



The Facts about Upcoming New Benefits in Medicare

MEDICARE MODERNIZATION ACT OF 2003

MEDICARE is an essential health care program for people age 65 and older, people with certain disabilities, and people with End-Stage Renal Disease.

Recently, President Bush and Congress worked together to pass a new law to bring people with Medicare more choices in health care coverage and better health care benefits.

This new law preserves and strengthens the current Medicare program, adds important new prescription drug and preventive benefits, and provides extra help to people with low incomes. You will still be able to choose doctors, hospitals and pharmacies.

If you are happy with the Medicare coverage you have, you can keep it. Or, you can choose to enroll in new options described below. No matter what you decide, you are still in the Medicare program.

DRUG DISCOUNT CARDS START IN 2004

Medicare-Approved Drug Discount Cards will be available in 2004 to help you save on prescription drugs. Medicare will contract with private companies to offer new drug discount cards until a Medicare prescription drug benefit starts in 2006. A discount card with Medicare's seal of approval can help you save 10–25% on prescription drugs.

You can enroll beginning as early as May 2004 and continuing through December 31, 2005. Enrolling is your choice. Medicare will send you information soon with details about how to enroll.

People in the greatest need will have the greatest help available to them. If your income is no more than \$12,569 for a single person, or no more than \$16,862 for a married couple, you might qualify for a \$600 credit on your discount card to help pay for your prescription drugs. These income limits change every year. Different rules may apply if you live in Puerto Rico or a U.S. territory. (You can't qualify for the \$600 if you already have drug coverage from Medicaid, TRICARE for Life or an employer group health plan.)

Also new in 2004, Medicare Advantage is the new name for Medicare + Choice plans. Medicare Advantage rules and payments are improved to give you more health plan choices and better benefits. Plan choices might have improved already in your area. To find out more, call 1-800-MEDICARE (1-800-633-4227).

NEW AND IMPROVED PREVENTIVE BENEFITS START IN 2005

New Preventive Benefits will be covered, including:

- A one-time initial wellness physical exam within 6 months of the day you first enroll in Medicare Part B.
- Screening blood tests for early detection of cardiovascular (heart) diseases.
- Diabetes screening tests for people with Medicare at risk of getting diabetes.

These benefits add to the preventive services that Medicare already covers, such as cancer screenings, bone mass measurements and vaccinations.



PRESCRIPTION DRUG PLANS START IN 2006

Prescription Drug Benefits will be added to Medicare in 2006. All people with Medicare will be able to enroll in plans that cover prescription drugs. Plans might vary, but in general, this is how they will work:

- You will choose a prescription drug plan and pay a premium of about \$35 a month.
- You will pay the first \$250 (called a “deductible”).
- Medicare then will pay 75% of costs between \$250 and \$2,250 in drug spending. You will pay only 25% of these costs.
- You will pay 100% of the drug costs above \$2,250 until you reach \$3,600 in out-of-pocket spending.
- Medicare will pay about 95% of the costs after you have spent \$3,600.



Some prescription drug plans may have additional options to help you pay the out-of-pocket costs.

Extra Help Will be Available for people with low incomes and limited assets. Most significantly, people with Medicare in the greatest need, who have incomes below a certain limit won't have to pay the premiums or deductible for prescription drugs. The income limits will be set in 2005. If you qualify, you will only pay a small co-payment for each prescription you need.

Other people with low incomes and limited assets will get help paying the premiums and deductible. The amount they pay for each prescription will be limited.

Medicare Advantage plan choices will be expanded to include regional preferred provider organization plans (PPOs). Regional PPOs will help more people with Medicare have multiple choices for Medicare health coverage, no matter where they live. PPOs can help you save money by choosing from doctors and providers on a plan's “preferred” list, but usually don't require you to get a referral. PPOs are among the most common and popular plans right now for working Americans.

All of these options are voluntary. You can choose to remain in the traditional Medicare plan you have today.

