

Implications of the Medicare Prescription Drug Benefit for African Americans

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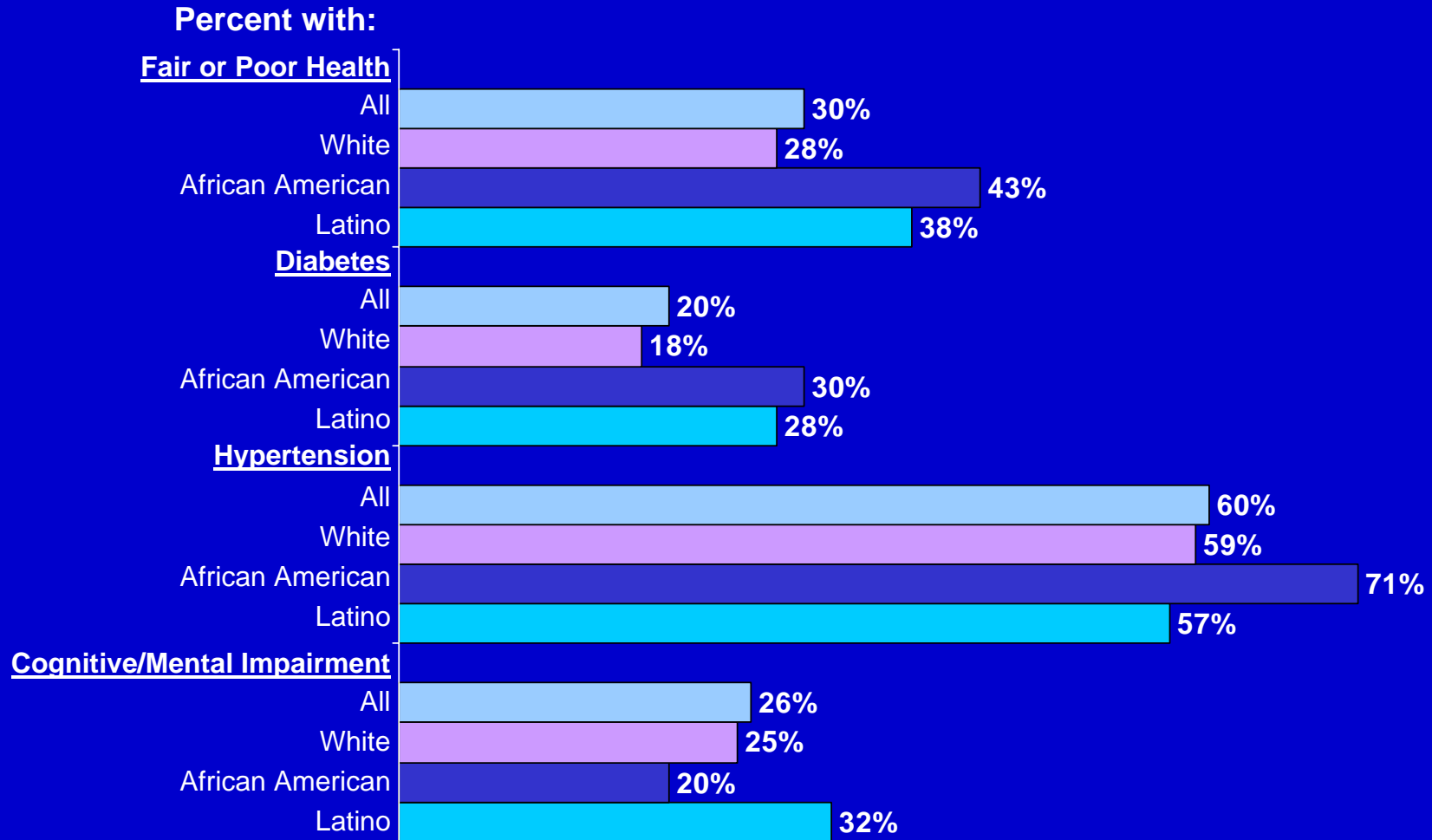
for

