

FACT SHEET
State Reimbursement for Medicare Part D Transition
January 24, 2006

Summary

This state reimbursement plan enables States to be fully reimbursed for their efforts to help ensure that their beneficiaries eligible for Medicare and Medicaid have access to their covered Medicare drugs as they move to their new Medicare Part D drug coverage. The plan also supports limiting the need for State reimbursement by supporting the use of Medicare payment systems whenever possible, and promotes the effective transition of dually eligible Medicare beneficiaries into their new Medicare coverage.

Background

The Centers for Medicare & Medicaid Services (CMS) has taken numerous actions to ensure that full benefit dual eligibles, those eligible for both Medicare and Medicaid, continue to receive needed medications as they make the transition from Medicaid coverage of their drugs to coverage under the new Medicare Part D drug benefit. CMS is committed to working with States to make the transition as seamless as possible for all dually eligible beneficiaries.

To ensure that the Medicare and Medicaid programs can respond expeditiously to the needs of the dual eligible beneficiaries, this state reimbursement plan will allow States that have assisted their dual eligible populations in obtaining and accessing Medicare Part D drug coverage to be reimbursed for their efforts.

In particular, the demonstration plan will permit Medicare payment to be made to States for amounts they have paid for a dual eligible's Part D covered drugs, to the extent that those costs are not otherwise recoverable under Part D. In addition to providing Medicare funds to reimburse amounts paid by States for Part D covered drugs, the demonstration would also provide payments for administrative costs incurred by State Medicaid programs. CMS will establish a staff team to provide expedited review of applications of States applying for this demonstration.

Purpose

To promote smooth transition to Part D for the subset of Medicare-Medicaid beneficiaries who have had difficulty and who are currently receiving assistance from a State, to minimize State costs, and to fully reimburse States for their costs.

This demonstration, to be administered under Section 402 Demonstration Authority, will evaluate whether timely and effective collaboration between a State and CMS can reduce overall Medicare expenditures by 1) promoting faster inclusion of affected dual eligible beneficiaries in their Part D plan, leading to more effective use of prescription drugs; and 2) promoting high-quality care for dual eligible beneficiaries, due to more effective

coordination between Medicare and Medicaid coverage. These steps are expected to lead to lower total Part D costs and lower Medicare and Medicaid expenditures.

With input from the States through a workgroup that has been established, CMS will provide a template for use by those States which re-instituted some coverage through their Medicaid system for dual eligibles. The template is expected to be available shortly and will be posted on the CMS Website. Based on this process, CMS and affected states will develop a process for reconciling payments involving beneficiaries in State Pharmacy Assistance Programs (SPAPs) who were enrolled in Medicare Part D.

Key Features

- **State Reimbursement:** States that meet the conditions of the waiver will have their full drug benefit costs reimbursed through (1) CMS assurance of payment reconciliation with the prescription drug plans and (2) Medicare payment of any net drug cost differential after reconciliation. In addition, CMS will provide funding for administrative costs incurred by states.
- **Payer of Last Resort:** States will use payment approaches that support pharmacist efforts to primarily bill the Medicare Part D plan, and that promote the use of Medicare point-of-sale billing, before relying on State payment. States will provide input to CMS and plans on ways to enhance plan and program performance for the state's dual eligible beneficiaries and pharmacists, to help reduce State billing.
- **Timely Data Sharing:** States that participate will provide timely claims transactions and itemized lists of claims incurred, in addition to beneficiary identification information, to facilitate reconciliation and beneficiary transition to Part D plans. States will also work with CMS to provide valid data on any set of beneficiaries who may not have been included properly in the State's previous dual eligible files.
- **Claims Identification:** States will separate claims for the transition period from claims the States would have otherwise paid through a separate state program. In some States, the State has elected to pay all cost sharing, for example, on behalf of some beneficiaries who would otherwise have paid a copayment. Claims for non-Part D drugs will not be included in this process.
- **End Date:** This temporary demonstration program would have an anticipated end date of February 15, 2006. Participating States would discontinue payments through their Medicaid systems on or before this date. The Secretary may provide a short-term extension of the demonstration program.
- **Retroactive Effective Date:** The demonstration would be retroactive to the first date the state paid claims on or after January 1, 2006.