1,100 a year.

The numbers are impressive, but this is really about people. It was about families coming together, with countless millions of Americans helping their parents, grandparents or other loved ones decide which plan best meets their specific needs.

This was about neighborhoods coming together, in church basements and school gyms, libraries and senior centers, where countless Americans selflessly donated their time to help seniors and disabled folks in their communities. May 15th was the conclusion of the initial enrollment period, and in the final two weeks alone, with the help of loving friends and family and caring volunteers, over two million seniors signed up for their Part D prescription benefits.

Our Medicare Rx bus traveled more than 600,000 miles bringing the Part D message directly to communities large and small across America. The events I attended and the people I met convinced me that Part D represents

much more than the implementation of a new federal program. The grassroots outreach effort– what I like to call a national “network of caring” – that came together around Part D took on a life all its own in what became a truly remarkable undertaking – a singularly American moment.

The seniors needed help because they had choices to make. Yes, the choice would have been easier had there been a single one-size-fits-all drug plan, and in fact the government did create a standard plan intended to meet the needs of some Medicare beneficiaries.

But one size does not fit all, especially when dealing with the health care needs of an aging population. The reality is that less than 10 percent of the enrollees are enrolled in the standard government-designed plan. Once people worked through their choices, the vast majority selected plans that were better tailored to their individual health needs.

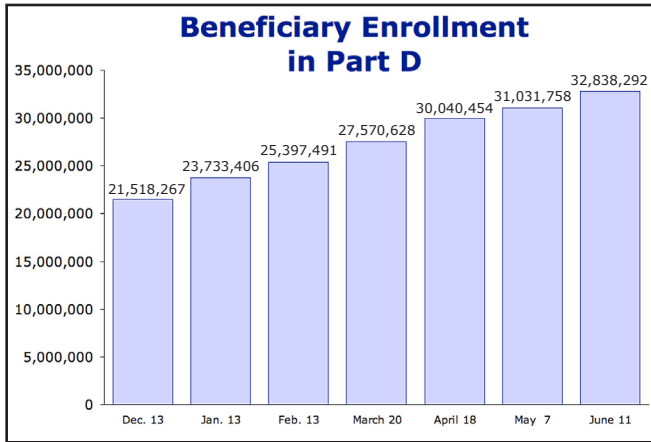
While it is rewarding to reflect on what has been accomplished, we must now look forward. Our work did not end on May 15th. We must continue to reach out to those who are not yet enrolled, especially low-income seniors, who may still enroll without incurring a penalty. We will continue to work on improvements to Part D as our review of all that we have learned during this crucial first year continues. All of these changes and improvements will result in a Medicare program that keeps getting better.

For the longer-term, we are working to incorporate Part D prescription drug coverage into a larger strategy of prevention to improve the health of all Medicare beneficiaries. We have begun to close the prescription drug coverage gap. Now we must help seniors utilize benefits to close the prevention gap – keeping seniors healthy and identifying health issues at the earliest stage possible.

Marie is a 71-year old native of Birmingham, Alabama, a 10-year breast cancer survivor who spent \$7,351 on prescriptions last year. When she enrolled in a Medicare prescription drug plan and received extra help from Social Security, her costs dropped to only \$1,351 a year.

Joann, of Greenville, South Carolina, is the caregiver for her 89-year old mother, who was paying about \$4,200 a year for medications. Working with a counselor, they discovered that Joann’s mom qualified for extra help, and they found a plan that saves her more than \$1,600 a year.

Enrollment



Enrollment grew by approximately one million sign-ups per month leading up to the May 15th deadline and then surged as over two million seniors selected plan coverage during the final two weeks. In total, over 38.2 million Americans – 90 percent of all Medicare beneficiaries – now have prescription drug coverage.

The steady growth reflects two things: first, the positive buzz that developed as seniors began to experience the significant savings offered by Part D prescription coverage, and second, the momentum that our ambitious grassroots outreach program built as the Part D message was carried across the country.

The fact that the end-of-enrollment surge was handled without problem is testament to the foresight and dedication of the Centers for Medicare & Medicaid Services, led by Administrator Mark McClellan.

More than 6,000 customer service representatives were added to the 1-800-MEDICARE staff in anticipation of this last-minute surge and the number of call centers was expanded from eight to 23. More than 648,000 calls were taken on that last day of enrollment, over 200,000 calls more than on any previous day in the history of 1-800-MEDICARE. Despite this deluge, the average wait time for calls on the last day of enrollment was only a little over 12 minutes, and wait times in the final two weeks averaged under five minutes.

