

# Understanding Medicare Part D

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# Medicare Modernization Act Prescription Drug Coverage

- 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

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## 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)**

For people entitled to Medicare before February 2006	<b>November 15, 2005, through May 15, 2006</b>
For people entitled to Medicare on February 1, 2006, or later	<b>7-month period</b>

# 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

The image shows the Medicare Rx seal, which consists of the word "Medicare" in a large serif font, followed by "Rx" in a larger, stylized font. Below this, the words "Prescription Drug Coverage" are written in a smaller serif font, followed by a large "X" that is part of the "Rx" symbol.

MedicareRx  
Prescription Drug Coverage X

- 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

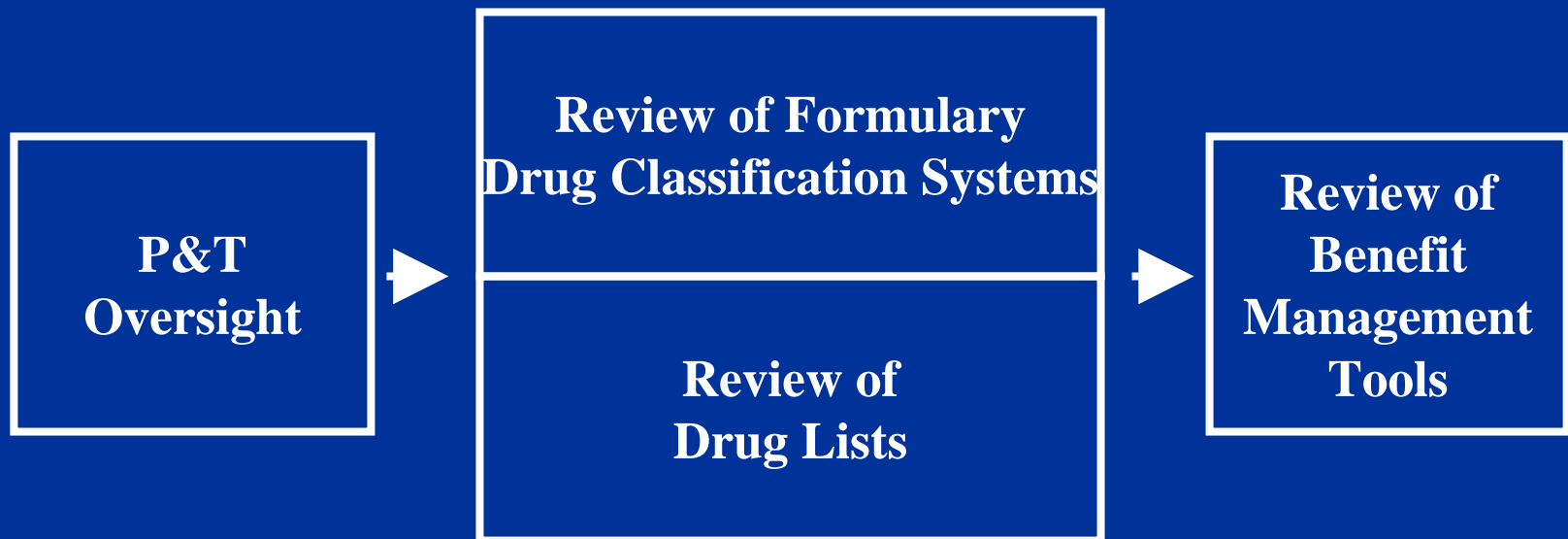
- **Agents when used for:**
  - Anorexia, weight loss, or weight gain
  - Cosmetic purposes or hair growth
  - Symptomatic relief of cough and colds
  - The promotion of fertility
- **Prescription vitamins and mineral products (except prenatal vitamins and fluoride preparations)**
- **Nonprescription 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

