

*State Pharmacy Assistance Programs
Medicare Modernization Act —Final Rule
Fact Sheet*

- The Medicare prescription legislation provides special relief for State Pharmacy Assistance Programs – state-funded programs that provide low-income and medically needy senior citizens and individuals with disabilities financial assistance for prescription drugs. The law allows State Pharmacy Assistance Programs to “wrap around” the Medicare benefit to fill gaps in coverage. As a result, State Pharmacy Assistance Programs will be able to provide the same or better coverage for the beneficiaries who receive coverage through state programs now, at a lower cost per beneficiary for the states because of the availability of the Medicare drug benefit.
- To assist states in taking advantage of the new Medicare coverage, CMS is reviewing the recent recommendations of the State Pharmacy Assistance Program Commission, and has set up a State Pharmacy Assistance Program Working Group with representatives from State Pharmacy Assistance Program states to ensure that State Pharmacy Assistance Program issues are addressed effectively. The Working Group will develop guidance for State Pharmacy Assistance Program states on educating beneficiaries about their new coverage options, setting up wraparound coverage. In addition, CMS is designating a single point of contact for each state for State Pharmacy Assistance Program and wraparound-related issues.
- Prescription drug plans are due to submit their "intent to serve" in Spring of 2005. This will give states and plans the opportunity to get an early start on working together on wrap around products. Plans will submit their bids in June 2005 at which time states and plans can finalize their coordination.
- The estimated savings that will accrue to States, as a result of prescription drug plan displacing State Pharmacy Assistance Program expenditures for low-income beneficiaries, will be approximately \$600 million per year, or about \$3 billion over the five-year period from CY 2006-2010. State Pharmacy Assistance Program states can use these funds as necessary to reduce state budget costs or expand the population served by their programs.
- The costs incurred by the State Pharmacy Assistance Program will be counted towards an enrollee’s true out-of-pocket costs. This will allow the enrollee to reach the catastrophic coverage faster.
- An integral part of the coordination of benefits for the State Pharmacy Assistance Programs and the plans will be the accounting of the true out-of-pocket costs. It will enable CMS, the Medicare plans, and the third-party payors to efficiently coordinate claims. Beneficiaries will also benefit from the accounting of true out-of-pocket costs because they will be able to keep track of their progress toward the catastrophic coverage.

- The MMA provided \$125 million in grants to 21 State Pharmacy Assistance Programs to educate their enrollees about the new benefit and to help assure a smooth transition. States with qualifying State Pharmacy Assistance Programs can use these funds to establish telephone support and counseling for those eligible for the new drug benefit to help them select and enroll in a drug plan. CMS will work with states to identify and publicize best practices for assuring a smooth transition.
- The MMA prohibits State Pharmacy Assistance Programs from counting their financial contributions as true out-of-pocket costs if they automatically enroll (“auto-enrolling”) beneficiaries into a preferred plan even if under State law a State is the authorized representative of its State Pharmacy Assistance Program. The law intends that all Part D plans in a State be given comparable opportunities, promoting competition among Part D plans that want to provide benefits in a particular State. This provides a variety of good choices for all Part D eligible individuals and those beneficiaries enrolled in State Pharmacy Assistance Programs will have the same freedom of choice.
- CMS will assist states in brokering relationships with Part D plan sponsors to develop state wrap-around programs for Part D drugs.
- State Pharmacy Assistance Programs can co-brand their program with a sponsor if they choose and freely market that plan in the full and open selection process for any individual.