QUESTIONS ABOUT MEDICARE?

For the latest information about Medicare, visit www.medicare.gov or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

To get a copy of this information in Spanish, call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. Para una copia en español, llame gratis al 1-800-MEDICARE (1-800-633-4227). Los usuarios de TTY deben llamar al 1-877-486-2048.

TO: Local District Commissioners, Medicaid Directors

FROM: Betty Rice, Director
Division of Consumer and Local District Relations

SUBJECT: Discount Drug Card and the State Outreach Toolkit for Medicare

EFFECTIVE DATE: Immediately

CONTACT PERSON: Bureau of Local District Support:
Upstate - 518-474-8216
NYC - 212-268-6855

This is to remind local social services districts of the first stage of implementation of the Medicare Modernization Act (MMA) which provides new prescription benefits to Medicare enrollees. Enrollees may sign up in May with access to benefits beginning June 1, 2004 and extending through December 31, 2005 (and could carry into 2006 until enrolled in Part D). Although enrollees will not sign up for this benefit at the local social services district offices but through Medicare, we want to familiarize you with the program.

Some highlights of the MMA program are described below:

1. To join the discount drug card program, beneficiaries will complete an enrollment form and submit it to a discount drug card sponsor. Card sponsors can charge up to \$30 per year for enrollment. For eligible beneficiaries with incomes below 135% of the Federal Poverty Level (FPL), Medicare will pay the annual enrollment fee. The discount card can help beneficiaries save an estimated 10 - 15% on their total drug spending with discounts of up to 25% or more on individual prescription drugs.
2. Medicaid recipients are not eligible to apply for the new drug card. However, if a person possesses a drug card and then attains Medicaid eligibility, they may retain the card and should continue to use the benefit to offset Medicaid costs. No changes to the third party subsystem are planned. The pharmacy does not submit a Medicare claim, but rather the drug is offered at a discounted price. When billing Medicaid, the pharmacist will be instructed to complete the "amount charged" field with the Medicare discounted drug price. The pharmacist can then bill Medicaid for any balance up to the Medicaid rate for that drug.
3. Individuals with income under 135% of the FPL will be eligible for transitional assistance. For these individuals, up to \$600 in credit per year will be provided in conjunction with the discount card to help purchase prescription drugs. These enrollees with incomes <135% FPL would be required to pay 10% coinsurance on each prescription; or 5% in cases of those <100% of FPL. Medicare will pay the enrollment fees for those who qualify for the \$600 subsidy. Pharmacists will be instructed

to use any available credit prior to billing Medicaid for the balance. For these individuals, the pharmacy should only bill Medicaid the required 5% to 10% coinsurance until the \$600 subsidy has been exhausted.

4. The \$600 transitional assistance included in the Medicare prescription drug card program will not count toward meeting a spenddown for Medicaid eligibility. The \$600 credit consists entirely of federal funds, which, by law, cannot be counted toward a spenddown. Actual out-of-pocket expenses paid by the individual can be used to meet the spenddown.

The Elderly Pharmaceutical Insurance Coverage (EPIC) Program recently sent a letter to low income EPIC enrollees, informing them that they will be automatically enrolled in the Medicare-approved discount drug card being offered by First Health Services, which is endorsed by EPIC. By using this card, enrollees will have their annual EPIC enrollment fee waived. Also, in most cases the EPIC co-payments will be lower when they purchase prescriptions using the \$600 Medicare credit offered to low income individuals. Spenddown recipients in EPIC who meet their spenddown through EPIC payments may want to decline enrollment in the EPIC Medicare Discount Drug Card. If they decide that they do not want to join the EPIC/Medicare discount drug card, they should notify EPIC in writing, as soon as possible. Joining any other Medicare discount drug card may also affect their spenddown.

