

## MMA - MAJOR POINTS

### Clawback:

- No invoices yet from CMS for January through March
- CMS is still developing the process for states to submit their payments
- Latest figures from CMS indicate the per member per month amount is \$68.07
- Previous PMPM was \$75.35
- PMPM amount went down because of a decrease in national health expenditures index
- Projected annual payment for FY2006 is \$5.2 M based on the new PMPM amount
- Projected annual payment for FY2007 is \$10.4M
- Number of full benefit duals went down by about 2,000 individuals reducing our payment

### Full Benefit Related:

- Staff have been working with full benefit duals who were/are experiencing problems with getting prescriptions on a case by case basis.
- Staff continue working the CMS and the Prescription Drug Plans (PDPs) to rectify the problems first and often are successful in assisting the clients in obtaining their medications.
- Department has authorized payment of prescriptions for full benefit duals in dire situations to ensure no harm comes to the client.
- Implemented a policy 1/13/06 to pay for erroneous deductibles and high co-payments for full benefit duals.
- Over 16 department staff have assisted about 770 clients, committing over 925 hours from January through February.
- Most frequent issues during the early part of implementation were regarding erroneous deductibles and high co-payments, resulting in individuals having to borrow funds from family or friends to pay for prescriptions or going without.
- Lately, the calls relate to transition supply of medication and clinical issues regarding coverage.

### General Population:

- Department implemented two major outreach initiatives through Senior and Long Term Care and the State Health Insurance Assistance Program (SHIP) to inform all Montana Medicare beneficiaries about the new drug benefit, Low Income Subsidy, or Extra Help from Social Security Administration, Big Sky Rx and the Medicare Savings Programs.
- SHIP representatives and volunteers are conducting hundreds of community forums, meetings, senior center visits and other outreach activities across the state.
- Individuals who had no previous coverage prior to implementation and not eligible for Extra Help are spending less money on their prescription drugs.
- People choosing plans with no deductible and plans that cover the doughnut hole/gap tend to be the most satisfied.
- People getting prescription drugs through a Patient Assistance Program available through a drug manufacturer lost that program coverage.
- Some pharmacies in the state are having problems getting reimbursed from the plans.
- Pharmacists across the state have really stepped up to help Montana's senior citizens; committing countless extra hours in helping them with problems they are experiencing with the plans and advancing prescriptions without payment.
- SHIP staff and volunteers and the department MMA coordinator participated in bus tour

DEPARTMENT OF  
PUBLIC HEALTH AND HUMAN SERVICES



BRIAN SCHWEITZER  
GOVERNOR

JOAN MILES  
DIRECTOR

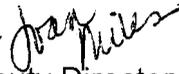
STATE OF MONTANA

[www.dphhs.mt.gov](http://www.dphhs.mt.gov)

PO Box 4210  
HELENA, MT 59604-4210

March 24, 2006

To: Children, Families, Health and Human Services Interim Committee Members

From: Joan Miles, Director   
John Chappuis, Deputy Director

RE: MMA Update regarding Part D Implementation January 1, 2006

Thank you for this opportunity to provide an update on the implementation of the Medicare Part D drug benefit for Medicare beneficiaries. As you know the Department has been working with the Centers for Medicare and Medicaid Services (CMS) for over two years planning and providing outreach for Medicare beneficiaries regarding this new prescription drug benefit, Medicare Part D.

The new prescription drug benefit was implemented on January 1, 2006. CMS and the States did have some unexpected problems that are being dealt with by the Department, various providers, associations, advocates and of course the beneficiaries. For your information we have attached two progress reports prepared by Mike Leavitt, Secretary of Health and Human Services.

DPHHS has had many calls from concerned consumers, and a number of DPHHS employees are trying to address the issues with clients and pharmacies. This memorandum is intended to address some of the implementation issues that the Department has been dealing with since January 1, 2006 and what we are doing to coordinate efforts with CMS.

We would like to take this opportunity to recognize the efforts of all the Montana Pharmacies and healthcare providers that are navigating this new prescription drug benefit by providing needed medications for Medicare beneficiaries, especially the full benefit dual clients that had their prescription drug benefit switched from Medicaid to Part D. In addition, we would like to recognize the incredible job of DPHHS employees who addressed the issues related to this implementation. CMS is working hard with all states to provide guidance and working with the Prescription Drug Plans to get things corrected. DPHHS employees are trying to help facilitate this effort and often work issues on a case-by-case basis so people can get their medications.