# CMS Formulary Review



# 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

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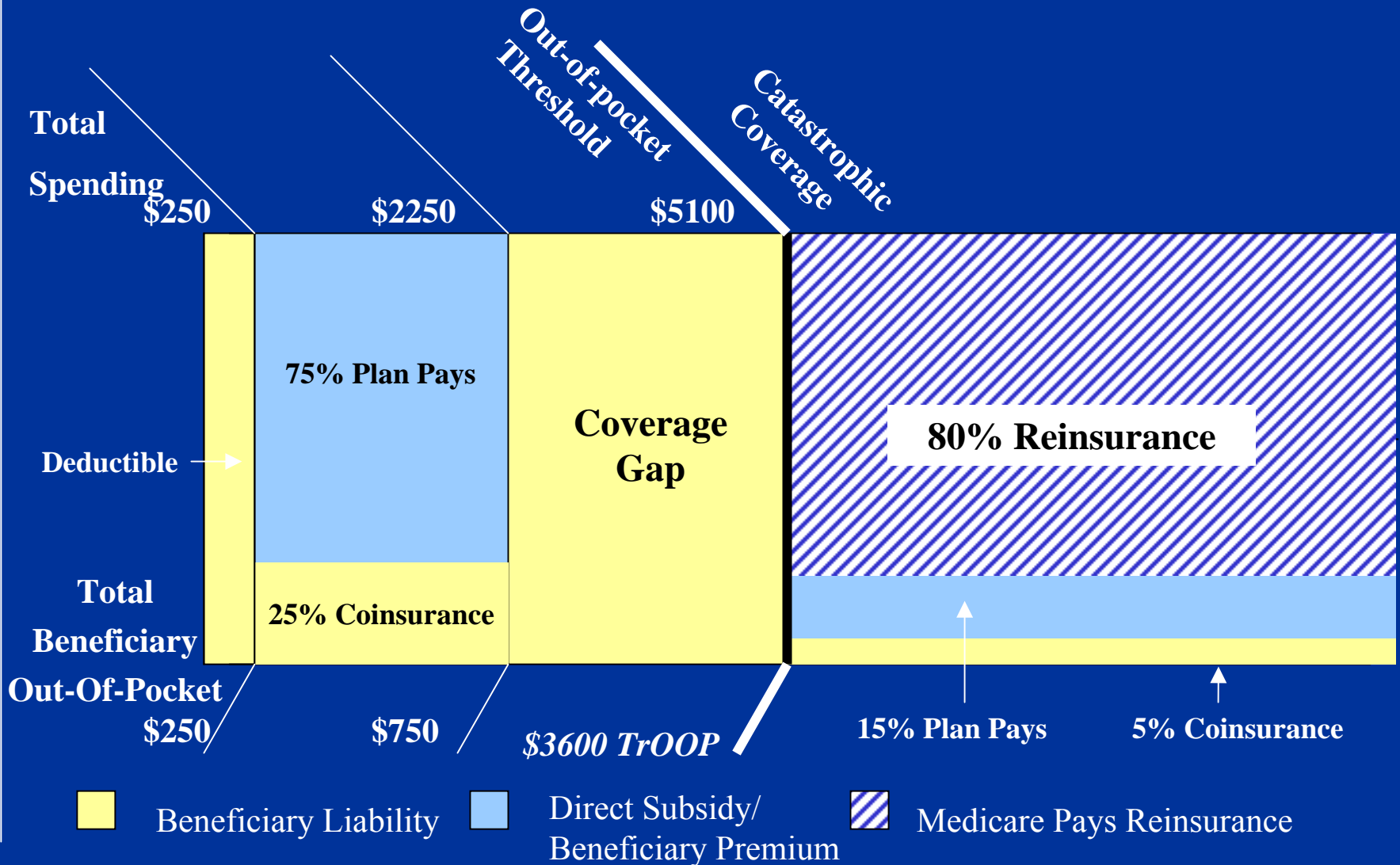
## Understanding the Part D Benefit Design

# 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



# 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.**



# TrOOP

- 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

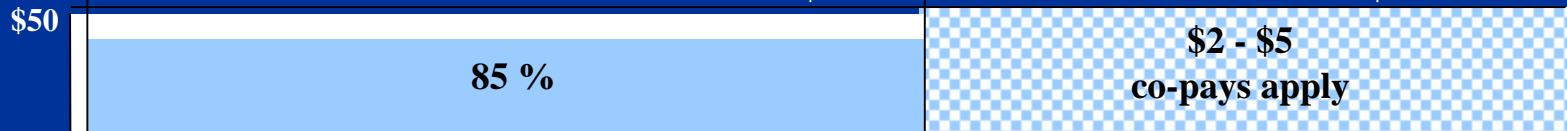
# Visual: Low-Income Subsidy

All numbers are for 2006

Plan Pays  
 Beneficiary Pays

Beneficiaries <150% FPL who also meet the asset test  
(\$10k individual / \$20k couple)\*

