Understanding Medicare Part D

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The Medicare Modernization Act (MMA) of 2003 provides for prescription drug coverage (insurance) through drug plans contracted with Medicare:

- Available for all people with Medicare
- Voluntary, people need to join a drug plan to get coverage
- Coverage starts January 1, 2006
- Extra help for drug costs available for those with limited income and resources
- Medicare Drug Plans (also referred to as Part D Plans) will become the primary payer for prescription drugs for dual eligibles (those receiving both Medicaid and Medicare benefits)
Key Steps to Successful Implementation

Part D Basics
Medicare from A to D

- **Medicare Part A (Hospital Insurance)**
  - Inpatient hospital, hospice, home health, SNF coverage

- **Medicare Part B (Supplemental Medical Insurance)**
  - Physician and hospital outpatient services, some drugs and biologics, DME, glucose test strips, other medical services

- **Medicare Part C (Medicare Advantage)**
  - “Managed Care” plans, such as HMO, PPO, PACE, cost plans
  - Enrollees receive all their Part A and Part B benefits through their Medicare Advantage plan

- **Medicare Part D (Medicare Prescription Drug Benefit)**
  - Prescription drug coverage (drugs, biologics, vaccines, insulin, certain supplies associated with insulin administration)
Eligibility

• To join a Medicare Drug Plan, individuals must:
  – Be entitled to Medicare Part A and/or enrolled in Part B
  – Reside in Plan’s service area

• Individuals living outside the U.S. and Territories or are incarcerated are not eligible
Ways to Get Coverage

• Individuals eligible for a Medicare Drug Plan can join a:
  - Stand-alone prescription drug plan (PDP) that offers only drug coverage OR
  - A Plan that offers both drug coverage and medical or hospital benefits, such as:
    • Medicare Advantage Prescription Drug Plan (MA-PD)
    • Program for All-Inclusive Care for the Elderly (PACE)
    • Private Fee-For-Service (PFFS) Plans
    • Cost Plans
• Individuals who currently have prescription drug coverage through a current or former employer or union may be able to keep that coverage
### Enrollment into Part D Plans

- **Again, coverage is not automatic!**  
  - Except people who qualify for extra help

- **Initial Enrollment Period (IEP)**

<table>
<thead>
<tr>
<th>For people entitled to Medicare before February 2006</th>
<th>November 15, 2005, through May 15, 2006</th>
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<tbody>
<tr>
<td>For people entitled to Medicare on February 1, 2006, or later</td>
<td>7-month period</td>
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Auto-Enrollment for Those with Medicaid

- Full-benefit dual eligibles (those Medicare enrollees with full Medicaid benefits) who have not selected a Medicare Drug Plan will be auto-enrolled into a Plan by CMS
  - Auto-enrollment notifications this fall
  - Drug coverage starts January 1, 2006
  - FBDE can change Plans every month
- CMS will facilitate enrollment for other low-income subsidy eligible individuals by enrolling them in a Plan if they do not choose one by May 15, 2006
Late Enrollment

- Most people will have to pay a penalty if they wait to enroll
  - Additional 1% of base premium for every month they were eligible but not enrolled
  - For as long as they are enrolled in a Medicare prescription drug plan

- Unless they have other coverage that, on average, is at least as good as Medicare prescription drug coverage

- Possible examples of creditable coverage
  - Some group health plans (GHP), VA coverage, & Military coverage including TRICARE
Low-Income Subsidy Assistance - Extra Help for Those Who Need It

- Designed to provide low-income Medicare beneficiaries extra assistance with premium and cost sharing under the new drug benefit.

- Eligibility determination for low-income subsidies rest with either the State Medicaid Agency or Social Security Administration.

- Low income subsidy applicants will have to meet an income and asset test.
Applying for Extra Help

• Some people with Medicare automatically qualify for extra help and were notified by CMS they do not need to apply. People automatically qualified include:
  
  • Full benefit dual eligibles (receiving Medicare and full Medicaid benefits)
  
  • Supplemental Security Income (SSI) recipients on Medicare
  
  • Those who get help from Medicaid paying their Medicare premiums (Medicare Savings Program recipients)
  
• All others must apply for the extra help (or they will not receive the nominal cost-sharing rates at the pharmacy)
Plan Marketing

• Plans began marketing October 1, 2005
• Medicare prescription drug plans may
  – Use the Medicare Rx seal
  – Send information or perform outbound telemarketing but must meet certain requirements defined in our guidelines
Protecting Against Fraud and Identity Theft

- Medicare prescription drug plans may not
  - Market before October 1, 2005
  - Solicit door-to-door
  - Enroll by phone as part of an outbound call (i.e., beneficiary will have to call back).
What is a Part D Drug?

