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SAVINGS FOR STATES – AND MORE HELP FOR THE BENEFICIARIES THEY ASSIST

By 2006, the Medicare Modernization Act (MMA) will provide America's seniors and disabled with a substantial new drug benefit. This access to prescription drugs will improve the health of millions of Americans, and reduce the impact on states' health care safety net providers. In fact, taken together, states are estimated to save about $8 billion in the first five years of the program's implementation (2006-2010).

- States currently pay for prescription drugs for full-benefit dual eligibles (Medicare beneficiaries who are eligible for a state's full range of Medicaid benefits). Starting in 2006, full-benefit dual eligibles will receive Medicare prescription drug coverage through the federal Medicare program rather than their state Medicaid programs. Recognizing that states no longer will have this obligation, they will be required to make payments to the federal government to defray a portion of the Medicare drug expenditures for full-benefit dual eligibles. Taken together, however, these two changes mean that states will realize significant net savings from this change.

- The new Medicare law and proposed rule provide subsidies to employers that furnish qualified retiree drug coverage to Medicare beneficiaries as an incentive for them to retain drug coverage for retirees. As an employer, states will qualify for these subsidies for providing coverage to their retirees.

- The new Medicare law and the proposed rule also allow states the flexibility to "wrap around" Medicare's drug benefit. As a result, State Pharmaceutical Assistance Programs (SPAPs) will be able to provide the same or better coverage for the beneficiaries who receive coverage through state programs now, at a lower state cost per beneficiary, because of the availability of the Medicare drug benefit.

- The MMA provides grants to states to educate their enrollees, who typically have lower incomes, about the new benefit. States with qualifying State Pharmaceutical Assistance Programs can use these funds to establish telephone support and counseling for those eligible for the new benefit to help them select and enroll in a drug plan.

- While the statute permits applications for low-income assistance to be accepted and processed at either Medicaid offices or Social Security Administration (SSA) offices, CMS has been working closely with SSA to implement a consistent and timely system that is coordinated between the states and SSA. SSA is developing a simplified, scanable, application that can be filed, in person, via the phone or the Internet. State personnel may use the SSA application when assisting beneficiaries with enrollment and forward such applications to SSA. SSA will accept applications from states and process such applications and be responsible for associated re-determinations and appeals. Having SSA process these applications, as well as re-determinations and appeals, will greatly reduce the administrative burden on states.

- The proposed rule indicates that states that currently operate 1115 Pharmacy Plus waivers may restructure their Pharmacy Plus programs by implementing a state-only SPAP design to wrap around the Medicare prescription drug benefit. CMS believes that by structuring their programs in such a manner states would realize savings relative to their current Pharmacy Plus spending levels, and that program participants would face lower out-of-pocket costs due to the generous Medicare prescription drug benefit's catastrophic coverage. In addition, if states with Pharmacy Plus restructure their programs into SPAPs, any expenditure paid by the state on behalf of the beneficiary would count toward the beneficiaries' out-of-pocket costs.

Comments on the proposed regulations will be accepted until October 4, 2004. Comments should be submitted to the Centers for Medicare & Medicaid Services at www.cms.hhs.gov/regulations/ecommentsT