Medicare Part D In Massachusetts: Successes and Continuing Challenges

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Massachusetts Health Policy Forum
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I. Overview and Massachusetts Part D Landscape
Medicare Part D: Overview

- Voluntary drug benefit implemented January 1, 2006
- Prescription drug coverage through private drug plans (PDP) and Medicare Advantage (MA-PD) integrated health plans
- Standard drug benefit or at least equivalent
- Medicaid dual eligibles autoenrolled into private drug plans
- State maintenance of effort (“clawback”) payments to CMS
- Subsidy to employers to maintain coverage
- Extra assistance for low income beneficiaries, based on income and assets
- Formularies and other drug management techniques used by drug plans
Medicare Part D 2007:
Prescription Drug Standard Benefit

- $328 National Average Annual Premium
- $265 Deductible
- $2,400 in Total Rx Costs
- $3,051 Coverage Gap
- Plan Pays 95%
- Plan Pays 75%
- Enrollee Pays 5%
- Enrollee Pays 100%
- Enrollee Pays 25%

Source: Kaiser Family Foundation
Extra Help Provided Through the Low Income Subsidy (LIS)

Dual Eligibles: No premium, No deductible
Copayments:
- Nursing home residents: No copayments
- Individuals below poverty level: $1 / $3.10
- Individuals above poverty level: $2.15 / $5.35

Income < 135% of Poverty ($13,000/individual) / Resources <$6,120:
- No premium, No deductible
- Copayments: $2.15 / $5.35, up to catastrophic only

Income < 150% of Poverty ($14,000/individual) / Resources <$10,210:
- Sliding-scale premium / $53 deductible
- 15% coinsurance up to catastrophic
- Copayments: $2.15 / $5.35 after catastrophic
The Massachusetts Part D Landscape, 2007

- **51 Private drug-only plans (PDP)**
  - 15 Benchmark (available for dual eligibles)
  - Average monthly PDP premium: $34.40
  - Premium range: $13.40 - $87.40
  - No plans with full coverage in gap, 15 with generic coverage

- **43 Medicare Advantage prescription drug plans**
  - 10 sponsors
  - Up to 19 choices in Middlesex county
  - Drug-only premium range: $10.30-$58.50
  - Total monthly health plan premium range: $0-$182

- Direction of change: higher premiums, more choices
Part D Prescription Drug Plan
Premiums in Massachusetts, 2006 and 2007
# Massachusetts Prescription Drug Plan (PDP) Examples, 2007

<table>
<thead>
<tr>
<th>Monthly Premium</th>
<th>Deductible</th>
<th>Cost sharing By tier</th>
<th>Gap coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13.40 (Lowest)</td>
<td>$265</td>
<td>$2/ 34%/ 34%/ 25%</td>
<td>No</td>
</tr>
<tr>
<td>$35.00</td>
<td>$0</td>
<td>$5/ $20/ $52/ 25%</td>
<td>No</td>
</tr>
<tr>
<td>$35.40</td>
<td>$100</td>
<td>$5/ $34/ 75%/ 30%</td>
<td>No</td>
</tr>
<tr>
<td>$87.40 (Highest)</td>
<td>$0</td>
<td>$5/ $30/ $60/ 25%</td>
<td>Generics</td>
</tr>
</tbody>
</table>
II. Part D Enrollment in Massachusetts
Part D Enrollment in Massachusetts, 2007 (1 Million beneficiaries)

Source: Based on CMS 2007 national and state data
Enrollment Activities

• Coordinated by CMS, but independent
• 400 partners in Massachusetts actively educated and enrolled beneficiaries
  – Examples: VA, HUD, HRSA, providers and associations, drug plans, hospitals, pharmacies, MassHealth, Mass Bar Assoc, Assoc Industries of Mass
• SSA approved applications for LIS
• SHINE program held about 1000 training sessions; 57,000 one-on-one counseling sessions
• Prescription Advantage required each member to apply for LIS
• Employers contacted each member directly
Enrollment Successes

