

# **Implications of the Medicare Prescription Drug Benefit for Latinos**

**Presented by  
Linda Elam, Ph.D.  
Michelle Kitchman Stollo, M.H.S.  
Kaiser Family Foundation**

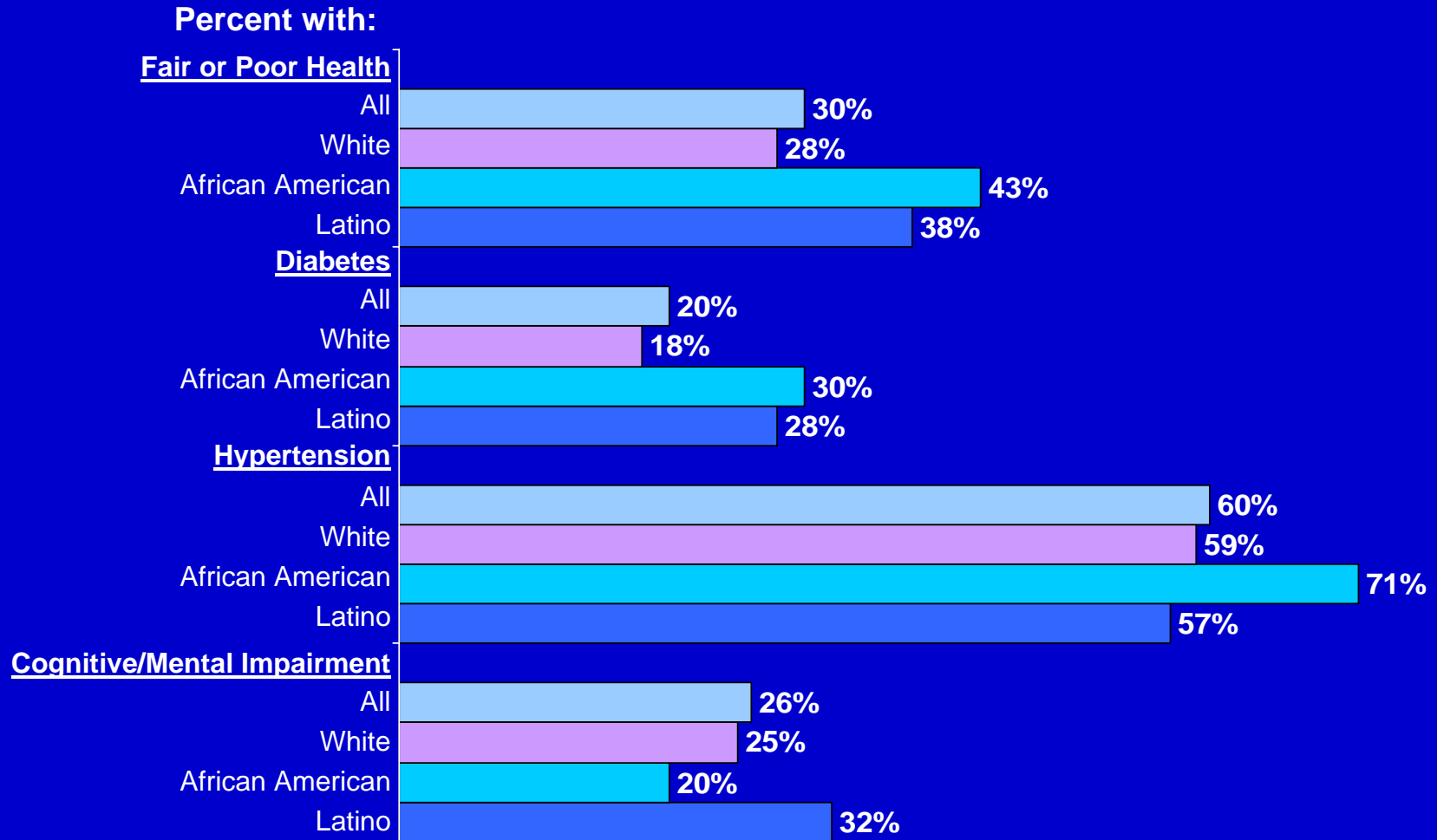
**for**

**Latino Media Briefing**

**November 16, 2005**

Exhibit 1