African American Media Briefing

November 14, 2005

Exhibit 1

African Americans on Medicare are in poorer health than their white counterparts

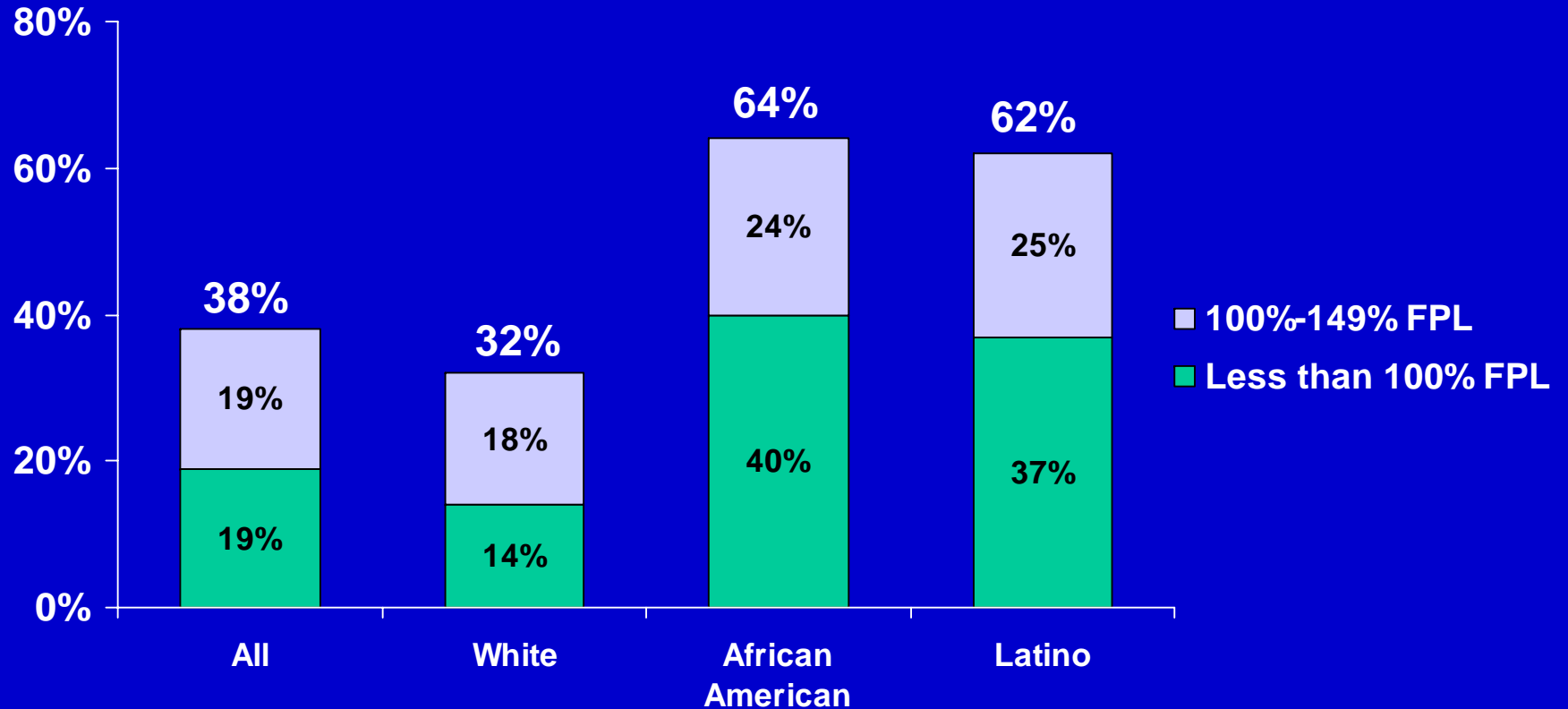


NOTE: Cognitive/mental impairment is defined as diagnosis of mental retardation, mental disorder, or Alzheimer's disease, or having memory loss that interferes with daily activity.

SOURCE: Kaiser Family Foundation analysis of 2002 Medicare Current Beneficiary Survey Cost and Use File.