Sliding scale premium from \$0 to the estimated \$37 / month **\$3600**



Beneficiaries <135% FPL who also meet the asset test\*  
Full benefit dual eligibles who are beneficiaries >100% FPL



Full Dual Eligibles who are beneficiaries ≤100% FPL\*



\* 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

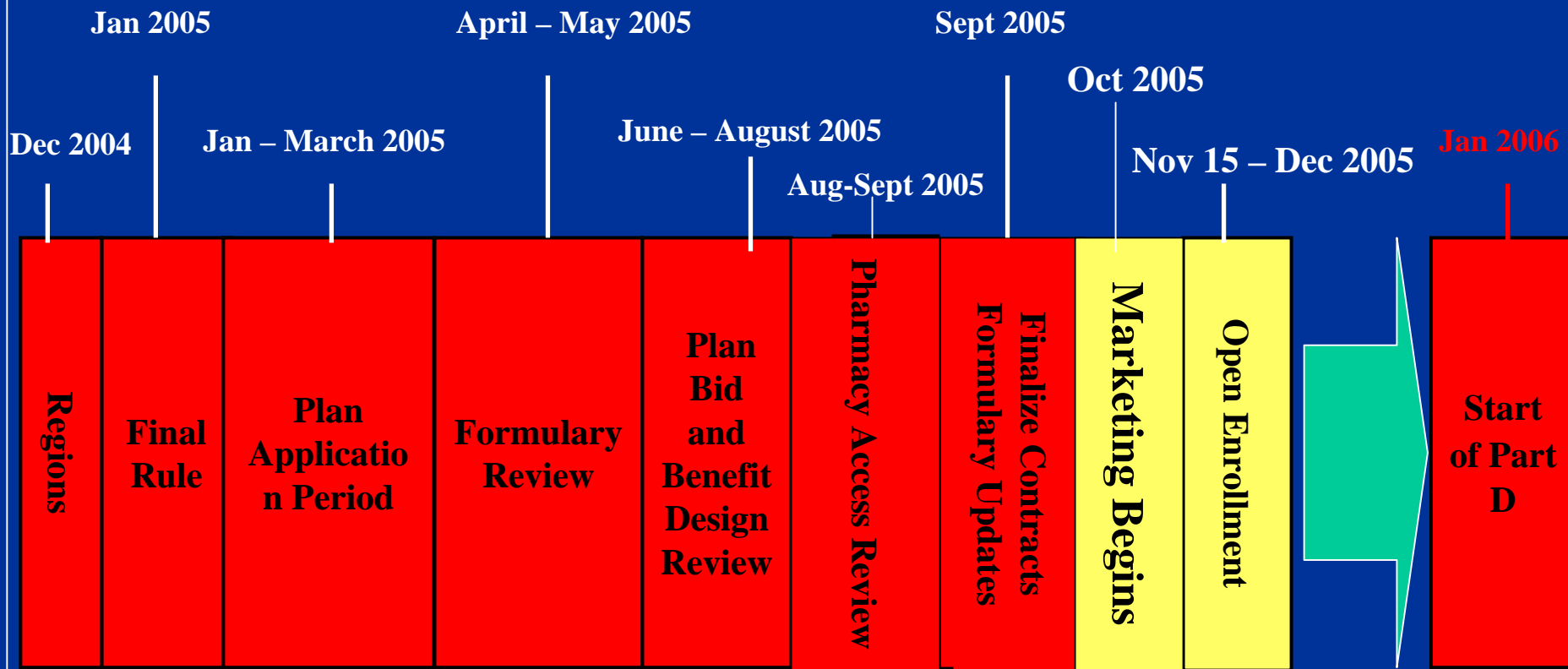
- **Payments count toward TrOOP if:**
  - They are made for covered Part D drugs (or drugs treated as covered Part D drugs through a coverage determination or appeal)
  - They are made by:
    - The beneficiary
    - Another “person” on behalf of a beneficiary
    - CMS as part of the low-income subsidies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