### DPHHS Policy – MMA Issues regarding Full Benefit Duals

DPHHS is working on a case by case basis to address prescription drug issues for full benefit duals who cannot obtain their prescription drugs from the Prescription Drug Plan (PDP). DPHHS employees try to work with CMS and the PDP plans to rectify the situation first and often we are successful in assisting the client so that they can obtain their medications. However, in some situations the Department has authorized payment of the prescription, in dire or life / death situations to make sure no harm has come to the client, especially the full benefit dual eligible client. In addition, DPHHS implemented a policy on January 13, 2006 to pay for erroneous deductibles and high co-payments with Medicare Part D. A copy of this notice is attached for your reference.

Montana Medicaid will continue to authorize payment for denied prescriptions drugs that are the responsibility of Medicare Part D until April 1, 2006. We have seen a significant decline in the number of problems and will reevaluate this deadline if further problems surface.

It is our understanding that over 25 States implemented policies to pay for prescription drug costs for full benefit dual eligible clients and other beneficiaries for the low-income subsidy under Part D. CMS has recognized this effort and on February 2, 2006 they announced a Medicare waiver available to States to be reimbursed for costs associated with this implementation effort for Part D. DPHHS submitted a waiver application by the February 15, 2006 deadline to preserve our ability to recover any benefit and administrative costs incurred by the State. DPHHS is working on accumulating this information and will provide it as soon as possible to the committee.

The following information is intended to provide a summary of the implementation activities and address specific issues communicated by Chairman John Cobb and Lois Steinbeck.

1. About how many persons has DPHHS assisted with Medicare Part D problems?  
This is difficult to assess the exact number of unduplicated clients we have assisted. DPHHS does not have a data tracking system for all calls and issues related to the Medicare Part D implementation effort. However based upon a survey of staff we estimate we have assisted over 770 clients.
2. What kinds of problems did the persons have and what were the most frequent issues? Attached is a summary of the issues that the Department has been working on over the past couple of months. The most frequent issues early in the implementation were regarding erroneous deductibles and high co-payments. This impacted people who have "Extra Help" or the Low Income Subsidy and includes people who are eligible for both Medicaid and Medicare--the dual eligible individuals. Data transfer glitches prevented subsidy information from moving from CMS to the drug plans and when subsidy eligible people went to the pharmacy to get their drugs, they found they were being charged high deductibles and co-payments they could not afford to pay. Some people borrowed money from friends or relatives, some were given credit by their pharmacies, and some people left pharmacies without their drugs. Now, in the eighth week of the implementation of Medicare Part D, most of these data problems have been resolved. Most people get the drugs they

need at the correct co-payment levels. In addition, we received numerous calls requesting identification of the specific drug plan in which a client was auto-enrolled. These calls were from clients and pharmacies that were also looking for other billing information. Some beneficiaries have problems getting certain prescribed medications approved by the drug plans, but pharmacists and health care providers are working with plans to resolve these issues. Lately the calls relate to the transition supply of medications and clinical issues regarding coverage under Part D. Other problems deal with coverage issues between Medicare Part B and Part D services.

3. About how many staff and how many staff hours were spent assisting persons? Based upon a staff survey, we estimate that over 925 hours were spent in January on various MMA issues regarding implementation of this part D benefit. This includes approximately 16 DPHHS staff in various divisions, with most of the assistance coming from the Medicaid Pharmacy program staff in HRD, SHIP staff in SLTC, and the Office of Planning Coordination and Analysis.
4. What is the approximate cost to the state of Part D assistance – both administrative and benefits, with benefits being the cost of prescription drugs paid by DPHHS that should have been paid by Part D? As mentioned earlier the Department is working on accumulating this information and will provide it as soon as possible to the committee. Based upon communications with our fiscal unit we will not have reliable MMA administrative costs for January until the entire payroll has posted, cost allocation has been calculated, and any direct costs have been posted. Usually this information is not readily available until a month or so after month end. Regarding benefit costs, the department is conducting an analysis of all drug claims paid by the department for the month of January to determine the amount and frequency of claims paid for covered Part D drugs. The Medicaid program is still covering the excluded Part D drugs for full benefit duals and we will exclude those costs from this analysis. In addition, we are finding related issues regarding prescriptions that Part D plans are denying as excluded that are in fact covered Part D drugs.
5. Has the first clawback been paid? If so, what was the amount and when was it paid? The Department has not paid any clawback payments. CMS has not submitted an invoice to the Department for this payment. We were expecting an invoice in January 2006 and still have not received one in February. However, on February 9, 2006 CMS sent a letter to Governor Schweitzer indicating the clawback amount per full benefit dual has decreased from \$75.35 to \$68.07, based upon newer estimates for the National Health Expenditures (NHE). This change is obviously a benefit to the State of Montana and based upon the estimate expressed in the CMS letter will amount to approximately a \$1.8 million dollar savings to the State in CY 2006.
6. What is the approximate cost savings in prescription drugs during the first month of Part D experience? Based upon previous analysis of Medicaid prescription drug costs DPHHS expected a reduction of approximately 52% in the Medicaid pharmacy benefits related to the implementation of Part D. This analysis included the transition of all drug costs from Medicaid to Medicare Part D. However, the