# Latinos on Medicare are in poorer health than their white counterparts

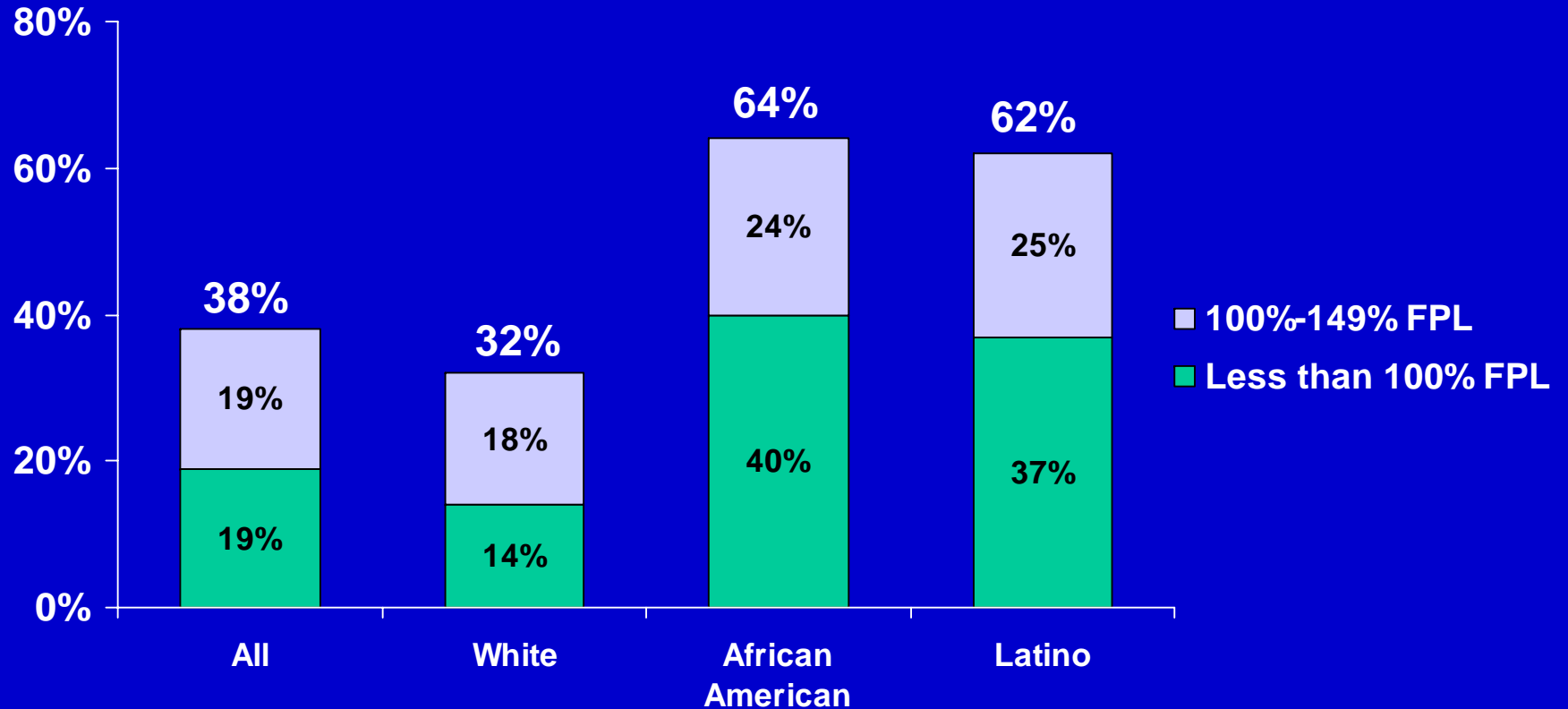


NOTE: Cognitive/mental impairment is defined as diagnosis of mental retardation, mental disorder, or Alzheimer's disease, or having memory loss that interferes with daily activity.