# Key Steps to Successful Implementation

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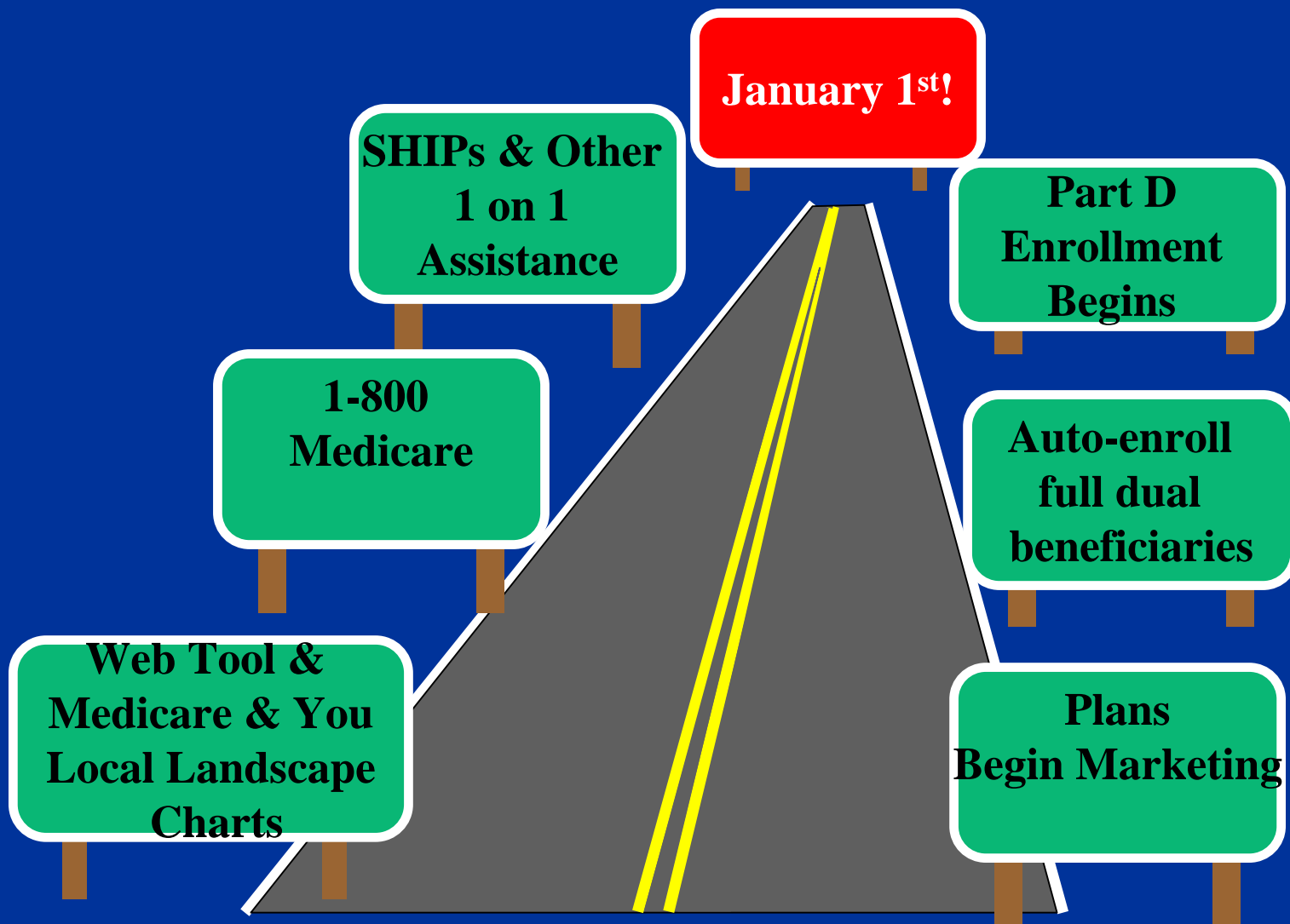
Where we are, What's next

