



Medicare: Issue of the Day

January 28, 2004

BETTER BENEFITS – MORE CHOICES

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

The New Prescription Drug Benefit: Low Income Benefit and Subsidies:

- ✧ The new Medicare comprehensive prescription drug benefit provides **more choices and greater protections** to low-income seniors and persons with disabilities who are covered by Medicare. For the first time, low-income seniors can live in any state and be guaranteed a prescription drug benefit.
- ✧ **Benefit Description:** Beginning in 2006, the new Medicare drug benefit will provide drug coverage to low-income individuals eligible for Medicare, thereby reducing their health care costs.
- ✧ “Dual eligibles” -- those individuals qualifying for both Medicare and Medicaid -- will now receive their drug coverage through Medicare.
 - ⊕ State Medicaid programs will no longer provide coverage for prescription drugs for dual eligible individuals except for certain drugs that Medicare will not cover.
 - ⊕ Dual eligible individuals will automatically qualify for low-income subsidies of Part D premiums and cost sharing.
 - ⊕ The beneficiary protections in the Medicare drug benefit are more comprehensive than those now required of state Medicaid programs.
- ✧ **Low-Income Subsidy Program:** This program provides premium and cost-sharing subsidies for three groups of Medicare beneficiaries.
- ✧ The low-income subsidy groups are:
 - ⊕ Group 1: Full dual-eligibles with incomes below 100 percent FPL.
 - ⊕ Group 2: Full dual eligibles with incomes at or above 100 percent FPL, as well as non-dual eligible Medicare beneficiaries with incomes less than 135 percent FPL who meet three times the SSI asset test of \$6,000 for an individual and \$9,000 for a couple in 2006 (increased by the CPI-U in subsequent years).
 - ⊕ Group 3: Medicare beneficiaries with incomes less than 150% FPL who meet the resource standard of \$10,000 for an individual or \$20,000 for a couple in 2006 (increased by the CPI-U in subsequent years).
- ✧ The low-income subsidies are structured as follows:
 - ⊕ Beneficiaries in both Group 1 and 2 receive the following:
 - A full premium subsidy up to the benchmark premium amount;

- A full subsidy for the deductible;
 - Prescriptions with \$0 co-payments after the out-of-pocket limit is reached; and
 - Limits on late enrollment penalties -- twenty percent of any applicable late enrollment penalties would apply for the first five years, after which no penalty would be imposed;
 - Additionally, Group 1 will receive prescriptions with only a \$1 co-payment for each generic drug or multiple source preferred drug and a \$3 co-payment for any other drug, up to the out-of-pocket limit of \$3,600.
 - Correspondingly, Group 2 will receive prescriptions with only a \$2 co-payment for each generic drug or multiple source preferred drug and a \$5 co-payment for any other drug, up to the out-of-pocket limit of \$3,600
 - Institutionalized persons who are full-benefit dual eligibles are exempt from cost sharing, regardless of whether they are in Group 1 or Group 2. They would not be required to use their personal needs allowance to pay cost sharing.
- ⊕ Beneficiaries in Group 3 receive the following:
- A reduction of their monthly premium determined on a sliding scale based on income;
 - A reduction of the deductible to \$50;
 - Prescriptions with a 15% percent co-payment, up to the out-of-pocket limit of \$3,600; and
 - After the out-of-pocket limit is reached, prescriptions with only a \$2 co-payment for each generic drug or multiple sources preferred drug and a \$5 co-payment for any other drug.
- ⊕ Cost-sharing (other than for full benefit dual eligibles with incomes below 100% FPL), deductibles and coinsurance for these groups are indexed beginning in 2007 by the annual percentage increase in average per capita aggregate expenditures for covered Part D drugs in the U.S. for eligible beneficiaries as determined by the Secretary of HHS for a 12 month period ending in July of the previous year, using a methodology determined by the Secretary. Cost-sharing for full benefit dual eligibles with incomes below 100% FPL) would be indexed to the CPI-U.
- ⊕ The premium subsidy amount for a full subsidy eligible beneficiary (Group 1 or Group 2) is the low-income benchmark premium for a prescription drug plan (PDP) region. The low-income benchmark premium is equal to the weighted average of premiums of all prescription drug plans offered by the same PDP or a weighted average of premiums of all prescription drug plans offered by multiple PDP sponsors in a region. A low-income subsidy may not be less than the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in a region.