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

Exhibit 2

# Nearly two in three Latinos on Medicare have incomes less than 150% of poverty

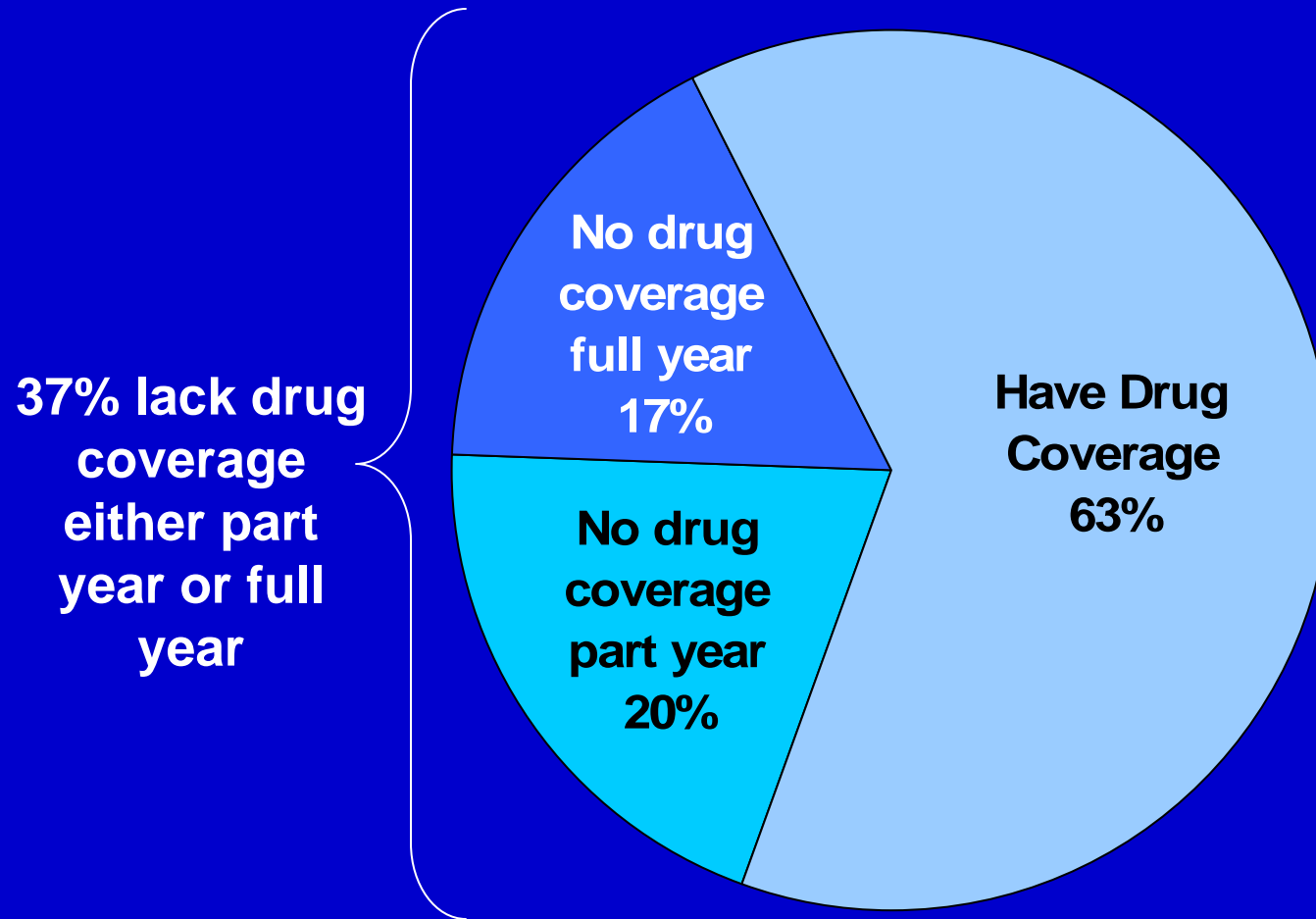


<b>Number of Beneficiaries:</b>	<b>41.8 million</b>	<b>33.1 million</b>	<b>3.9 million</b>	<b>3.1 million</b>
---------------------------------	---------------------	---------------------	--------------------	--------------------

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.