Exhibit 2

Nearly two in three African Americans on Medicare have incomes less than 150% of poverty

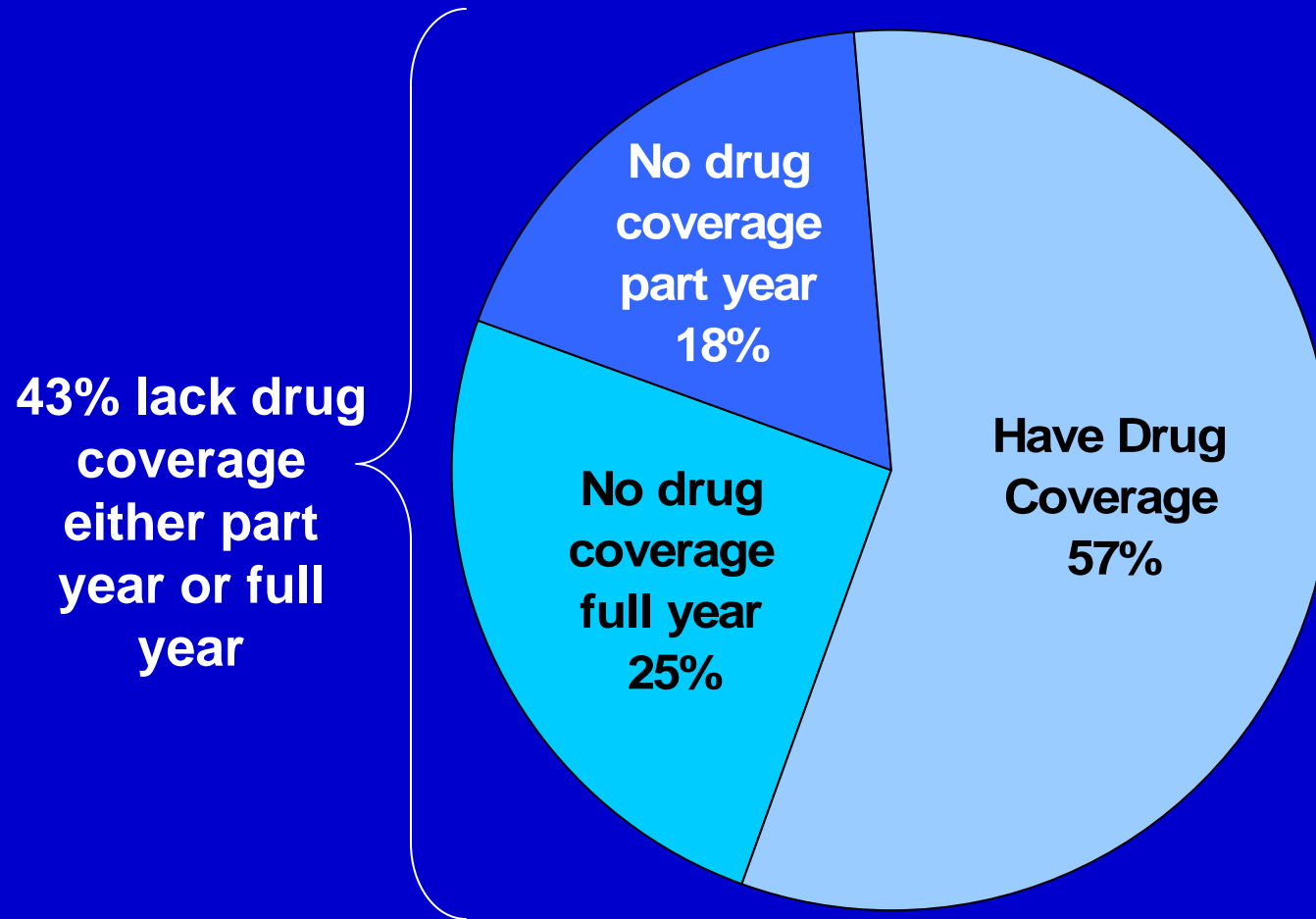


Number of Beneficiaries:	41.8 million	33.1 million	3.9 million	3.1 million
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NOTE: In 2002, the federal poverty level was \$8,860 for an individual and \$11,940 for a couple. This analysis relies on MCBS income definitions, which include income from individual and spouse, but unlike Census definitions, exclude income from others in the household.

SOURCE: Kaiser Family Foundation analysis of 2002 Medicare Current Beneficiary Survey Cost and Use File.

