EXHIBIT 3
DATE Jan 17 2005

MMA – Overview

59th Legislative Session
Health and Human Services
Appropriations Subcommittee

1

Overview Outline

- Overview of provisions of the new law
- The Drug Discount Card
  - Overview of Drug Discount Card
  - General outline of impact on Medicaid
- The Part D drug benefit
  - Overview of Part D drug benefit
  - Low-Income Subsidy (Full Benefit Duals)
  - General outline of impact on Medicaid

2

Medicare Prescription Drug, Improvement, & Modernization Act (MMA) of 2003 (P.L. 108-173)

- Prescription Drug Discount Card
- Part D prescription drug benefit
- Many other changes:
  - Increased Medicare reimbursement for hospitals, physicians, rural health, & managed care.
  - Important changes for DME, lab, ambulance, and Part B premium and deductible
  - Replaced Medicare + Choice with Medicare Advantage
  - Created Health Savings Accounts

3

Drug Discount Card

- This program is
  - Voluntary – for Medicare beneficiaries
  - Temporary - Effective June 2004 to December 2005
- The program provides
  - Access to discounts 12% to 17% (Generic discounts may be larger)
  - Up to a $600 credit annually for certain enrollees who qualify based on income and other drug coverage

4

Joining a *Discount Card*

- Eligible if
  - Entitled to or enrolled in Part A and/or enrolled in Part B (Medicare Beneficiary)

  And
  - **Not** receiving Medicaid outpatient prescription drug coverage at the time of enrolling
- Enrollment fee of $30 or less
- Enrollment – CMS projected 7.4m would enroll / approx 2/3rds enrolled to date

5

Low-Income Beneficiaries - $600 "Transitional Assistance" Credit

- Eligibility for $600 Credit
  - Entitled to or enrolled in Part A and/or enrolled in Part B (Medicare Beneficiary)
  - Income below 135% FPL
    - Income of $12,569 or less if single
    - Income of $16,862 (combined) or less if married
  - No other health insurance with prescription drug coverage (except M+C or Medigap)

6

The $600 Credit

- Can use $600 credit towards most prescription drugs
  - Even those not on the discount drug list
- Beneficiary Coinsurance:
  - 5% if income below 100% FPL Federal Poverty Level
  - 10% if income below 135% FPL
- Medicare pays the annual enrollment fee

7

Applying for the $600 Credit

- For 2004
  - Receive the full $600 credit whenever you apply
- For 2005
  - The credit amount you receive depends upon when you apply
- Can reapply if your circumstances change

8

$600 Credit in 2005

If you join between	You will get
Jan. 1 - March 31, 2005	$600
April 1 - June 30, 2005	$450
July 1 - Sept. 30, 2005	$300
Oct. 1 – Dec. 31, 2005	$150

9

$600 Credit & Full Benefit Dual Eligible (Medicare/Medicaid)

- Beneficiaries are not eligible for Drug Card or $600 credit if on Medicaid (Full Benefit Dual)
  - Entitled to or enrolled in Part A and/or enrolled in Part B and Receiving Medicaid outpatient prescription drug coverage.
- Loophole! Medically Needy Clients Beneficiary may qualify if not eligible for Medicaid in the month they apply for the Discount Card.
- If Medicaid eligible and have a discount card with the $600 credit.
  - Beneficiary retains the $600.

10

Drug Card: State Impact

- The beneficiary does not have to spend the $600 credit before Medicaid will pay.
- Medicaid does not cover the coinsurance obligation 5% or 10%.
- Administrative
  - Eligibility - The credit does not impact eligibility determinations for Medicaid, Food Stamps, and other federal programs.
  - Systems - State sends monthly tape of Full Benefit Dual enrollees to CMS
  - SHIP – Outreach & Technical Assistance

11

Medicare Part D Benefit

- Coverage will be effective: January 1, 2006
- Eligibility for Part D
  - Must be entitled to or enrolled in Part A and/or enrolled in Part B (Have Medicare Card)
- Enrollment in Part D
  - Voluntary
  - Medicare beneficiaries who opt for Part D must choose a Prescription drug Plan (PDP)

12

Medicare Part D Benefit

- Initial enrollment period: Nov 15, 2005 for 6 mos.
- Annual enrollment periods: Nov. 15 to Dec 31
- Premiums: Est. $35/month in 2006 (Those who don't enroll initially, or who don't maintain continuous coverage, will pay higher premiums.)