Additional information regarding the Discount Drug Card Program is available at <http://www.cms.hhs.gov/partnerships/tools/materials/MMA/default.asp>. This website introduces the reader to the State Outreach Toolkit for Medicare which provides information on the drug discount card and Transitional Assistance Program, approval of drug card sponsors, overview of the new benefits in Medicare, and related materials.

Local district staff should refer inquiries regarding the drug card to 1-800-MEDICARE (633-4227).

TO: Local District Commissioners, Medicaid Directors

FROM: Betty Rice, Director
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SUBJECT: Clarification on the Medicare-Approved Drug Discount Card

EFFECTIVE DATE: Immediately

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In GIS 04 MA/012, districts were informed of the Medicaid implications of the Medicare -Approved Drug Discount Card. We have received new information from the Centers for Medicare and Medicaid Services which changes some of the information that we previously provided in that GIS regarding the spenddown program.

The revised policy is as follows:

Any portion of the \$600 transitional assistance credit that is used by the individual to pay for prescription drugs must be treated as a paid medical expense and applied to meet the individual's spenddown. Any discount received must be treated as a paid medical expense for spenddown purposes. For purposes of establishing the amount of the medical expense, the "pre-discount price" of a prescription is applied to meet the individual's spenddown. The "pre-discount" price is what the individual would have had to pay if he or she were not enrolled in the Medicare-Approved Drug Discount Card Program. In order to determine the amount of the discount and/or credit that should be applied toward the spenddown, a receipt from the pharmacy that shows the "pre-discount" price of the drug should be requested, or call the pharmacy and ask for the "pre-discount" price. If this information is not readily available, receipts for prescriptions which the individual purchased before enrolling for a Medicare-Approved Drug Discount Card may be used to establish the pre-discount price of the prescription. If the actual pre-discount price of a prescription drug cannot be determined, you may use the "imputed" value of the drug based on a national average of \$48.17. However, if the individual can provide evidence that he/she paid more than the \$48.17, that amount will be treated as the paid medical expense.

Medicare beneficiaries may be charged an enrollment fee of up to \$30 per year for the Medicare Approved Drug Discount Card. The annual fee paid by the individual must also be treated as a paid medical expense for spenddown purposes. Under certain circumstances the individual's enrollment fee may be paid by the federal government rather than the individual. In this situation, the fee is not a deductible medical expense for the individual.

The transitional assistance credit, discount and enrollment fees are treated as paid medical expenses and thus are deducted from income in the accounting period in which they are paid. See Administrative Directive 96 ADM-15 for information regarding accounting periods and the use of medical expenses. Further, the treatment of the transitional assistance credits, discounts, and enrollment fees as incurred medical expenses also applies when determining the amount of an institutionalized individual's contribution to his/her cost of care.

For Medicaid third party liability purposes, no portion of the \$600 credit that is used to pay for prescription drugs should be treated as an available resource. This means that the individual does NOT have to use the credit before Medicaid will pay for the drugs.

If the local district becomes aware of any individuals whose Medicaid eligibility was adversely affected since June 1, 2004 because this information was not available, such cases should be reviewed and any corrections made.

Today's Objectives

- Details on Discount Prescription Drug Card program
- Transitional Assistance Credit and Spenddown
- Overview of current details of Medicare Part D coverage

Provisions of the New Law

- Prescription Drug Discount Card
- Transitional Assistance Program
- Part D Prescription Drug Benefit

The Drug Discount Card

- Voluntary program for Medicare enrollees.
- Discount Card, not insurance coverage.
- Effective 6/04 and will continue through 12/05 (and could carry into 2006-until enrolled in Part D).

For More Information:

Medicare.gov

- Information can also be obtained by calling

**1-800-MEDICARE
(1-800-633-4227)**

**Enrollment for the
Drug Discount Card**

- Medicaid recipients are not eligible to apply for this program.
- Exception – applicants eligible for Medicaid after obtaining a prescription drug discount card may continue to use it to offset Medicaid costs.