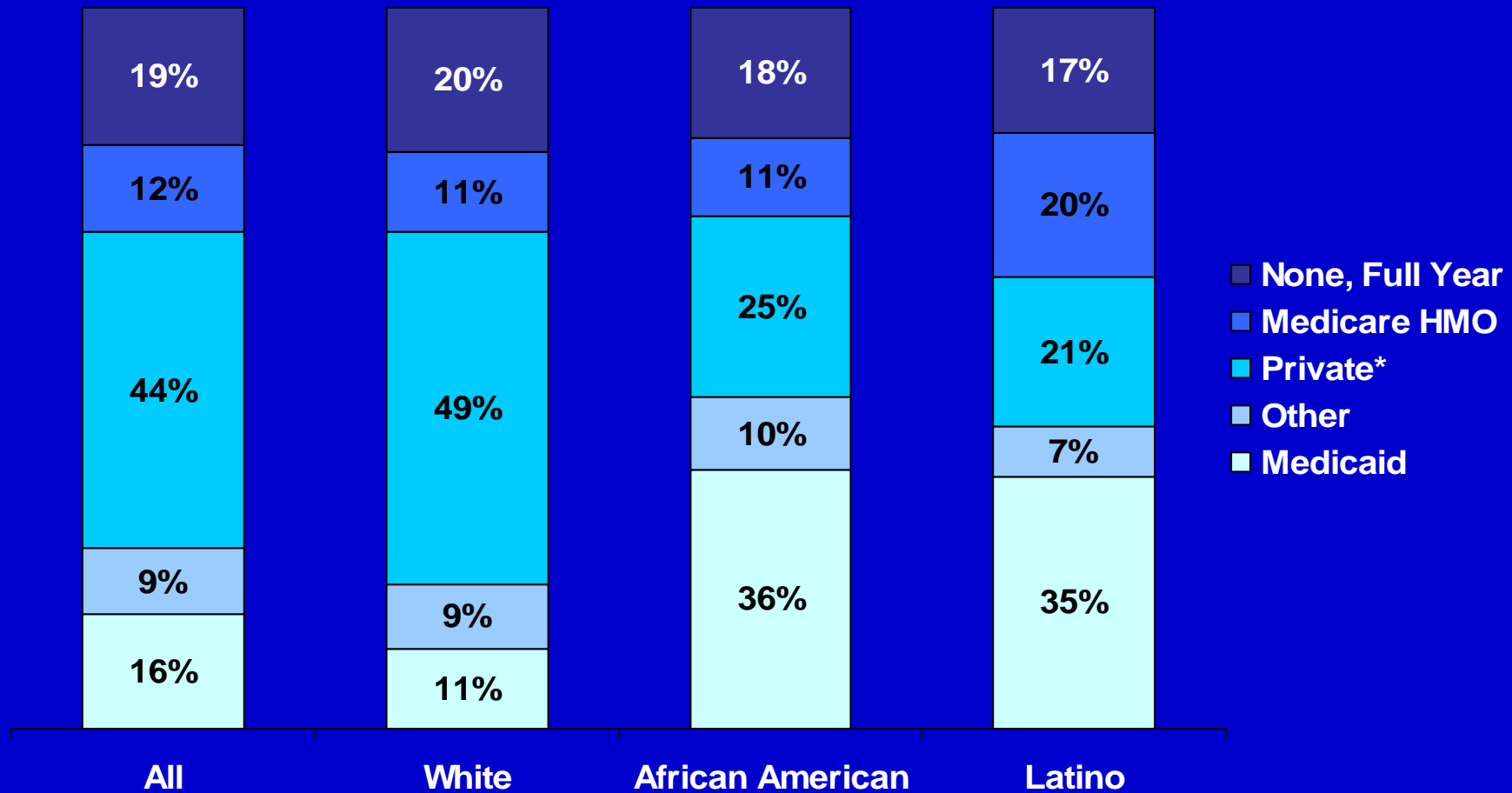
More than four in ten African Americans on Medicare lack prescription drug coverage for either part or full year



Source: Kaiser Family Foundation analysis of 2002 Medicare Current Beneficiary Survey Cost and Use File.

