

The Transition of Dual Eligibles to Medicare Part D

**Insights on Transitioning From Medicaid to the New
Medicare Prescription Drug Benefit: A Conference
Call Briefing**

December 19, 2005

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Figure 1

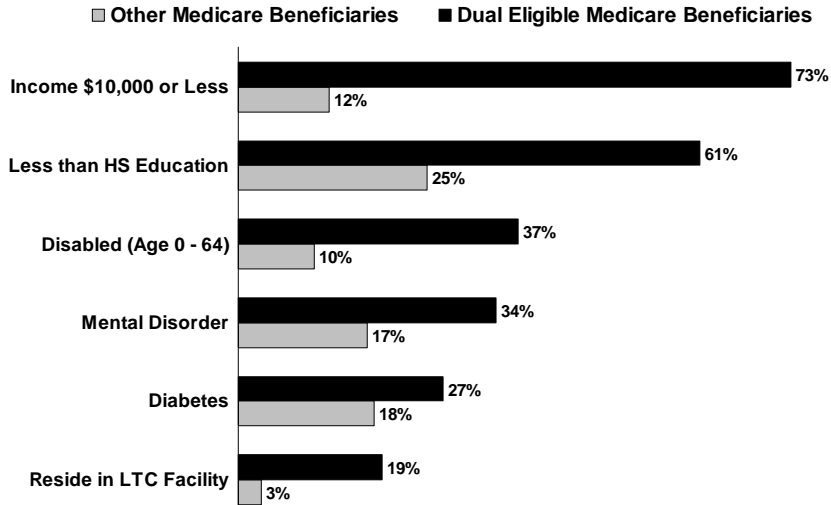
Dual eligibles have extensive needs and face major changes in how they get drugs

- **Account for about 1 in 7 Medicare beneficiaries**
- **Twice the rate of fair or poor health as other Medicare beneficiaries**
- **Represent almost half of current Medicaid drug spending**
- **Not yet clear how well Medicare Part D plans will serve dual eligibles**
- **Care for dual eligibles may become more fragmented**

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Figure 2

Characteristics of Dual Eligible Medicare Beneficiaries, 2002



Number of Dual Eligible Medicare Beneficiaries = 7.0 million

SOURCE: Centers for Medicare and Medicaid Services, Medicare Current Beneficiary Survey 2002 Access to Care File. **K A I S E R C O M M I S S I O N O N Medicaid and the Uninsured**

Figure 3

After Autoassignment

- **Full dual eligibles have been randomly auto-assigned to plans**
 - Beneficiaries may be confused about or unaware of which plan they have been assigned
 - Eligibility checks and coordination of benefits in pharmacies
- **Recent plans to prevent “slipping through cracks”**
 - “Point-of-Sale Protection” plan
 - Individuals with proof of Medicare and Medicaid coverage, but not enrolled in a Part D plan
 - Beneficiaries can get prescriptions filled and pharmacy can be reimbursed
 - Contractor follows up to facilitate PDP enrollment
 - State contingency plans

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Figure 4

Challenges After Enrollment

- **Once enrolled, dual eligibles need time to understand their new coverage**
 - **Learning how Medicare drug plans work in ways that may be different from Medicaid**
 - **For some, new formularies, copayments, pharmacies**
 - **Securing exceptions if they need non-formulary drugs**
- **Part D plans must develop “appropriate” transition plans, but it is not yet clear what they are or how well they will work**

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Figure 5

Key MMA Issues for Medicaid

- **States will lose about half of Medicaid drug spending as duals transition to Medicare, affecting ability to negotiate rebates**
- **States are partially responsible for financing Part D through phased-down state contribution or “clawback”**
- **Dual eligibles may turn to states if problems arise**

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Figure 6

Options to Ease the Transition for Beneficiaries

- **Conduct well-timed education and outreach**
 - **Work with trusted partners of beneficiaries**
- **Help dual eligibles enroll in plans/switch to plans that cover their medications**
- **Inform dual eligibles where to go for help**
- **Engage in real-time monitoring to identify issues and generate interest in solutions**
 - **Requires appropriate data systems and sharing**
- **Exercise state option to provide an extended supply of medications in December 2005**
- **Establish backup coverage via a state program**

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A Medicaid Perspective on Part D Implementation: The Medicare Prescription Drug Program

**Insights on Transitioning From Medicaid
to the New Medicare Prescription Drug
Benefit: A Conference Call Briefing**

December 19, 2005

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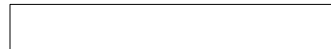


Figure 1

Methodology

- **Focus group discussion with Medicaid directors from 11 states on November 6, 2005**
- **Medicaid directors included NASMD Executive committee and others to achieve geographic balance**
- **Objective of the discussion: First-hand experience from a Medicaid perspective on Part D implementation as it affects Medicaid enrollees also enrolled in Medicare**

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Figure 2

Views on Dual Eligibles' Part D Enrollment

- **The plans to which dual eligibles have been randomly assigned have lower premiums which may mean more restrictions and stricter approval processes**
- **Those wishing to choose a different plan face a potentially bewildering array of options**
- **Plan descriptions of tiered coinsurance (that do not apply to dual eligibles) and formulary restrictions (that do apply) may confuse them**
- **CMS internet tools are hard to use and are not practical for dual eligibles**

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Figure 3

Perspectives on Dual Eligibles' Transition to Part D

- **Auto enrollment will work for most, but not all**
 - **CMS subsequently announced point of sale protection mechanism on 12/01**
- **An error of only ½ of one percent would leave a very large number of individuals with a gap in coverage**
- **Auto enrollment of some dual eligibles may affect medical or prescription drug coverage for a spouse or dependent**

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Figure 4

Perspectives on State Roles in Duals' Transition to Part D

- **States have few contingency plans to address potential transition issues, and lack key information that might allow them to help**
- **States do not have convenient access to plan formularies so state hotlines could assist dual eligibles**

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Figure 5

Fiscal Implications for States: Views on the “Clawback”

- **Clawback described as “unprecedented,” “inappropriate” and “based on a flawed formula”**
- **Clawback payments are not related to (and likely exceed) the value of the Part D benefit for duals**
- **Medicaid officials did not believe any state would see the 10% savings implied by the 90% phased-down factor**
- **Most officials believed state costs would actually increase, compared with what they would have paid, due to flaws in the formula**
- **Clawback amounts vary widely across states**

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Figure 6

Other State Fiscal Issues

- **State officials expect higher Medicaid costs due to an increase in the number of dual eligibles, related to Part D**
 - **higher clawback payments due to more full-benefit dual eligibles**
 - **more Medicaid payments for Medicare premiums, coinsurance, deductibles and for services Medicare doesn't cover**
- **Lower Medicaid supplemental rebates due to shift of market share to Medicare**

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Figure 7

Beyond the Initial Transition: Longer Term Part D Issues for Medicaid

- **Dual eligibles may face ongoing choices and transitions as plans drop out or change formularies, restrictions and utilization controls**
- **Some states expect local political pressure to subsidize copays for dual eligibles**
- **States are interested in “Special Needs Plans” and the potential to coordinate care and financing for dual eligibles**
- **States are concerned that the impacts on dual eligibles may not be evaluated in a timely way**

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