For More Information:

Medicare.gov

- Information can also be obtained by calling

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(1-800-633-4227)**

WGIUPD GENERAL INFORMATION SYSTEM 6/17/04
DIVISION: Office of Medicaid Management PAGE
GIS 04 MA/012

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WGIUPD GENERAL INFORMATION SYSTEM 9/8/04
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GIS 04 MA/022

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The revised policy is as follows:

Spenddown and Transitional Assistance (TA) Credit

- **TA Credit of \$600 given to persons with incomes under 135% FPL which will affect Spenddown.**
- **This credit added for 2004 and again in 2005. Unused 2004 credit will carry over to 2005.**
- **Credit follows person, not the sponsored drug discount card.**

Spenddown and Transitional Assistance (TA) Credit

- TA credit (\$600) is to be considered a paid medical expense, however, the annual enrollment fee (of up to \$30) will be paid by Medicare for TA recipients and is not to be considered a paid medical expense.

Items to be Considered Paid Medical Expenses for Spenddown

- The enrollment fee (up to \$30 per year) paid out of pocket by beneficiaries with incomes above 135% FPL.
- The actual sales price of a drug prior to the discounted drug pricing.

Items to be Considered Paid Medical Expenses for Spenddown

- Example, an individual has an Rx for drug normally costing \$150 but receives it at a discount cost of \$120. The \$150 would be considered the paid medical expense.

Acceptable Documentation

- A pharmacy receipt showing the “pre-discount” price of the drug. If no receipt is available, call the pharmacy and ask for the pre-discount price.
- Receipts for prescriptions that the individual purchased before enrolling may be used.
- The “imputed” value of the drug based on a national average of \$48.17.

Transitional Assistance (TA) Credit

- Medicare will add a \$600 credit to the Drug Discount Card for 2004 and again in 2005.
- Medicare also requires a:
 - ✓5% coinsurance for persons with income at or below 100% FPL.
 - ✓10% coinsurance for persons with income 100% to 135% FPL.

Transitional Assistance (TA) Credit

- Pharmacies will bill Medicaid for the required 5% or 10% coinsurance until the \$600 credit is exhausted.

EPIC/Medicare Drug Discount Card

- By using this card, enrollees will have their annual EPIC enrollment fee waived.
- In addition to fee savings, in most cases EPIC members will pay lower co-payments when using the \$600 credit with their EPIC coverage.

EPIC/Medicare Drug Discount Card

- If EPIC enrollee decides they do not want to join the EPIC Medicare Discount Drug Card, they should notify EPIC in writing.
- Spenddown recipients in EPIC who meet their Spenddown through the EPIC payments may want to decline enrollment in the Drug Discount Card.

For More Information:

- Medicare Hotline:
1-800-MEDICARE
(633-4227)
- EPIC Hotline:
1-800-332-3742

Other Issues

- CMS Fact Sheet:
 - ✓ What's new in 2003
 - ✓ Drug Discount Cards start in 2004
 - ✓ New and Improved Preventive Benefits to start in 2005
 - ✓ Prescription Drug Plan scheduled start in 2006

Other Issues

- Medicare's decision to mail Discount Drug Cards to low income seniors
- QI Program

Medicare Part D Drug Benefit

- Coverage begins 1/1/06.
- Voluntary enrollment (enrollment begins 11/15/05 and continues for six months).

Medicare Part D Drug Benefit

- Those not enrolling initially, or not maintaining continuous coverage, will pay a higher premium.
- Significant subsidies to employers to maintain retiree pharmacy coverage.
- Limited formulary (to be defined).

Medicare Part D Beneficiary Costs: the Standard Benefit

- Monthly Premium: estimated at \$35/month (\$420/year).
- Deductible: \$250/year
- Co-Payment: 25% of the next \$2,000
- “Donut Hole”: Beneficiary pays 100% of next \$2,850.