Medicaid program continues to cover the excluded Medicare Part D drugs, therefore we expect this saving to be less than 52%.

Based upon the 2003 base year drug cost analysis for the "Clawback", the excluded Part D drugs represent 7% of the total drug costs for full benefit duals. Utilizing the data provided by CMS for the clawback calculation the expected savings for the transition from Medicaid to Medicare Part D is approximately 49%.

According to the department enhanced expenditures reports from MMIS, the Medicaid program paid \$2.8 million dollars for prescription drugs in January 2006 (based upon claims with a date of payment in January 2006). In December 2005 the department paid \$5.7 million dollars for prescription drugs (based upon claims with a date of payment in December 2005). This represents a reduction of approximately 50% in drug payments from the month of December to January. This reduction is in the neighborhood of what was expected as a result of this transition.

Medicaid drug expenditures in State Fiscal Year 2006 (July – December) have been averaging approximately \$8.9 million dollars per month (based upon paid claims with a date of service in the applicable month). The Department projects that January date of service drug expenditures will be approximately \$4.3 million dollars, which represents approximately 48% of the average monthly drug costs based upon date of service. Again, this analysis (based upon date of service) is in the neighborhood of the expected savings per the 2003 clawback analysis.

While our Medicaid drug costs have decreased approximately 50% in January 2006, we are required to pay the clawback payment back to CMS. This projection has shown that the Department will either break even or possibly even spend more money with the transition of the dual eligibles to Part D.

7. Has CMS provided the data to match Mental Health Services Plan (MHSP) eligible persons with Medicare eligibility? The Department has repeatedly contacted CMS regarding a response to the finder file we sent regarding MHSP clients. We still have not received a response from CMS and will continue to pursue this information. In the alternative, the Department has identified every client in our Medicaid Management Information System (MMIS) that had eligibility for MHSP where we have Medicare Part A and Part B information due to prior eligibility under Medicaid. This information has been loaded in the MHSP eligibility system, TESS, so that additional follow up can be provided to these MHSP clients. The follow-up will be conducted with the Community Mental Health Centers to contact the clients and facilitate application for the low-income subsidy benefit through SSA, identification of the Part D plan they have chosen, or facilitate enrollment in a Part D plan. In addition, the Community Mental Health Centers are now required to enter Medicare information in TESS when determining eligibility for MHSP services.
8. What are the number of cases SHIP has handled? The SHIP/Aging Network continues to have appointments scheduled all day, every day, across the state, to counsel beneficiaries and family members on the Medicare Rx drug benefit. They continue to assist beneficiaries as they sort out problems like medications that are not covered under the plans' formulary, deductibles and co-payments that are

incorrect. They are also keeping a close watch on the drug plans and Medicare Advantage plans. When they see any high pressure sales tactics or "bait-and-switch" activities or unethical behavior, they are reporting to the Montana Fraud Patrol Project (AIMS), CMS, and the Auditors Office. They are going into the Long Term Care facilities and assisting clients, family members and staff. They are assisting many younger dual eligibles and mental health clients they have never worked with before, and are doing a great job and going the extra mile. In January 2006, the State SHIP director and the State Information & Assistance (I&A) Coordinator spent approximately 80% of their time on MMA implementation issues. In Montana's ten local Area Agencies on Aging (AAA) and other partnering agencies, staff/volunteers spent an average of approximately 90% of their time on MMA implementation. A rough estimate is that the Area Agencies on Aging and Aging Network Partners responded to approximately 32,000 calls across the state. The estimated number of clients we have helped is approximately 32,500 between the State Unit on Aging and AAA's.