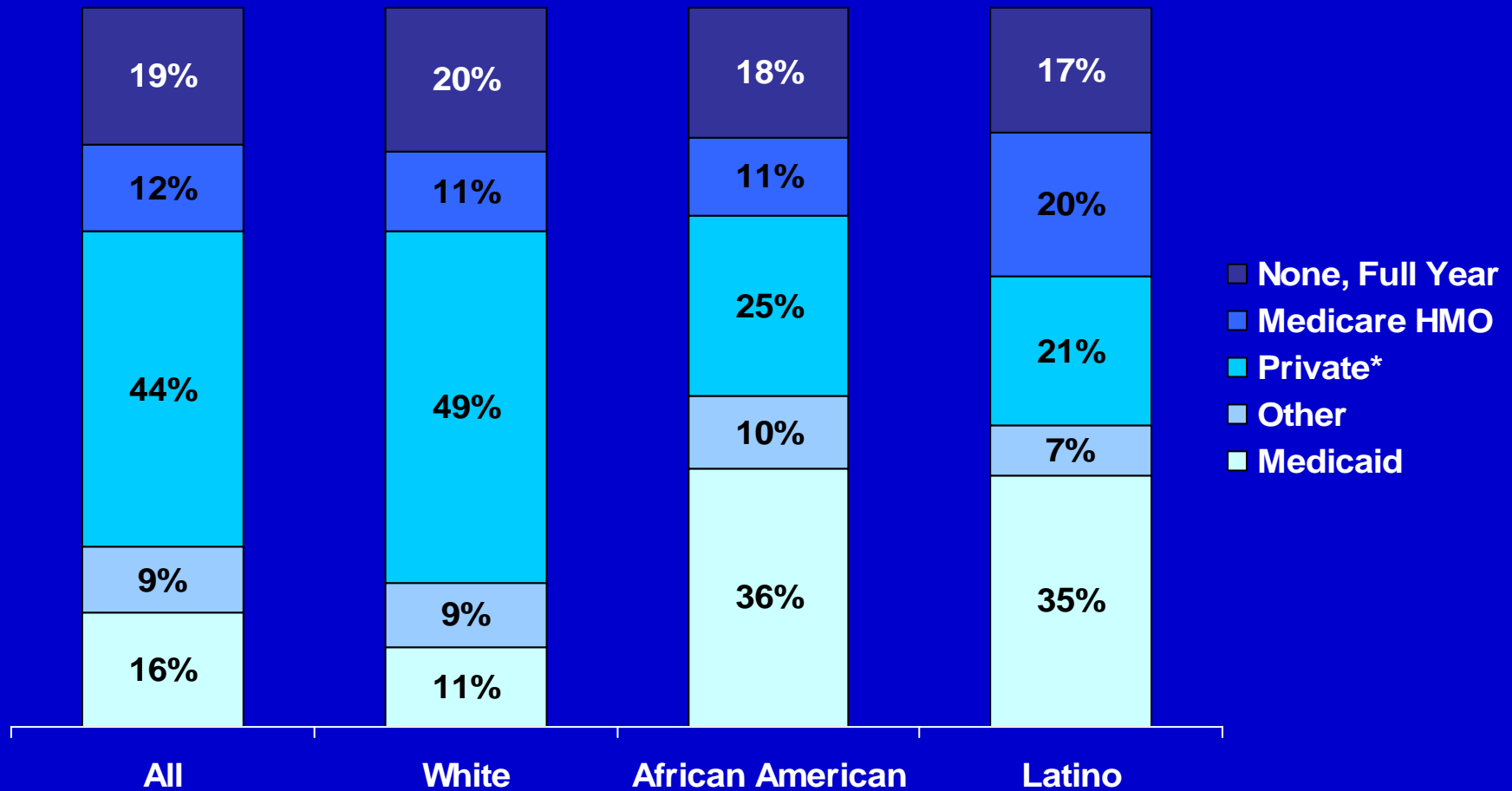
# Nearly four in ten Latinos on Medicare lack prescription drug coverage for either part or full year