• Nearly 90 percent of beneficiaries now with drug coverage in Commonwealth
• Transition for many appears smooth
• High participation compared to other voluntary federal programs
• Considerable choice of coverage
• Medicare costs are lower than predicted
• Overall satisfaction with plan on surveys
**Coverage Challenges Remain for Low Income Beneficiaries in Massachusetts**

Massachusetts Part D LIS application status as of December 29, 2006

<table>
<thead>
<tr>
<th>Income/eligibility category</th>
<th>Number of beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of applications processed (excludes deemed beneficiaries)</td>
<td>102,934</td>
</tr>
<tr>
<td>Number qualifying for LIS</td>
<td>37,634 (36.6%)</td>
</tr>
<tr>
<td>Number not qualifying for LIS</td>
<td>65,300 (63.4%)</td>
</tr>
<tr>
<td>Number potentially eligible for LIS*</td>
<td>113,000</td>
</tr>
<tr>
<td>Number potentially eligible for LIS and not receiving it</td>
<td>75,336</td>
</tr>
</tbody>
</table>

*Source: ABC Coalition, 2005*
Continuing Challenges: Part D Program and Systems

- Accessing medications at the pharmacy
  - Data systems still evolving
  - Burden on pharmacies
- Problems with premiums being deducted from SSA checks
- New beneficiaries/ changing status
  - Timing gap until beneficiaries recognized as enrolled
- Special populations with difficulties in enrollment and participation
  - Minority
  - Mental health
  - Disabled
Deemed, LIS, Enrollment, COB Transactions

Claim & E1 Eligibility Transactions

Employers

Payers

COB Contractor

MBD

Part D Plan

Part D Plan = PDPs and MA-PDs
N=NCPDP information Tx carrying TrOOP Amt

DDPS

Part D Plan Submits “4Rx” RxBIN, RxPCN, RxGRP, RxID

Third Party

Check Elig / Entitlement

Batch Completion Status Summary Report (24-48 hours after file submission)

TrRrs Weekly- Monthly, Monthly Reports

Part D Enrollment Records with RxBIN, RxPCN, RxGRP, RxID
Primary, Secondary… + Medicare A/B Eligibility

Part D Enrollment Records with RxBIN, RxPCN, RxGRP, RxID

TrOOP Facilitation

Secondary Payer(s)

Secondary Payers create Ns to TF in certain situations

N Transaction

Part D Plan

Auto-assignment

Enrollment Records

Enrollment Transaction

Plan Change Transaction

Copies of N

DDPS

Primary Claim

Part D Plan -OR-

Solid = Request transaction

Dashed = Response transaction

Part D Plan

Pharmacy

Primary Claim-Direct Connect

-OR-

Primary Claim

E1 Eligibility Query available to pharmacies

Deemed + Part D Enrollment

Deemed

Dual Elig.

LIS Elig. and SSI

COB/OHI

Part D, LIS, Deemed, etc.

Deemed

SSA

E1 Eligibility

Enrollment Transaction

Enrollment Files

Medicare Eligibility

Enrollment Files

Medicare Eligibility

Claim & E1 Eligibility Transactions

Employers

Bene IEQs

Primary Claim-Direct Connect

Part D Plan

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Part D Plan = PDPs and MA-PDs
Part D, LIS, Deemed, etc.

Part D Enrollment Records with RxBIN, RxPCN, RxGRP, RxID

Part D Experience

Part D Plan

Primary Claim-Direct Connect

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Deemed + Part D Enrollment

Deemed
Continuing Challenges: Design of the Benefit

• Complex program: Information needs are ongoing
  – Members need to reassess plans annually
• Surprise cost sharing
• Formulary management and drug substitution
• Appeals process through plans
• Changing market
  – Increased premiums
  – Changing choices
  – Employer coverage
III. Impact of Part D on Massachusetts Health Programs

MassHealth
Prescription Advantage
State Retirees Health Program
MassHealth
Dual Eligible Beneficiaries