9. What is the outlook so far? As mentioned before, we have attached a copy of two reports prepared by Mike Leavitt, Secretary of Health and Human Services; "One month Progress Report on the Medicare Prescription Drug Benefit" and "Secretary's Progress Report II on the Medicare Prescription Drug Benefit".

Generally, people who had no prescription drug coverage prior to the implementation of Medicare Part D and who are not eligible for Extra Help are spending less money on their prescription drugs. People who chose Part D plans with no deductible and coverage during the gap tend to be the most satisfied. People who were getting prescription drugs through a Patient Assistance Program available through a drug manufacturer lost that program coverage. This group generally does not qualify for Extra Help and are paying co-payments and deductibles beyond amounts they can afford.

10. State Facilities - What are the issues? State facilities affected by Medicare Part D include the Montana Mental Health Nursing Care Center, Montana State Hospital, Montana Veterans Home, Montana Developmental Center, and the Montana Chemical Dependency Center.

The Montana Mental Health Nursing Care Center in Lewistown put in place the necessary technology to bill Part D plans for prescription drugs their residents need. The facility's current contract with the local hospital will continue.

The Montana Veterans Home in Columbia Falls has in place a contract with the Veterans Administration at Fort Harrison to operate the facility pharmacy and that contract will continue.

DPHHS contracts with McKesson Medication Management to dispense prescription medications to patients and residents at the Montana State Hospital in Warm Springs, the Montana Developmental Center in Boulder, and the Montana Chemical Dependency Center in Butte. DPHHS is amending the contract to allow for changes due to Medicare Part D and will continue the present arrangement with McKesson.

### DPHHS achievements related to Part D

**MMA Workgroup:** The Department formed an internal workgroup to address the implementation of MMA and the new Medicare prescription drug benefit, or Part D. Participants of the workgroup include representatives of the following divisions that will be impacted by the Part D changes: Health Resources Division, Human and Community Services Division, Operations and Technology Division, Long Term Care Division, Addictive and Mental Disorders Division, Disability Services Division, Fiscal Services Division, Quality Assurance Division, and the Office of Planning, Coordination, and Analysis under the Director's Office. The workgroup meets weekly or biweekly as needed.

Activities and outcomes of the workgroup include:

- Identifying areas within the Department that will be affected by MMA
- Correspondence to full benefit dual eligible individuals whose Medicaid pharmacy coverage changed January 1, 2006
- Updating timeline for important projects
- Amending administrative rules and state plan amendments
- Analyzing pharmacy benefits for Medicaid coverage groups
- Discussing and solving system concerns
- Drafting Department policies that address MMA impacts
- Clarifying CMS policies and changes
- Projecting staffing needs
- Sharing resources, information, anecdotes, successes, challenges

**MMA Outreach (Including SHIP Activities):** Two major MMA outreach initiatives were implemented by DPHHS. One was an outreach effort under the Senior and Long Term Care Division by the State Health Insurance Assistance Program (SHIP) to inform all Montana Medicare beneficiaries about the new prescription drug benefit, the Low Income Subsidy or Extra Help from the Social Security Administration, Big Sky Rx, and the Medicare Savings Programs. SHIP representatives and volunteers are conducting hundreds of community forums, meetings, senior center visits, and other outreach activities across the state. The state SHIP Director works closely with partners CMS, AARP, IHS, Tribal Health, Area Offices on Aging, and others to coordinate information and presentations.

The other outreach initiative first focused on training as many DPHHS staff members as possible about the new benefit so they were able to discuss the concept as they conducted day-to-day business. DPHHS also provided Medicare Part D information to Medicaid providers and provider groups across the state, including groups at conferences, community meetings, facility trainings, newsletters, and provider training sessions. In addition, DPHHS authored a monthly column on a different aspect of the new Medicare prescription drug benefit each month and distributed the column to every newspaper in the state.

**State Pharmaceutical Assistance Programs:** Montana applied for and was granted qualified status for its two State Pharmaceutical Assistance Programs (SPAPs)--Big Sky Rx, which pays Part D premiums for people enrolled in a Medicare prescription drug

plan, and the Mental Health Services Plan, which pays limited deductibles and co-payments for its beneficiaries who also have Medicare.