13

Medicare Part D Benefit

- Benefit will be administered by primarily risk-bearing private plans:
  - Prescription Drug Plans (PDP)
  - Medicare Advantage Prescription Drug plans (MA-PDs)
  - Federal fall-back plans (A fall-back is a non-risk bearing plan that will be available if other plans are not offered in an area)
- Beneficiaries will be able to choose from at least 2 plans, if available, or the fall-back.

14

Medicare Part D Benefit

- More Details.....Hard to understand them all!
  - Coverage benefit
  - Formularies – Guidance issued 12/3/04
  - "Doughnut Hole"
  - TrOOP – True Out Of Pocket costs
- Big task for CMS.
  - Right now the focus is setting up the PDPs and MA-PDs.
  - Outreach and training.
- Low-Income Subsidy

15

MMA & Low-Income Subsidy

- Eligibility - Clients are eligible for Part D Low-Income Subsidy if:
  - Must be a full benefit dual eligible; or a Medicare beneficiary with income below 150% FPL who meets an asset test.
  - Basically Medicaid clients with Medicare coverage are "deemed" to be eligible for Part D:
    - Medicare/Medicaid Full Benefit Dual eligible
    - QMB, SLMB, QI-1, QI-2
- Enrollment
  - Clients that are eligible for Part D must still enroll with a plan.

16

Part D Low-Income Subsidies:

- Income < 135% FPL
  - Full premium assistance
  - No deductible
  - Co-payments
    - No cost sharing if institutionalized (Nursing Facility)
    - If Income <= 100% FPL then $1 or $3
    - If Income > 100% FPL then $2 or $5

17

Part D Low-Income Subsidies:

- Income < 150% FPL
  - Sliding scale premium assistance
  - $50 deductible
  - 15% coinsurance up to out of pocket limit
  - $2 or $5 co-payments after catastrophic

18

Medicare Part D Drug Benefit and Medicaid

- Full Benefit Dual Eligibles
  - Medicare is the primary payer for covered Part D drugs.
  - Medicaid coverage is not available for:
    - Covered Part D drugs or;
    - Any cost sharing for covered drugs.
- State Medicaid programs may provide coverage and receive FFP for non-covered Part D drugs.

19

Impact - Clients

- The State will auto enroll clients in Part D
- Clients must pick a plan (PDP or MA-PD)
- As of 1/1/06 the Medicaid program will no longer be the primary payer for prescription drugs. (CMS will not provide MEDICAID MATCH for drugs Montana provides to full benefit duals. Other than "excludable drugs" under Part D.)
- Possible that full benefit dual eligibles will lose drug coverage if they do not enroll in Part D and pick a plan.
- More? .... Depends on the details by CMS!

20

Impact – State & DPHHS

- No FMAP available for Medicaid payment of any Medicare covered Part D drug or coinsurance.
- State continues to pay deductibles and coinsurance for Part B drugs
- State continues to pay the Part B buy-in
- Administrative Impacts – Eligibility, Systems, Medicaid Policy & other Rx services (MHSP).
- Phased-down state contribution (Clawback)

21

Phased-down state contribution (Clawback)

- Federal Assumption of Medicaid Drug Costs
- States are responsible for making monthly payments to Medicare for a portion of the drug expenditures for full benefit dual eligible clients. (Clawback)
- The clawback will be based on a State's own per capita spending for full benefit dual eligible clients.
- Monthly payments begin in 2006.

22

More .... To Come! Depends on the details by CMS!

Jeff Buska, Senior Medicaid Policy Coordinator
Department of Public Health & Human Services

e-mail: jbuska@mt.gov
phone: (406) 444-4145
fax: (406) 444-1970
PO Box 4210
Helena, MT 59604-4210

23