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Medicaid and the Uninsured

The Transition of Dual Eligibles to Medicare Drug Coverage: Implications for Beneficiaries and States

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Figure 1

Key Issues for Medicaid

- **Dual eligibles facing a major transition in prescription drug coverage**
 - 6.4 million must be enrolled in a short time period
 - Not yet clear how well Medicare Part D plans will serve dual eligibles
- **State Medicaid programs have much at stake in implementation**
 - Dual eligibles may turn to states if problems arise
 - Continue to finance drug coverage for dual eligibles
 - Other, major new responsibilities under the MMA
 - Fiscal impact of MMA may not be what was expected

Figure 2

Treatment of Dual Eligibles in the Medicare Law

- **Dual eligibles will move from Medicaid to Medicare drug coverage**
 - As of January 1, 2006, dual eligibles no longer eligible for Medicaid drug coverage
 - Medicaid drug coverage will be replaced by coverage through private Medicare drug plans (“Part D”)
 - If they do not voluntarily enroll in a Medicare drug plan, dual eligibles will be randomly assigned to a plan
 - Unlike other Medicare beneficiaries, dual eligibles can switch plans at any time using a “special enrollment period”
 - Final rule: CMS will conduct auto-enrollment and it will be effective by January 1, 2006
- **Dual eligibles receive special subsidies under the Medicare Part D benefit**
 - No deductible
 - No premium for average or low-cost plan
 - Nominal co-payments of up to \$5 per prescription in 2006, depending on income and institutional status