- A Part D drug includes any of the following if used for a medically accepted indication:
  - A drug dispensed only by prescription and approved by the FDA
  - A biological product dispensed only by a prescription, licensed under the Public Health Service Act (PHSA), and produced at establishment licensed under PHSA
  - Medical supplies associated with the injection of insulin (e.g., syringes, needles, alcohol swabs, swabs)
  - A vaccine licensed under the PHSA
Excluded Part D Drugs

- There are two categories of drugs excluded under Medicare Part D:
  1) Drugs for which payment as prescribed and dispensed or administered is available for that individual under Medicare Part A or Part B
  2) Drugs or classes of drugs or their medical uses excluded from coverage or otherwise restricted under Medicaid (except for smoking cessation agents)
Drugs Excluded under Part D

- **Agents when used for:**
  - Anorexia, weight loss, or weight gain
  - Cosmetic purposes or hair growth
  - Symptomatic relief of cough and colds
  - The promotion of fertility
- **Prescription vitamins and mineral products** (except prenatal vitamins and fluoride preparations)
- Nonprescription drugs
- Barbiturates and benzodiazepines
- Outpatient drugs when manufacturer seeks to require associated tests or monitoring as a condition of sale
Part D Plan Formularies

• All formularies must be developed and revised by a plan’s P&T committee

• MMA requires CMS to review Part D formularies to ensure
  
  – beneficiaries have access to a broad range of medically appropriate drugs to treat all disease states

  – formulary design does not discriminate or substantially discourage enrollment of certain groups
Coordination of Benefits

- Plans are required to coordinate benefits with entities providing other prescription drug coverage.

- CMS has collaborated with pharmacies, insurers, PBMs, data processing organizations, and NCPDP to design an automated coordination of benefit (COB) system.
Payment

- Four components of payment
  - Direct subsidy
  - Reinsurance
  - Low income cost sharing
  - Risk corridors

- Direct subsidy based on bid

- Reinsurance and low income cost sharing
  - Interim prospective payment based on bid
  - Final payment based on actual costs

- Risk corridors determined based on actual costs
Key Steps to Successful Implementation

Understanding the Part D Benefit Design
Standard Medicare Drug Benefit Design for 2006

• Plan Sponsors will offer at least the equivalent of standard Medicare drug coverage, which includes:
  • Monthly premium of about $32
  • Annual deductible of $250
  • Beneficiary cost-sharing* of
    • 25% of covered Part D drug costs between deductible and $2,250,
    • 100% between $2,250 and $5,100 (coverage gap), then
    • The greater of 5% co-insurance or co-payment of $2 for a generic/ preferred drug and $5 for brands for catastrophic drug costs (when the beneficiary has incurred more than $3,600 in True Out-Of-Pocket (TrOOP) costs for 2006)

*Beneficiary cost-sharing is paid as a percentage of the discounted prices that will be available as a result of the Medicare Drug Plan’s negotiation of rebates, discounts and other price concessions.”
Visual: Standard Benefit 2006

- **Total Spending**: $250
- **Deductible**: $250
- **Out-Of-Pocket**: $2250
- **Coverage Gap**: $5100

- **Beneficiary Liability**: $250
- **Direct Subsidy/Beneficiary Premium**: $3600
- **Medicare Pays Reinsurance**: $750

- **75% Plan Pays**: 25% Coinsurance
- **80% Reinsurance**: 15% Plan Pays
- **5% Coinsurance**: 5% Plan Pays
Other Coverage Structures

- Plans may offer more than standard coverage
  - “Tiered” copayments or coinsurance common
  - Lower deductible
  - Change the coverage gap
    - Different dollar amount where the person begins to pay 100%
    - No coverage gap

- Many of the plan options in 2006 are “enhanced” plans that offer additional benefits beyond Medicare’s standard drug coverage. Some of these enhanced plans have monthly premiums of less than $30.
• A beneficiary's true out-of-pocket (TrOOP) cost represents the amount a beneficiary must spend on Part D-covered drugs to reach catastrophic coverage.