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

Exhibit 4

# More than a third of Latinos 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.

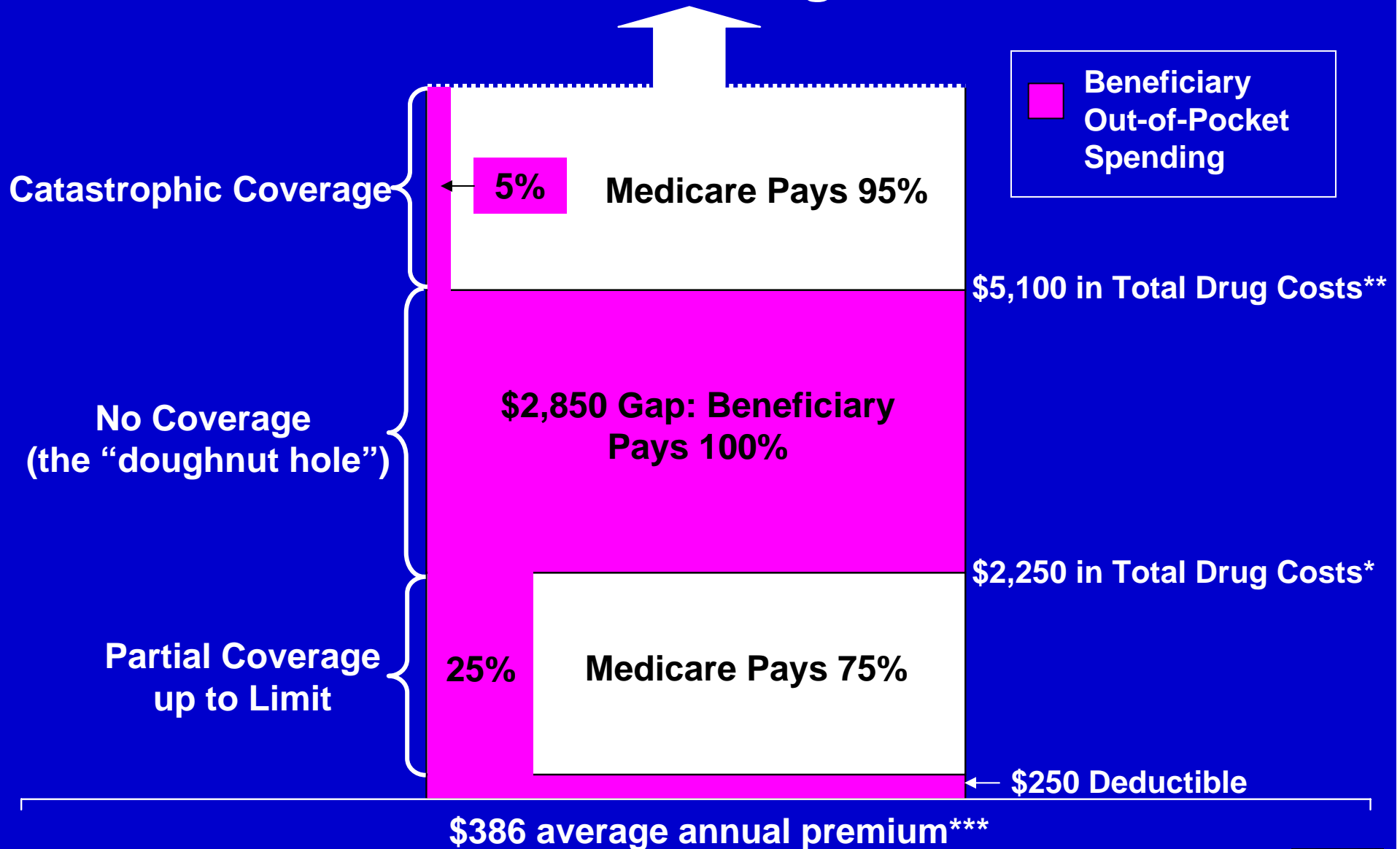
SOURCE: Kaiser Family Foundation analysis of 2002 Medicare Current Beneficiary Survey Cost and Use File.