**Low-Income Subsidy (LIS) Determination:** DPHHS prepared a policy to address the administrative procedures for the state determination of the low-income subsidy in accordance with CFR §423.774(a) "Determinations of whether an individual is a subsidy eligible individual". Determinations of eligibility for subsidies under this subpart are made by the State under its State plan under title XIX of the Act if the individual applies with the Medicaid agency, or if the individual applies with the Social Security Administration (SSA), the Commissioner of Social Security in accordance with the requirements of section 1860D-14(a)(3) of the Act.

CMS issued guidance for states to implement this requirement and States are strongly encouraged to use the SSA application and eligibility determination process for the low-income subsidy unless an individual requires that the state make the low-income subsidy eligibility determination. If an individual demands to have a state determination, or refuses to use the SSA application, the state must accept and process the application, which must be consistent with the CMS final rule, using the state's own eligibility determination process. The state is responsible for appeals and redeterminations associated with state eligibility determinations. DPHHS has established policies and procedures to comply with this requirement.

**MMA related Administrative Rule Changes and State Plan changes:** DPHHS submitted a State Plan Amendment for CMS to address the Low-Income Subsidy determination as identified above. In addition the department prepared administrative rule changes for the Administrative Rules of Montana (ARM) to address new requirements under MMA for the low-income subsidy determination, eligibility requirements under Medicaid, and prescription drug coverage under Medicaid and MHSP.

The Department submitted its state plan amendment to CMS on Monday, March 27, 2006 regarding drug coverage for full benefit dual eligible clients.

**Accounting and reconciliation of MMA Clawback Payments:** The Department received guidance from CMS that indicates the monthly payment for the Phase-Down State Contribution "Clawback" will operate in the same manner as the Part B Buy-In program. Therefore, the department is reviewing policies and procedures with the Medicare Part B Buy-In program to establish updated procedures and systems needs to incorporate the clawback payments in the process. The Department has identified the need to develop an accounting and reconciliation data system for the data we send to CMS on the monthly MMA file and the return file from CMS.

**MMA and MHSP:** Most people who have MHSP and Medicare enrolled in a Medicare Part D prescription drug plan qualified for the Low Income Subsidy or Extra Help through the SSA. If people with MHSP have incomes between 135% and 150% FPL or assets above the limit for the SSA subsidy, they will be able to get their Medicare Part D premiums paid through Big Sky Rx, Montana's prescription drug program created by S.B. 324 during the 2005 Legislature.

MHSP will pay deductibles and coinsurance for people who qualify for only a partial subsidy for Part D (people with incomes between 135% and 150% FPL), up to the \$425 monthly limit. For people with MHSP who do not also have Medicare, MHSP will continue to provide a \$425 monthly pharmacy benefit to cover medications prescribed for treatment of mental illness.

**Facilitated enrollment:** During the last week of March and the first week of April, another group of Medicare beneficiaries will receive letters from CMS explaining the facilitated enrollment process. These beneficiaries are:

- Medicare Savings Program beneficiaries (QMB, SLMB, QI) not enrolled in a Part D plan
- SSI recipients not enrolled in a Part D plan
- Extra Help eligible beneficiaries not enrolled in a Part D plan

These beneficiaries will be randomly enrolled into one of the 14 standard plans available in Montana but can change to another plan at any time. Exception: The Extra Help only beneficiaries can change plans only during the open enrollment period each year.

The Department anticipates some of the same problems with this facilitated enrollment process as encountered with the auto-enrollment of dual eligible beneficiaries, for example, incorrect copayments, deductibles, and coinsurance amounts. The Department is prepared to assist the Medicare Savings Program beneficiaries in getting the correct information to the drug plans and referring other beneficiaries to SHIPs for assistance.

DPHHS has invested considerable resources from multiple divisions in the implementation of the Medicare Modernization Act. We believe this effort has contributed to the success of this program, despite the problems we have encountered since January 1, 2006. In Montana thousands of Medicare beneficiaries are receiving prescription drug benefits and each week more and more beneficiaries are enrolling in the program. DPHHS is committed to working with CMS to continue our partnership efforts so more Montanans can access this new prescription drug benefit. One method we are able to accomplish this is with our BigSky Rx program that assists in paying Medicare Part D premiums for Montanans under 200% of the federal poverty level.