Millions of people not only researched their plan on the Web; they enrolled on the Web. Over the weekend leading up to May 15th, more than 57,000 seniors enrolled online – four to five times greater than any previous weekend. That number was eclipsed on May 15th when an extraordinary 143,875 individual enrollments occurred online. In all, some 3.6 million seniors enrolled via www.medicare.gov.

Helping the Most Needy

Of the remaining 4.4 million Americans with Medicare who did not enroll in Part D during the initial enrollment period, over 3 million are expected to meet low-income criteria and can sign-up now without incurring a penalty for comprehensive coverage with little or no premium. We are working through both local and national partnerships to reach these beneficiaries and help them in applying for the low-income subsidy and enrolling in a Part D plan. In addition, Medicare is using its authority to enable low-income Medicare beneficiaries to continue to have access to multiple zero-premium drug plan options next year.

“Complaints at pharmacies have dropped precipitously, and callers who once found it impossible to get through to congested help lines now typically wait only a few minutes when trying to reach either Medicare or most individual health plans.”

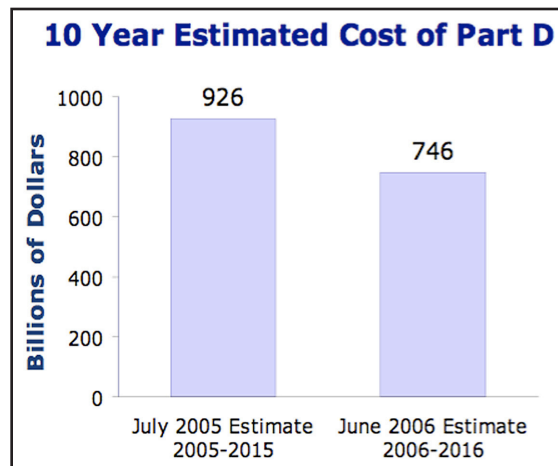
— “The Drug Benefit: A Report Card,”
New York Times editorial, Monday,
June 5, 2006

Choice and Competition Work!

When Part D was enacted, experts estimated that the average monthly premium would be around \$37. Our analysis of actual enrollment finds that the average 2006 Part D premium is less than \$24, nearly 40 percent below the original estimate. This represents strong competition plus informed beneficiary choices. The overall 2006 cost to the taxpayer has dropped about 20 percent from the July 2005 estimate, and estimates for the net total cost to Medicare for the ten-year period from 2006 to 2015 has been cut by \$180 billion. State phase-down contributions over the same period are now projected to be \$39 billion less.

Meeting Challenges

There are challenges to initiating a program of this scale, and we had ours. From the beginning, we have been committed to anticipating operational issues whenever possible and solving unforeseen problems. The power of the Internet was harnessed to make the fullest array of information available 24/7. Call centers were beefed up. We pushed plans to ease the burden on pharmacists.



Perhaps the greatest challenge was establishing a seamless exchange of data between the many systems and parties involved. Despite problems for some beneficiaries at the start, we succeeded in making

Carrie, an enrollment volunteer from Idaho Falls, Idaho helped a family reduce their expenses by over 80%, amounting to more than \$8,000 dollars in annual savings. "This family is exactly who Part D was designed to help," Carrie said, "I felt it was a good day for me when I could help them."

data exchanges across the system far more consistent, accurate and reliable, so that new beneficiaries are swiftly connected to their drug coverage. One June 1, after the May enrollment surge, millions of beneficiaries started their new drug coverage smoothly.

Thank You

The grassroots outreach program that we launched to carry the Part D message across America took on compelling momentum in the final days of the enrollment period. This has been a truly remarkable undertaking that brought out the best in the tens of thousands of Americans across the country who came together during the initial enrollment period to form this network of caring:

- 20,000 local and national partner organizations such as the AARP, the NAACP, State Health Insurance Assistance Programs and various seniors organizations;

- 40,000 volunteers who selflessly staffed more than 50,000 local enrollment events across the country;

- 30,000 pharmacists who joined physicians, nurses and other health care professionals on the front lines of the outreach effort;

Melba is an 83-year old cashier in Phoenix, Arizona. She does not currently take any medications but wanted to enroll in a plan so she would be covered in the future. She found a plan that only costs \$8.00 a year.