# 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

Exhibit 6

# Standard Medicare Drug Benefit, 2006

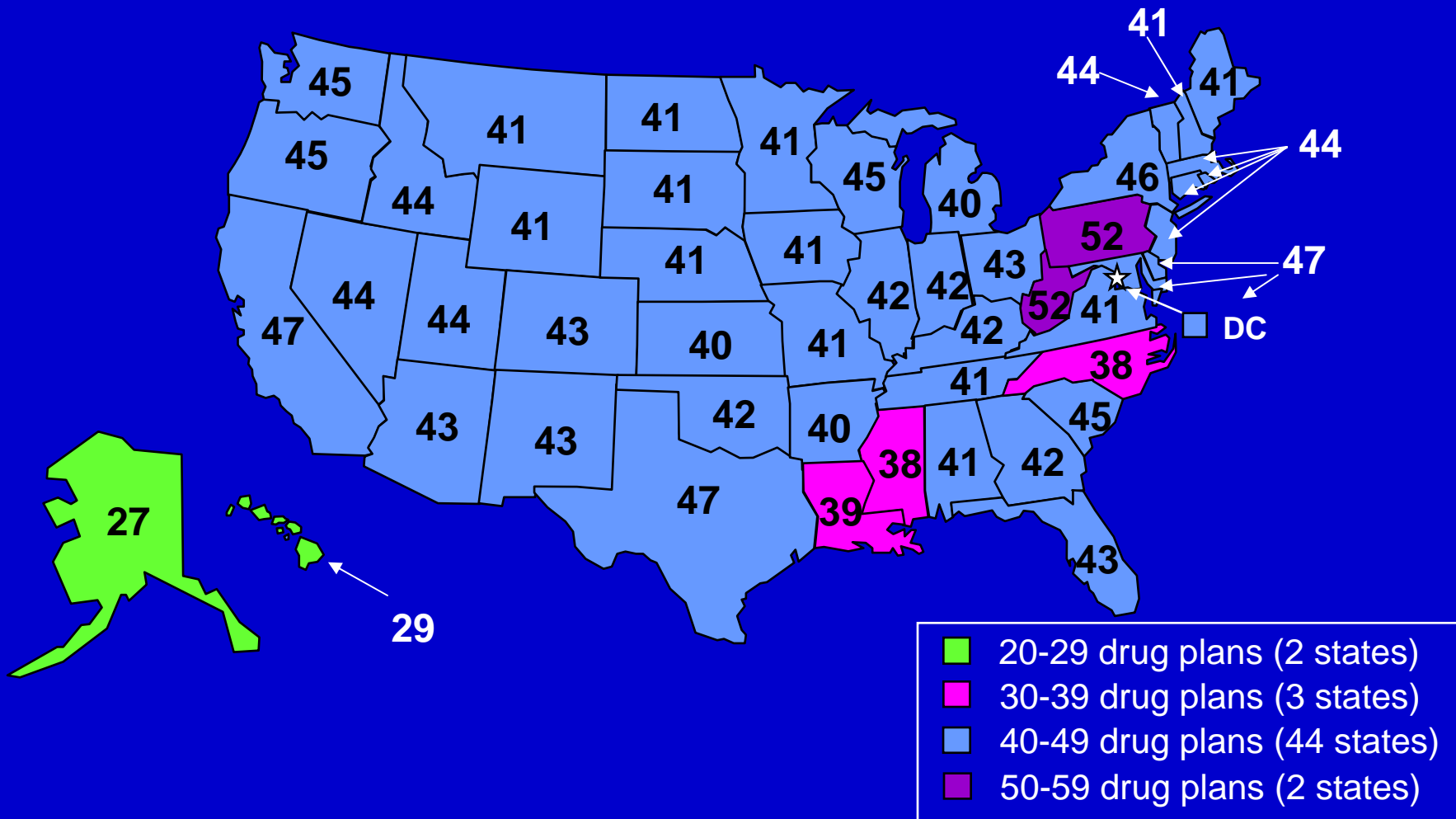


\*Equivalent to \$750 in out-of-pocket spending. \*\*Equivalent to \$3,600 in out-of-pocket spending. \*\*\*Annual amount based on \$32.20 national average monthly beneficiary premium (CMS, August 2005).