Exhibit 4

More than a third of African Americans on Medicare rely on Medicaid for their prescription drug coverage



NOTE: Categories are mutually exclusive. Individuals were categorized based on the following hierarchy: Medicare HMO, Medicaid, employer-sponsored, Medigap, other public and unknown source, and no coverage.

*Private includes employer-sponsored and Medigap.

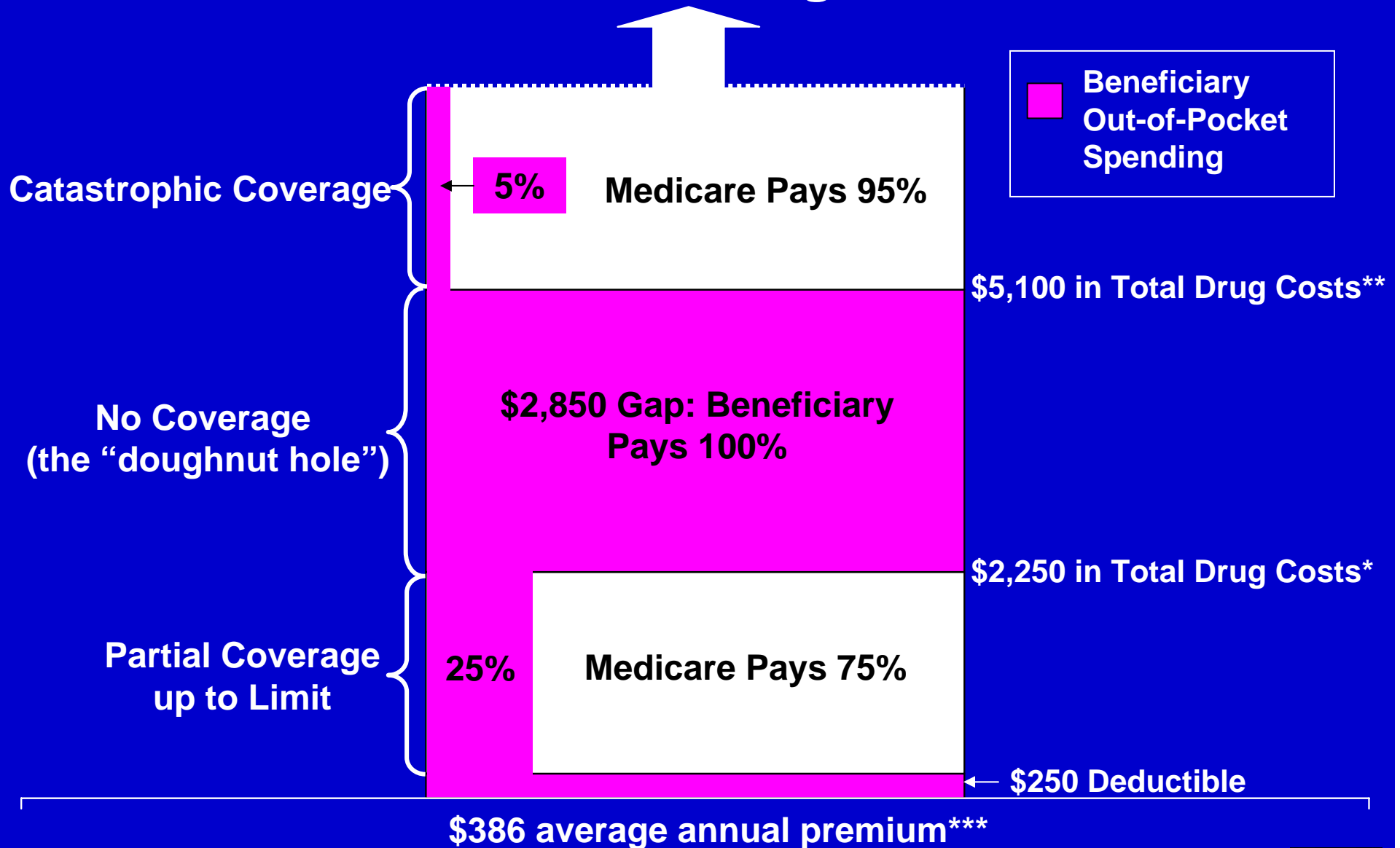
SOURCE: Kaiser Family Foundation analysis of 2002 Medicare Current Beneficiary Survey Cost and Use File.