Medicare Part D Beneficiary Costs: the Standard Benefit

- Above \$5,100: beneficiary pays 5% and the benefit is 95% (the “Catastrophic benefit”).

Prescription Drug Plans (PDPs)

- The Part D benefit will be administered by:
 - ✓ Prescription Drug Plans (PDPs)
 - ✓ Medicare Advantage Prescription Drug Plans (MA-PDs)
 - ✓ Federal fall-back plans

Prescription Drug Plans (PDPs)

- HHS is prohibited from controlling or negotiating prices for PDPs and MA-PDs.
- Drug formulary to be defined, does not include all drugs in all categories.
- At least two drugs in each therapeutic category (to be defined).

Special Provisions for Dual Eligibles

- No premiums
- No deductibles
- No "Donut Hole"

Special Provisions for Dual Eligibles

- Lower co-pays than the standard benefit
 - ✓ Below 100% FPL: \$3 (brands) and \$ 1(generics).
 - ✓ Above 100% FPL to 135% FPL: \$5 (brands) and \$2 (generics).
 - ✓ \$0 co-pay when drug costs reach Catastrophic Coverage .

Part D Low-Income Subsidies for Persons not on Medicaid

- Individuals with incomes below 135% FPL (\$12,569 single, \$16,862 married):
 - ✓ Asset Test: \$6,000 (individual) and \$9,000 (couple)
 - ✓ Premium/ deductible: None

Part D Low-Income Subsidies for Persons not on Medicaid

- Individuals with incomes below 135% FPL (\$12,569 single, \$16,862 married):
 - ✓ Co-Payment: \$5 (brand) and \$2 (generic) before Catastrophic Coverage
 - ✓ No Donut Hole.

**Part D Low-Income Subsidies
for Persons not on Medicaid**

- Individuals up to 150% FPL (\$13,966)
 - ✓ Asset Test: \$10,000 (individual) and \$20,000 (couple)
 - ✓ Premium: \$0 to \$420 (depending on income)

**Part D Low-Income Subsidies
for Persons not on Medicaid**

- Individuals up to 150% FPL (\$13,966)
 - ✓ Deductible: \$50
 - ✓ Co-Payment: 15% until Catastrophic with \$5 (brands) and \$2 (generics).
 - ✓ No Donut Hole.

**Implications of Part D
for Medicaid**

- Medicaid duals may be auto enrolled by CMS, but recipients can opt-out.
- Federal participation in MA pharmacy coverage ends for fully eligible enrollees. Federal coverage for outpatient drugs is entirely through Part D or MA-PD (except states will continue to pay coinsurance for Part B Drugs).

**Implication of Part D
for Medicaid**

- No FMAP for Medicaid “wrap-around” on Medicare coverage or co-payment subsidies.

**Implications of Part D
for Medicaid**

- “Clawback” provision to repay costs previous born by State; effects potential savings from takeover.

The “Clawback”

- Clawback recovers most of what would have been state savings from Medicare coverage of prescription drugs.
- Formula for calculating clawback will determine whether states have savings.

“Clawback” Calculation

- States to pay Medicare the costs which would have been incurred had Medicaid continued coverage of outpatient prescription drugs for dual eligibles.

Issues to be Addressed

- Determine extent of non-FFP coverage to be provided (wraparound)
- Establish data exchange and payment processes
- System modifications
- Defining NYS approach for nursing home duals

Part D: Implications for NYS and Local Districts

- States are lobbying to assure SSA has responsibility for eligibility determinations.
- Potential fiscal impact of clawback provisions.

Next Steps:

- State monitoring ongoing guidance and interpretation of MMA
- State participation in technical workgroups, policy discussions, forums
- Federal regulations due shortly, which will provide additional guidance
- CMS responsive to many State issues and concerns

Evaluations:

Intranet
<http://sdssnet5/ohrd>
Internet
<http://www.dfa.state.ny.us/ohrd>