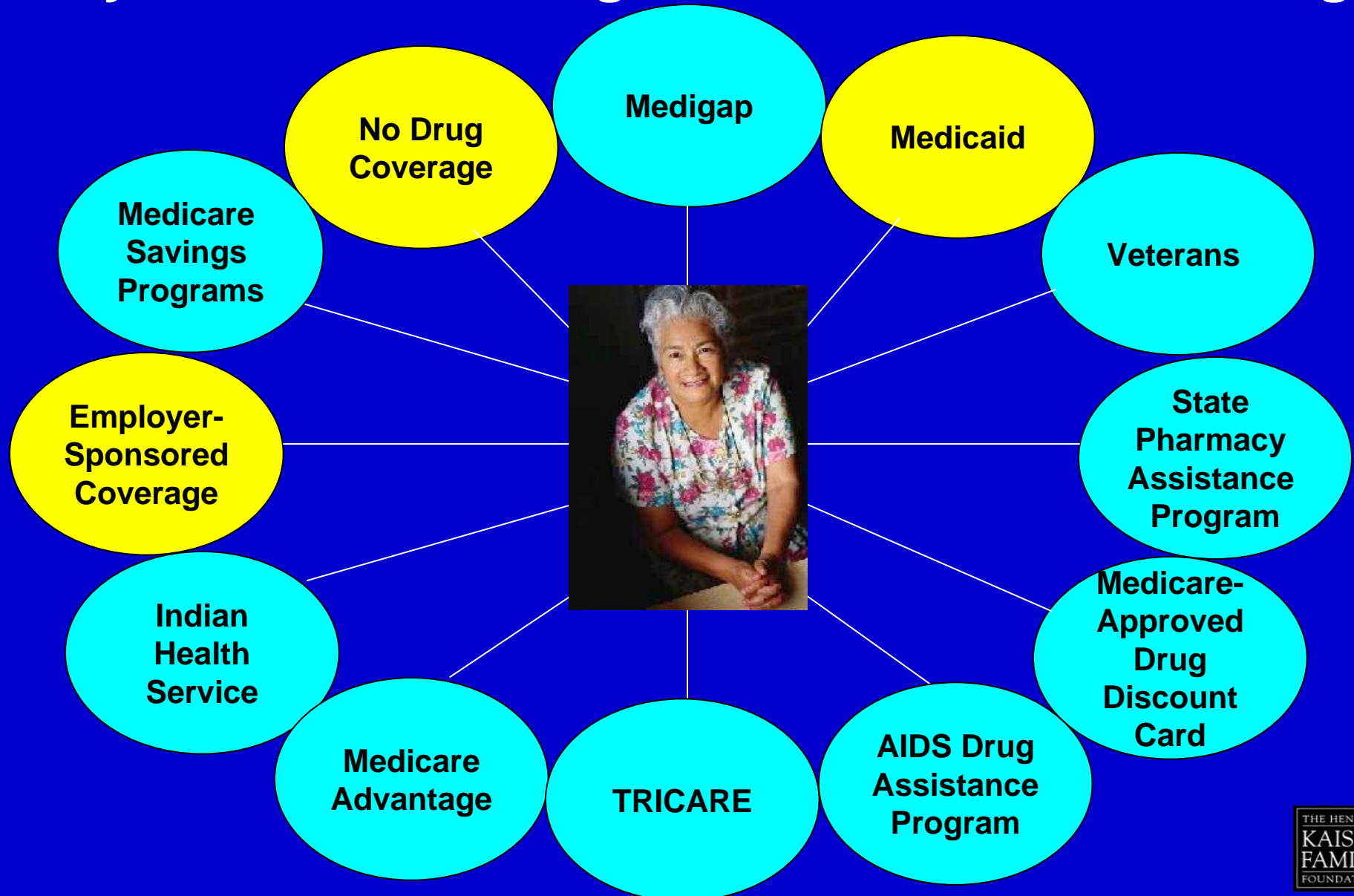
SOURCE: Kaiser Family Foundation illustration of standard Medicare drug benefit described in the Medicare Modernization Act of 2003.

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

**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?
- ✓ 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 Medicare's under age 65, disabled population**