



Medicare: Issue of the Day

January 23, 2004

BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

The MMA's Impact on Low-Income Individuals and the States:

- ✧ The MMA will entitle all seniors – including the poorest seniors, who are dually eligible for both Medicare and Medicaid – to generous prescription drug coverage. The Medicare benefit will not result in a loss of coverage for dual eligibles. Instead, it will **guarantee that the neediest beneficiaries receive comprehensive prescription drug coverage at little or no cost** – coverage that cannot be reduced or limited by state legislatures.
- ✧ According to a recent Office of the Inspector General report, states have identified prescription drugs as the top Medicaid cost driver (FY 2002, Medicaid prescription drug expenditures totaled approximately \$29 billion or 12% of the Medicaid budget). From 1997 to 2001, Medicaid expenditures for prescription drugs grew at more than twice the rate of total Medicaid spending. These pressures on state budgets could have led to coverage restrictions.
- ✧ Eighteen states currently contain Medicaid drug costs by limiting the number of prescriptions filled in a specified time period, limiting the maximum daily dosage or limiting the frequency of dispensing a drug. Six states have pharmacy lock-in programs, which require beneficiaries to fill their prescriptions in one designated pharmacy. Some states also limit the number of refills. In contrast, **this will not be permitted under the new Part D benefit.**
- ✧ Medicare drug plans have the option to use formularies, but they are not required to do so. If a plan uses a formulary, it must include “drugs” in each therapeutic category and class. A formulary cannot limit a category or class to just one drug. **Plans will have an incentive to offer multiple drugs in a therapeutic class** in order to attract Medicare beneficiaries to join their plans.
- ✧ The **beneficiary protections in the Medicare drug benefit are more comprehensive than those now required of state Medicaid programs.** For example, there are extensive information requirements in Part D so beneficiaries will know what drugs the plan covers before they enroll in the plan. The plans must set up a process to respond to beneficiary questions on a timely basis. Beneficiaries can also appeal to obtain coverage for a covered drug that is not on their plan’s formulary if the prescribing physician determines that the formulary drug is not as effective for the individual or has adverse effects.

- ✧ The MMA allows state Medicaid programs to continue to provide the so-called excluded drugs, such as certain psychotropic drugs, weight loss and gain drugs, and over-the-counter drugs, and to still be paid the regular matching amount by the Federal government.
- ✧ The new Medicare drug benefit will replace significant state spending for duals and state-only programs. States, in turn, could use their saved state dollars to wrap-around Medicare eligibles cost sharing requirements and provide supplemental drug coverage if they chose to do so.