• 2006, based on the standard benefit design:
  
  $250 deductible
  + $500 beneficiary coinsurance during initial coverage
  + $2,850 coverage gap
  = $3,600 catastrophic coverage begins
Visual: Low-Income Subsidy

All numbers are for 2006

**Beneficiaries <150% FPL who also meet the asset test ($10k individual / $20k couple)**
Sliding scale premium from $0 to the estimated $37 / month

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<tr>
<th>Plan Pays</th>
<th>$3600</th>
<th>$ +</th>
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<tbody>
<tr>
<td>$50</td>
<td>85 %</td>
<td>$2 - $5 co-pays apply</td>
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**Beneficiaries <135% FPL who also meet the asset test**
**Full benefit dual eligibles who are beneficiaries >100% FPL**

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<tr>
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<th>$ +</th>
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<tbody>
<tr>
<td>$0 premium</td>
<td>100 %</td>
<td></td>
</tr>
<tr>
<td>$2 - $5 co-pays apply</td>
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**Full Dual Eligibles who are beneficiaries ≤100% FPL**

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<tbody>
<tr>
<td>$0 premium</td>
<td>100 %</td>
<td></td>
</tr>
<tr>
<td>$1 - $3 co-pays apply</td>
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* Cost sharing is $0 if the beneficiary is on Medicaid and institutionalized.
Waiving of Co-Payments

• Under Part D, plans may not waive copayments established under approved benefit designs.

• Pharmacists will not be required to give prescriptions to individuals who cannot meet co-payment obligations.

• Pharmacies are permitted to waive or reduce cost-sharing amounts, provided they:
  • Do so in an unadvertised, non-routine manner and after determining beneficiary is financially needy or after failing to collect the cost-sharing portion.
  • For low-income subsidy individuals only, pharmacists can waive or reduce co-payments routinely and without determining the beneficiary is needy or collecting the cost-sharing portion (but cannot advertise as such).
TrOOP/ Incurred Costs

• Payments count toward TrOOP if:
  – They are made for covered Part D drugs (or drugs treated as covered Part D drugs through a coverage determination or appeal)
  – They are made by:
    • The beneficiary
    • Another “person” on behalf of a beneficiary
    • CMS as part of the low-income subsidies
    • A “Qualified” State Pharmaceutical Assistance Program (SPAP)
Key Steps to Successful Implementation

Where we are, What’s next
Implementation Timeline

- **Dec 2004**: Regions
- **Jan 2005**: Final Rule
- **Jan – March 2005**: Plan Application Period
- **April – May 2005**: Formulary Review
- **June – August 2005**: Plan Bid and Benefit Design Review
- **Aug-Sep 2005**: Pharmacy Access Review
- **Sept 2005**: Finalize Contracts Formulary Updates
- **Oct 2005**: Marketing Begins
- **Nov 15 – Dec 2005**: Open Enrollment
- **Jan 2006**: Start of Part D

**Today!**
Next Steps: Part D Enrollment

January 1st!

- SHIPs & Other 1 on 1 Assistance
- Part D Enrollment Begins
- Auto-enroll full dual beneficiaries
- Plans Begin Marketing

Web Tool & Medicare & You Local Landscape Charts

1-800 Medicare
PDP Plan Options

Based on data as of 10/10/05
National Prescription Drug Plan Organizations

Aetna Medicare
CIGNA HealthCare
Coventry AdvantraRX / First Health Premier
Medco Health Solutions
Memberhealth
Pacificare Life and Health Insurance Company
Silverscript
Unicare
United Healthcare
WellCare

Data updated 10/10/05
MA-PD Plan Options

Based on data as of 10/10/05
CMS Resources

Part D Final Rule and Issue Papers

*Prescription Drug Plans (PDP)*

www.cms.hhs.gov/medicarereform/pdbma/general.asp

*Medicare Advantage (MA) Plans*

www.cms.hhs.gov/medicarereform/pdbma/maplan.asp

Limited Income and Resources

www.cms.hhs.gov/medicarereform/lir.asp

www.ssa.gov/organizations/medicareoutreach2/

Part D Landscape Charts

http://www.medicare.gov/medicarereform/map.asp

Plan Finder Tool

https://www.medicare.gov/MPDPF/Public/Include/DataSection/Questions/Questions.asp
Key Steps to Successful Implementation

Thank You