Overview of Medicare Prescription Drug Benefit

- Medicare will help cover the cost of prescription drugs delivered through private plans beginning January 1, 2006
- Drug benefit is generally voluntary but must enroll in either:
 - Prescription drug plans (PDPs) and Traditional, fee-for-service Medicare or
 - Medicare HMOs or PPOs for prescription drugs and basic benefits
- Plans to offer standard prescription drug benefit, or equivalent
- Premiums and cost-sharing assistance for people with low incomes
- Medicaid drug coverage ends for 6.5 million people dually covered by Medicare and Medicaid on December 31, 2005
- ~30 million expected to join a Medicare drug plan in 2006

Standard Medicare Drug Benefit, 2006

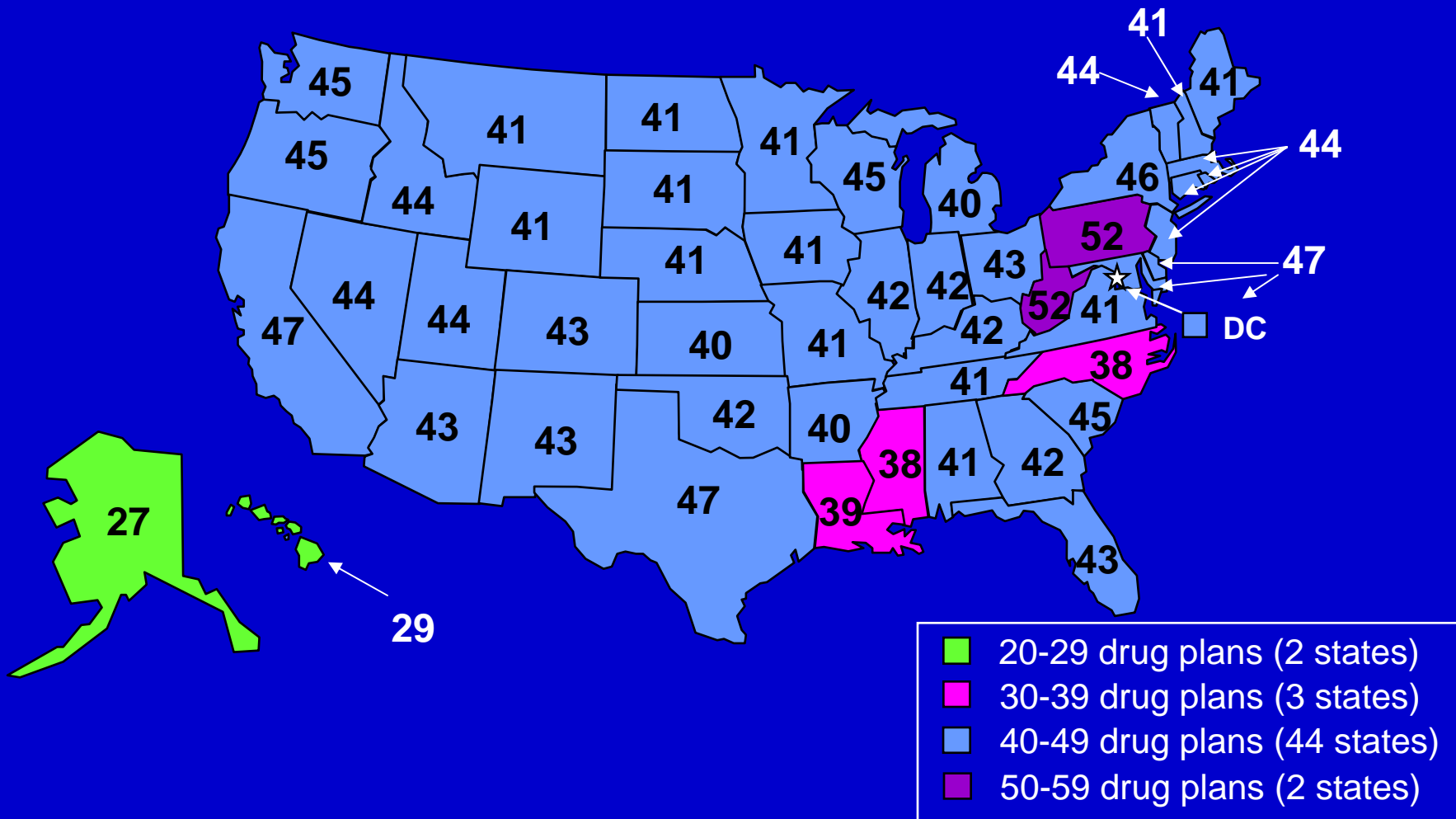


*Equivalent to \$750 in out-of-pocket spending. **Equivalent to \$3,600 in out-of-pocket spending. ***Annual amount based on \$32.20 national average monthly beneficiary premium (CMS, August 2005).

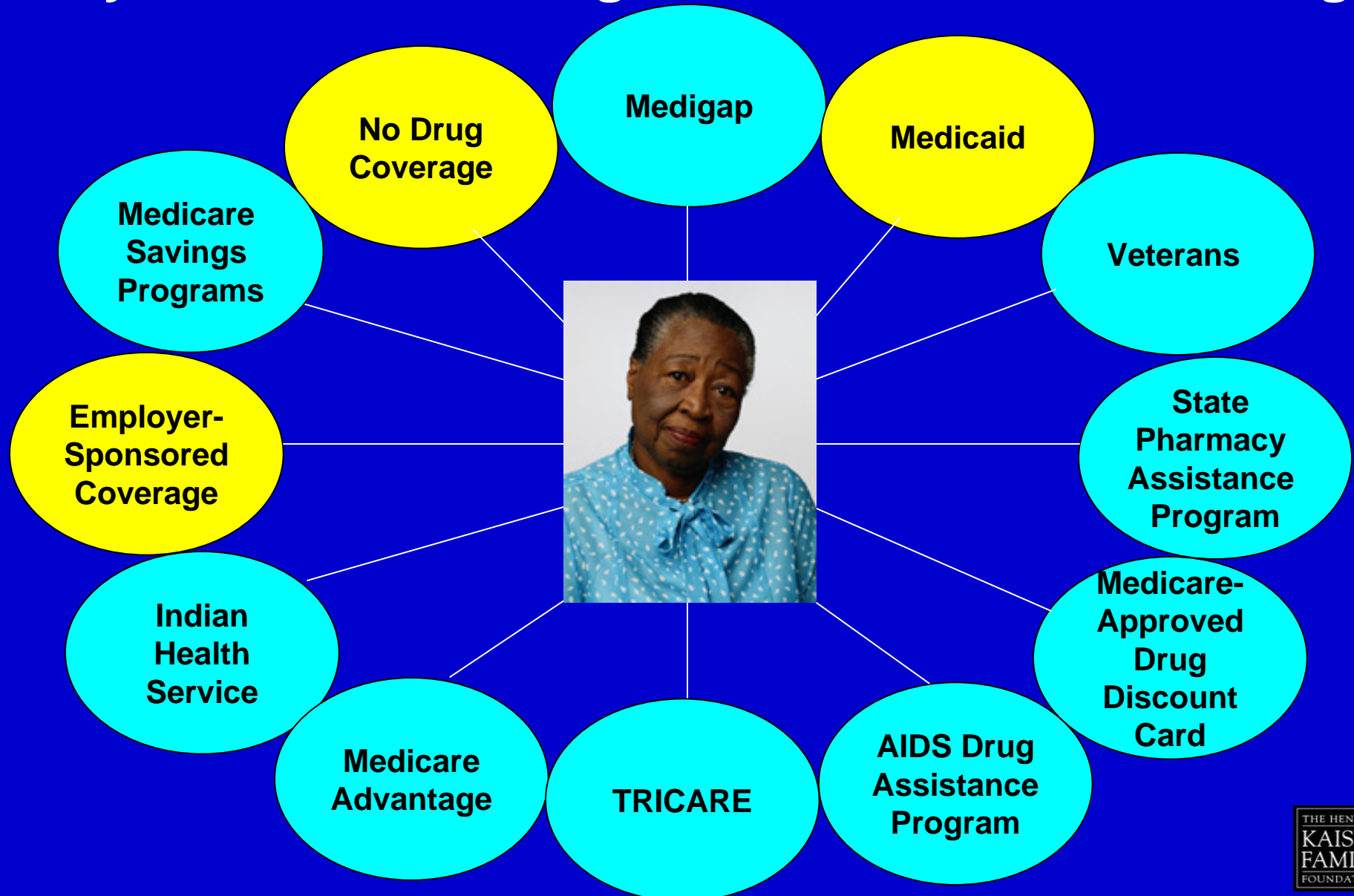
SOURCE: Kaiser Family Foundation illustration of standard Medicare drug benefit described in the Medicare Modernization Act of 2003.