# Implementation Timeline

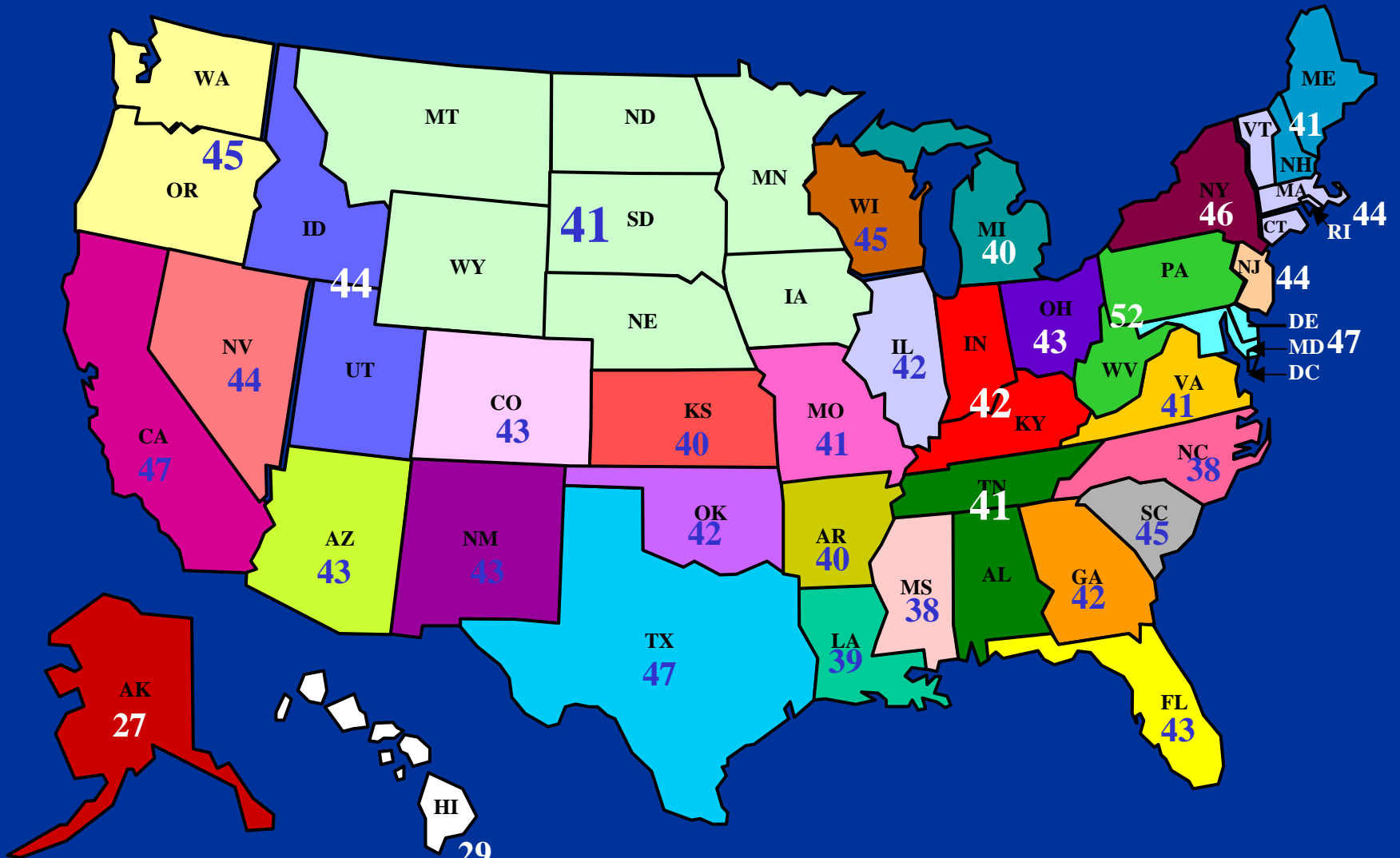


**Today !**

# Next Steps: Part D Enrollment



# PDP Plan Options



Based on data as of 10/10/05 <sup>29</sup>



# National Prescription Drug Plan Organizations

**Aetna Medicare**

**CIGNA HealthCare**

**Coventry AdvantraRX /First Health Premier**

**Medco Health Solutions**

**Memberhealth**

**Pacificare Life and Health Insurance Company**

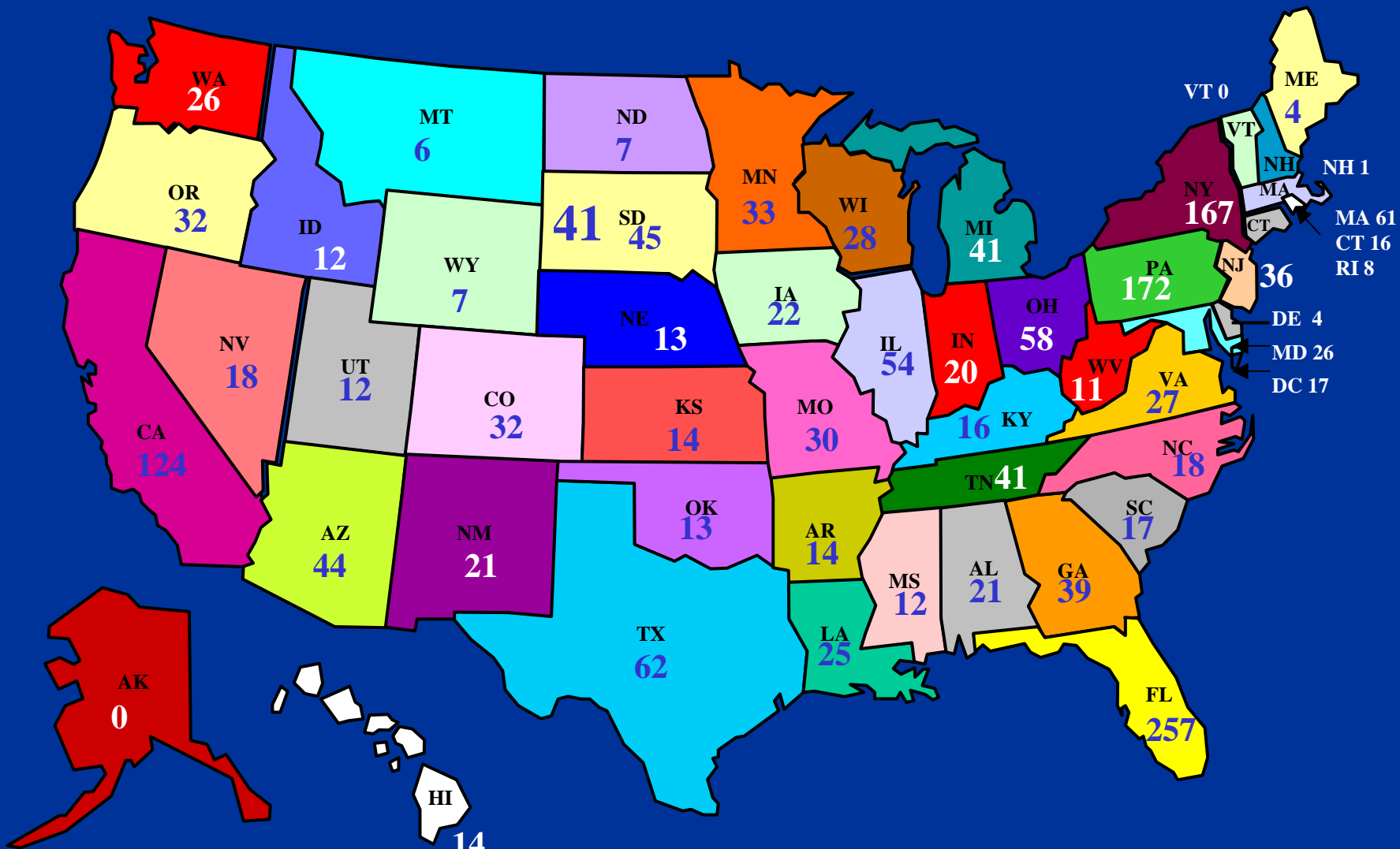
**Silverscript**

**Unicare**

**United Healthcare**

**WellCare**

# MA-PD Plan Options



Based on data as of 10/10/05 <sup>14</sup>

# CMS Resources

## Part D Final Rule and Issue Papers

### *Prescription Drug Plans (PDP)*

[www.cms.hhs.gov/medicarerereform/pdbma/general.asp](http://www.cms.hhs.gov/medicarerereform/pdbma/general.asp)

### *Medicare Advantage (MA) Plans*

[www.cms.hhs.gov/medicarerereform/pdbma/maplan.asp](http://www.cms.hhs.gov/medicarerereform/pdbma/maplan.asp)

## Limited Income and Resources

[www.cms.hhs.gov/medicarerereform/lir.asp](http://www.cms.hhs.gov/medicarerereform/lir.asp)

[www.ssa.gov/organizations/medicareoutreach2/](http://www.ssa.gov/organizations/medicareoutreach2/)

## Part D Landscape Charts

<http://www.medicare.gov/medicarerereform/map.asp>

## Plan Finder Tool

<https://www.medicare.gov/MPDPF/Public/Include/DataSection/Questions/Questions.asp>

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Thank You