• 200,000 dual eligibles autoenrolled into Part D plans
• Part D drug coverage implications
  – Formulary management, appeals
  – Coordination of medical and drug benefit
  – Cost sharing
• Annual reassignment as plans change and eligibility changes
• Data systems
• Nursing facility coordination of pharmacy services
• Medicaid waiver (Senior Care Options) population and program challenges
Emergency Coverage for Duals for Part D Medications (Chapter 175 of 2005 Acts)

• Jan 1-March 15, 2006: CMS reimbursed $17.5 million in emergency coverage
• March 16, 2006- December 31, 2006: $4.6 million for 200,000 claims and copayments
• 30-day emergency supplies has expired, 72-hour still in place
• Continued need for 30-day supplies?
## Estimated Impact of Part D on MassHealth Budget

<table>
<thead>
<tr>
<th>Part D changes</th>
<th>Budget impact of Part D, $$ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY07</strong></td>
<td><strong>No Part D</strong></td>
</tr>
<tr>
<td><strong>Spending impact:</strong></td>
<td></td>
</tr>
<tr>
<td>Dual eligible pharmacy cost</td>
<td>$722.25</td>
</tr>
<tr>
<td>Clawback payment</td>
<td>0</td>
</tr>
<tr>
<td>Spending impact</td>
<td>$722.25</td>
</tr>
<tr>
<td><strong>Revenue impact:</strong></td>
<td></td>
</tr>
<tr>
<td>FFP from dual eligibles</td>
<td>$361.125</td>
</tr>
<tr>
<td>Manufacturer drug rebates</td>
<td>$101.115</td>
</tr>
<tr>
<td>Revenue impact</td>
<td>$462.24</td>
</tr>
<tr>
<td>Net projected impact FY07 ( )=savings</td>
<td>$260.01</td>
</tr>
</tbody>
</table>

Estimated FY06 impact: ($25.56)

Source: MassHealth, 2006
Prescription Advantage

- 70,000 members
- Program now fills in coverage gaps around Part D; income-related benefit
- Members randomly assigned to drug plans in 2006
- Focused outreach to identify LIS-eligible beneficiaries
- Members maintained cost sharing levels
# Estimated Budgetary Impact of Part D on Prescription Advantage

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Enrollment</th>
<th>Estimated Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>78,397</td>
<td>$115 million</td>
</tr>
<tr>
<td>2006</td>
<td>72,992</td>
<td>$96 million (1/2 year of Part D)</td>
</tr>
<tr>
<td>2007</td>
<td>71,003</td>
<td>$64 million</td>
</tr>
</tbody>
</table>

Source: Prescription Advantage, 2007
## Overall Estimated Budget Impact of Part D on Mass Health Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimated first-year Part D savings (based on FY 2006 and FY 2007 program estimates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MassHealth</td>
<td>$21-25 million</td>
</tr>
<tr>
<td>Prescription Advantage</td>
<td>$20-50 million</td>
</tr>
<tr>
<td>State retirees</td>
<td>$21.5 million</td>
</tr>
<tr>
<td>Other programs</td>
<td>$10 million</td>
</tr>
<tr>
<td><strong>Total Savings</strong></td>
<td><strong>$72.5 - 102.5 million</strong></td>
</tr>
</tbody>
</table>
IV. Ongoing Challenges and Lessons for Other State Health Programs
Future Programmatic/ State Concerns

• 125,000 still without coverage
• 75,000 LIS-eligibles still without extra help
• Ongoing difficulties at point of service, appeals
• Employer drug coverage
• Still segments of beneficiaries needing financial and other assistance
• MassHealth
  – Formulary management
  – Clinical management for most vulnerable
  – Monitor “clawback”
Monitoring the Part D Market in Massachusetts

• Part D plans
  – Changing availability, concentration, premiums, cost sharing
• Pharmacy networks and access
• Employer based coverage
• Medicare Advantage growth
• Impact on providers and on pharmacies
Lessons for Implementation of Other State Health Programs

- Pre-implementation coordination
- Choice
- Ample testing of data systems
- Sufficient safety net features
- Flexible and extended transition period
- Needs of low income and minority populations