Beneficiaries In Most States Will Have a Choice of About 40 Medicare Prescription Drug Plans

Many will also have choice among HMOs or PPOs for Rx coverage



Whether to Enroll in a Drug Plan Will Depend on Many Factors, Including Current Source of Coverage



This is a Major Transition for Those Receiving Both Medicare and Medicaid

- **Will affect over a third of African Americans on Medicare**
- **Medicaid drug coverage for Medicare beneficiaries ends on 12/31/05**
- **This group must transition to Medicare drug plans by January 1, 2006 to ensure continuity of coverage**
- **Can switch plans monthly**
- **Key concerns**
 - **gaps in coverage**
 - **covered drugs (plan formularies)**
 - **plan design**

There is significant help for people with low incomes

- **Premium and cost-sharing subsidies (“extra help”)**
 - Individuals with incomes of less than @ \$15,000 for singles and \$20,000 for couples, and modest assets
 - Two-thirds of African Americans on Medicare could qualify
- **Some automatically receive help but many people must apply**
 - Through Social Security or Medicaid; by mail, phone or online
 - Two-step process
 - Apply for low-income subsidy
 - Enroll in Medicare drug plan

Exhibit 11

Medicare Prescription Drug Benefit Subsidies for Low-Income Beneficiaries, 2006

Low-Income Subsidy Level	Monthly Premium	Annual Deductible	Copayments
Full-benefit dual eligibles Income <100% of poverty (\$9,570/individual; \$12,830/couple)	\$0	\$0	\$1/generic \$3/brand-name; no copays after total drug spending reaches \$5,100
Full-benefit dual eligibles Income ≥100% of poverty	\$0	\$0	\$2/generic \$5/brand-name; no copays after total drug spending reaches \$5,100
Institutionalized full-benefit dual eligibles	\$0	\$0	No copays
Individuals with income <135% of poverty (\$12,920/individual; \$17,321/couple) and assets <\$6,000/individual; \$9,000/couple	\$0	\$0	\$2/generic \$5/brand-name; no copays after total drug spending reaches \$5,100
Individuals with income 135%-150% of poverty (\$12,920-\$14,355/individual; \$17,321-\$19,245/couple) and assets <\$10,000/individual; \$20,000/couple	sliding scale up to \$32.20*	\$50	15% of total costs up to \$5,100; \$2/generic \$5/brand-name thereafter

Note: Poverty level dollar amounts are for 2005. Additional assets of up to \$1,500/individual and \$3,000/couple for funeral or burial expenses are permitted. *\$32.20 is the national monthly Part D base beneficiary premium for 2006.

SOURCE: Kaiser Family Foundation summary of Medicare prescription drug benefit low-income subsidies in 2006.

Getting Started: Key Questions for People on Medicare

- ✓ Should I sign up for a Medicare drug plan?
- ✓ What type of Medicare plan do I want?
- ✓ Which plans cover my drugs?
 - ✓ All drugs?
 - ✓ Most expensive drugs?
- ✓ How much will I pay for each prescription?
- ✓ Are my pharmacies in the plan's network?
- ✓ Am I eligible for “extra help” with drug costs?
- ✓ Where can I turn for assistance?

Immediate Challenges

- **Helping 43 million people decide whether to enroll, choose between plans, and then join a plan – by May 15, 2006**
- **Assuring 6.5 million dual eligibles transition to Medicare plans without serious glitches or gaps – by January 1, 2006**
- **Working to assist low-income beneficiaries apply for additional help *and* enroll in Medicare Rx plan**
- **Reaching out to educate one in four African Americans on Medicare who are under age 65**