



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
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DATE: September 28, 2005

TO: Legislative Finance Committee

FROM: Lois Steinbeck  
Senior Fiscal Analyst

RE: The Top 10 Questions – Medicare Modernization Act

The Medicare Modernization Act (MMA) enacted in December 2004 implements one of the most significant public health policy changes in recent years – addition of a prescription drug component to Medicare or a new Part D. This act will also impact state Medicaid programs, since some Medicaid beneficiaries are also Medicare eligible (dual eligibles).<sup>1</sup>

Part D becomes effective January 1, 2006. At that time, Part D will cover drug costs for dual eligibles. There will be no federal matching funds allowed for the majority of drug costs now paid by state Medicaid programs for dual eligibles. Part D implementation is on a very tight time line and will have major programmatic and fiscal impacts for DPHHS. Attachment 1 includes a summary of major state budget and workload impacts due to Part D implementation.

Language in HB 2 requires the Department of Public Health and Human Services (DPHHS) to report to the Legislative Finance Committee (LFC) regarding implementation of Part D. The LFC may wish to consider requesting DPHHS to briefly address the following top 10 questions.

1. What is the per person base year cost of prescription drugs for dual eligibles that will be used to determine the clawback<sup>2</sup> amount and what is the clawback per person base price compared to the most complete 12 month per person prescription drug cost for dual eligibles for the most recent federal calculation and the most recent DPHHS calculation? (Most complete means that claim data is mostly complete.)
2. What would be the clawback payment if it were due for the most recently completed 12-month period? (Most complete means that claim data is mostly complete.)

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<sup>1</sup> Examples of persons who would be eligible for both Medicare and Medicaid: low income persons over the age of 65 and some low income disabled persons under the age of 65, including persons who are developmentally disabled or physically disabled, or who have a severe and disabling mental illness.

<sup>2</sup> The clawback is a payment from states to the federal government to help fund Part D costs. It is supposed to reflect cost savings that states will realize due to lower Medicaid drug costs. The payment is determined based on federal guidelines. States pay 90 percent of the total clawback amount dropping to 75 percent over time.

3. What procedures will DPHHS institute to accept/review/process applications for Part D low-income subsidy determination and automatic Medicaid eligibility determination?<sup>3</sup>
4. Please describe the training that the following field staff/contractors received regarding MMA:
  - a. Office of Public Assistance eligibility determination staff
  - b. State targeted case management staff – DD
  - c. Contract case managers for Medicaid eligible persons with a mental illness, developmental disability, traumatic brain injury, or physical disability
  - d. SCHIP representatives
  - e. Area Agency on Aging representatives
5. Please describe the appeals process that DPHHS will administer for complaints arising due to low-income subsidy determination and drug plan administration.
6. Please provide the work plan, goals, milestones, and progress in completing milestones to implement SB 324.
7. What are the preliminary estimates of how many persons will be able to enroll in Montana Rx (SB 324) coverage for calendar year 2006?<sup>4</sup>
8. Are state institutions (Montana State Hospital, Montana Mental Health Nursing Care Center, Montana Developmental Center, veterans' homes) part of a long-term pharmacy? If so, which one(s)?
9. Will DPHHS provide a tool (web based or otherwise) to help persons compare drug plans or will DPHHS provide a link to such a tool?
10. How will DPHHS assist dual eligibles who are auto enrolled in a drug plan determine whether it is the correct plan for them?<sup>5</sup>

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<sup>3</sup> States are required to process the low-income subsidy determination for Part D eligibility if requested by the applicant. At that time states must also determine whether the person is eligible for Medicaid. States must process Part D low-income subsidy determination as a condition of state participation in Medicaid.

<sup>4</sup> SB 324 or Montana Rx will pay premiums and potentially part of the deductible costs for Part D for low-income Montanans eligible for and enrolled in Part D.

<sup>5</sup> Dual eligibles will be auto enrolled in a drug plan. There are about 20 drug plans offered in Montana. Each plan will have a different formulary, premiums, and cost sharing requirements.