- Those who staffed the Medicare Rx bus, which traveled more than 600,000 miles to bring the Part D message directly to communities large and small across America;
- And, most importantly – the millions of family members who helped a loved one decide which plan best met their specific needs.

To everyone who took the time to help a fellow American enroll in Part D, I say thank you for a job well-done.

Newspaper Headlines

Washington Post – 5/17/06

"New Medicare Drug Plan Is Called a Success. Officials Cite Significant Rise In Coverage"

Providence Business News – 5/15/06

"Medicare Part D Sign-ups Surpass All Expectations"

Elmira Star-Gazette – 5/14/06

"Part D Program Has Helped Improve Medicare"

Dallas Morning News – 5/12/06

"Medicare Prescription Drug Plan: 'It Turned Out To Be So Easy,' Says Couple"

Fort Wayne Journal-Gazette – 5/8/06

"Plan D Wins Converts"

La Prensa Newspaper (Orlando, FL) – 5/5/06

"Ahorre Con La Cobertura De Medicare Para Recetas Médicas" (Save With Medicare Prescription Drug Coverage)

NY Times – 4/27/06

"Medicare Rule Guarantees Continuity of Drugs"

Grand Forks Herald – 4/26/06

"Saving Serious Money: Seniors Sign Up For Medicare Part D At Workshop"

Lincoln Journal-Star – 4/12/06

"Medicare Enrollment Event Brings Good News For Many"

Washington Post – 4/12/06

"Most Seniors Enrolled Say Drug Benefit Saves Money"

The Repository of Canton, OH – 2/22/06

"Seniors Needing Prescriptions Singing Praises Of Medicare, Not 'Oh, Canada!'"

Des Moines Register – 2/5/06

"Iowa Poll: Iowans Back Prescription Drug Benefit"

New York Times – 2/3/06

"Federal Costs Dropping Under New Medicare Drug Plan, Administration Reports"

Looking to the Future: Building on the Initial Success of Medicare Part D

Our work did not end on May 15th.

Our first priority is to continue to reach out to Medicare beneficiaries with limited means, who have not yet enrolled, who can enroll without penalty and without waiting for the next enrollment period to open in November.

Obviously, everyone has learned from the Part D startup. We have already begun to apply those lessons as we issue guidance on how organizations should bid and contract for the succeeding year. We've clarified how organizations can market their plans, to ease comparisons for beneficiaries. We expect formularies – the listing of drugs covered – to include a full range of treatment options. Medicare will continue to approve all formularies, and we have issued guidance on smoothing the transition when beneficiaries switch plans. And we announced that beneficiaries may not be left without coverage for the drugs they use should a plan drop a particular drug from its formulary.

Because the prescription program was new, plans developed their coverage options without experience with what seniors preferred. The result was some duplication and overlap. We expect that as beneficiaries choices change, competition and our program oversight may drive plans to offer different coverage options only where there are meaningful differences between them. The net result will be to simplify the decision process for seniors while continuing to meet individual needs.

We have told plans to expect to demonstrate accountability. We plan to publish a variety of performance measures to assist beneficiaries in making enrollment decisions. These include such things as customer support, timely transmission of data, and the process and speed by which drug-denial appeals are handled.

In many respects, pharmacists are the untold heroes of the successful implementation of part D. Beginning at midnight on January 1, they were available for Medicare beneficiaries filling prescriptions; answering questions; enrolling beneficiaries in the plans that were right for them; and working through billing problems. We have worked with the plans, and will continue to do so, to ensure that the legitimate concerns that pharmacists have expressed related to timely payment and other billing issues are resolved promptly.

Finally, we intend to enlist the grassroots “network of caring” to bridge what we call the “prevention gap,” the failure to take advantage of Medicare services designed to avoid illness. Too few seniors are having screening tests for cancer, diabetes, and cardiovascular disease. Too few get physical exams. Too few seek counseling and assistance to stop smoking. These simple services, all now covered under Medicare, have the potential to save thousands of lives while avoiding significant medical expenses in preventable medical conditions.

We can and must dramatically increase the number of seniors who take advantage of Medicare's preventive benefits.



Secretary Mike Leavitt and volunteers
at a Florida help center.
HHS photo by Chris Smith.