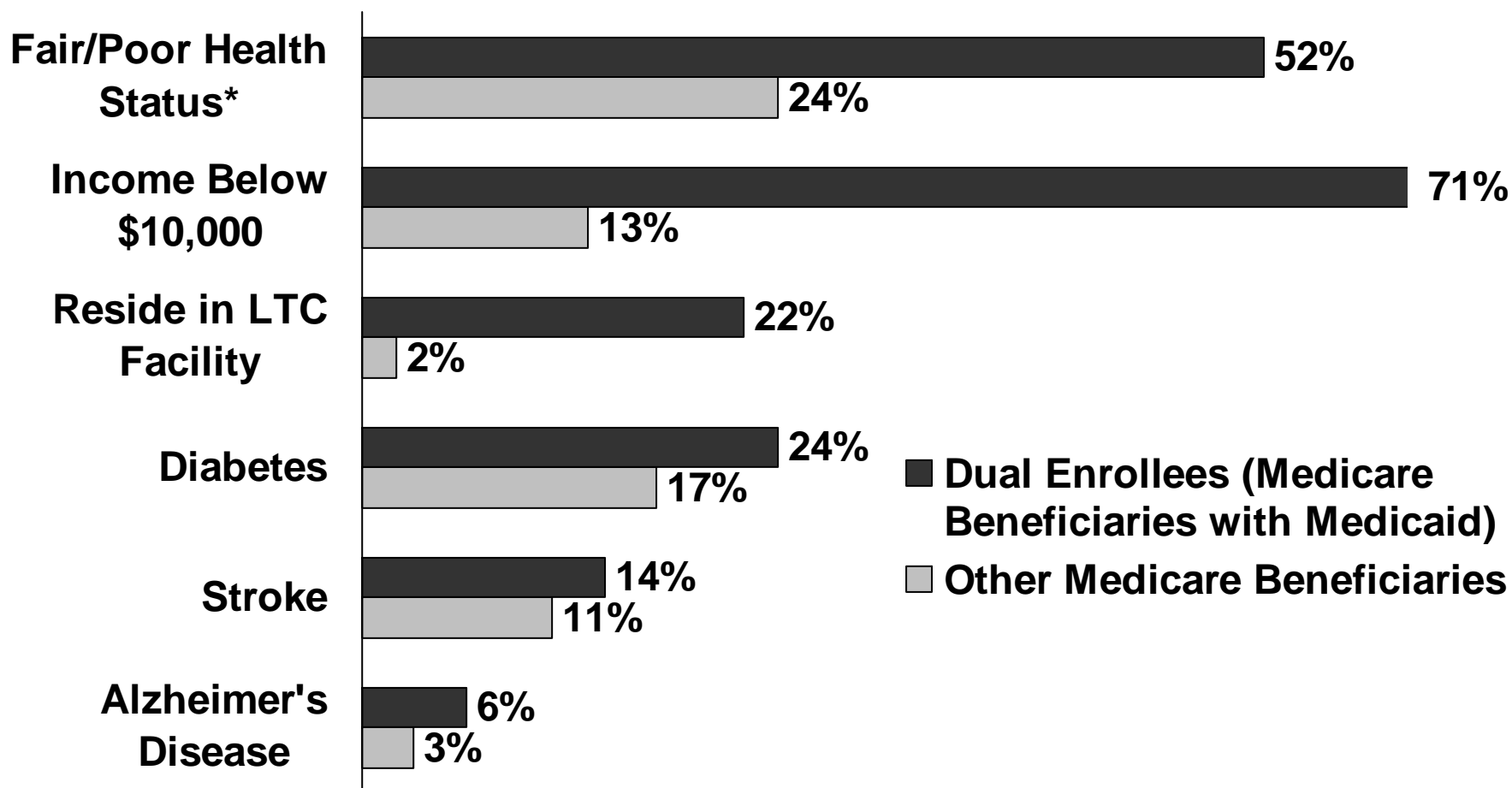
Figure 3

New State Responsibilities in the MMA

- **Will play a role in transition for dual eligibles**
 - States not responsible for auto-enrollment, but may play a role in education and outreach efforts
 - If they want to supplement Part D coverage for dual eligibles, must use state funds
- **Payments to the federal government**
 - States required to make monthly payments to the federal government to help finance the Part D benefit for dual eligibles
- **Medicaid agencies must take applications for the low-income subsidy program**
- **People who apply for the subsidy at Medicaid offices must be offered the chance to enroll in Medicaid if they appear eligible**

Figure 4

Characteristics of Dual Enrollees Compared to Other Medicare Beneficiaries, 2000



*Community-residing individuals only.

SOURCE: KCMU estimates based on analysis of MCBS Cost & Use 2000.

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Figure 5

Timetable for Enrollment of Dual Eligibles in Medicare Drug Plans

September/October, 2005	CMS plans to begin auto-enrollment of dual eligibles in "early fall" /as soon as it can identify plans with qualified premiums (preamble language)
October 13, 2005	Information comparing Part D coverage becomes available to beneficiaries via mail and 1-800-MEDICARE
November 15, 2005	People can start to enroll Medicare Part D plans (i.e., first day of the initial enrollment period)
January 1, 2006	First day that Medicaid drug coverage is no longer available to dual eligibles; Enrollment of dual eligibles in Part D plans becomes effective
May 15, 2006	Last day of the initial enrollment period for Medicare Part D plans

Figure 6

Challenges Presented by the Timetable

- **To avoid coverage gaps, 6.4 million dual eligibles must be signed up for Medicare drug plans on a tight timetable**
- **Auto-enrollment will minimize the risk that dual eligibles end up without any coverage, but challenges may still arise**
 - **Some dual eligibles may not be reached by the auto-enrollment process**
 - **Dual eligibles may be confused about or unaware of the plans into which they have been auto-enrolled**
 - **The plans to which dual eligibles have been randomly assigned may not match their needs so they will need to know about their option to switch plans**
 - **Not clear who will help people with cognitive impairments to switch plans**

Figure 7

Challenges that May Require Attention After Enrollment

- **Once enrolled, dual eligibles still may need time to learn how to use their new coverage**
 - Learning how their Medicare drug plans work
 - Getting new prescriptions to match covered drugs
 - Navigating prior authorization requirements
 - Securing exceptions from formularies if they need medications not covered by their plans
- **Final rule: Plans must “provide for an appropriate transition process” for people whose drugs are not on their formularies**
- **Post-transition: How well will Part D plans meet the needs of dual eligibles?**

Figure 8

Key Questions

- **From a beneficiary perspective**
 - What are the steps that could be taken to minimize the risk of disruptions in access to medications?
 - How will the transition work for dual eligibles in nursing homes?
 - To what extent are administrative solutions available? Would legislation be required?
- **From a state perspective**
 - What role will states play in addressing any gaps in coverage that emerge for dual eligibles who have problems with their Part D plans (i.e., with state funds)?
 - Are state policymakers prepared for the impact of the MMA? Is there enough information available to prepare them and to make key decisions?
 - What will the impact of the MMA be on state budgets?

Figure 9

Additional Background Materials

Figure 10

Formula for Determining Monthly State Clawback Payments

Monthly State Payment	=	1/12	X	Per Capita Expenditures (PCE)	X	State Match (S%)	X	Dual Eligibles (DE)	X	Phase-Down Percentage (PD%)
				Per capita Medicaid expenditures on prescription drugs covered under Part D for dual eligibles during 2003, trended forward		State share of Medicaid expenditures		Number of dual eligibles enrolled in a Medicare Part D plan in the month for which payment is made		Phase-down percentage for the year specified in the statute (e.g., 90% in 2006)

Figure 11

Income as a Percentage of the Federal Poverty Line for an Individual and Couple, 2004

Family Size	Percentage of the Federal Poverty Line		
	100% FPL	135% FPL	150% FPL
Individual	\$9,310	\$12,569	\$13,965
Couple	\$12,490	\$16,862	\$18,735

SOURCE: Federal Register.

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