



## Getting Ready for

# D-Day

By Trudi Matthews and Sarah Donta



## States Brace for Medicare Changes

States are preparing this year for the impact of Medicare Part D, which takes effect January 1, 2006

Some dates in history stick with us because of their significance. For example, June 6, 1944—D-Day, the invasion of France.

For health care policy officials and professionals, January 1, 2006, will be another kind of D-day. That is the day the new Medicare Part D starts providing prescription drug coverage to seniors and persons with disabilities. It will also mark the largest expansion of public health care since Medicare was created in 1965.

Although part of a federal program, Medicare Part D will also dramatically affect states. Medicaid, state pharmaceutical assistance programs, and retired state employee benefit programs will all change as a result. And just as months of planning went into the Allies' D-Day invasion, state leaders and the federal government are engaged in a similar effort to get all the plans in place to prepare for the launch of Medicare Part D.

"One of the biggest challenges is just trying to siphon through what all the regulations are going to be. ... Our challenge as legislators is to be prepared," said Sen. Donne Trotter, chair of the Illinois Senate appropriations committee and vice chair of CSG's Midwestern Legislative Conference, in an interview with Stateline.org.

### Medicaid Changes Ahead

One of the most significant changes for states will be transferring 6 to 7 million individuals known as dual eligibles from drug coverage in Medicaid over to Medicare Part D. Under the Medicare Modernization Act, the federal law also known as the MMA that established Medicare Part D, states will continue to receive federal matching funds to provide these low-income Medicare beneficiaries with drug coverage through Medicaid until December 31, 2005. After January 1, dual eligibles will receive their drug coverage through

Medicare Part D, and states will then write the federal government a monthly check to help cover Part D drug costs.

A transfer of this magnitude is no small accomplishment, and it has to take place in just six weeks between November 15 and December 31, 2005. The Centers for Medicare and Medicaid Services (CMS) is working with state Medicaid agencies to ensure that all dual eligibles who have not chosen themselves will be automatically enrolled in the Medicare Part D benefit. But states need to do a lot of preparation before the transfer. They must send data to the federal government on dual eligible enrollment and drug costs, and notify enrollees that their drug coverage is going to change.

Some Medicaid directors believe that the law's requirements pose enormous challenges for states. "You can't in six weeks get that many people moved who are chronically ill, heavy users of medication, mentally ill or folks in nursing homes who are really sick. ... You've got to give it some time," said Barbara Coulter Edwards, Deputy Medicaid Director for Ohio, in an interview with Stateline.org.

Along with the Social Security Administration, state Medicaid agencies are also required to help people interested in applying for special low-income subsidies with filling out an application and must make a determination whether those applying are eligible for additional financial assistance. This additional responsibility means Medicaid agencies may need to hire additional staff, retrain eligibility and enrollment workers and contractors, develop new procedures, and purchase additional equipment.

Many states plan to use the Social Security Administration's application form for the low income subsidy and will send the applications to the federal government for processing. However, applicants may be eligible for other services and will likely have to fill out a different application.

Medicaid agencies must be ready to send monthly contribution payments (also known as the clawback) to CMS beginning in February 2006. Determining which agency will send this check and how much it will be is also on state to-do lists.

## The Future of State Pharmaceutical Assistance Programs

Another area that will see significant change will be state pharmaceutical assistance programs. In an effort to assist people without prescription drug coverage, 39 states have developed assistance programs to help seniors, persons with disabilities or other low-income populations with access to prescription drugs. Many were established through legislative action.

Now, states are trying to figure out what to do with these programs once Medicare Part D comes online (see timeline on page 22). Some states, including Michigan, Minnesota and South Dakota, have decided to end their programs.

"Our program will go away because the prerequisite was enrollment in a Medicare Savings Program," said Christine Bronson, Minnesota's Medicaid director. Everyone in Minnesota's program will have access to the low-income assistance in Medicare Part D.

Other states have legislation in the works that will restructure their programs and funding so that their assistance programs can fill in the gaps, or "wrap around," Part D coverage. Generally, states plan to make Medicare the primary source of

drug coverage with the state pharmaceutical assistance programs providing help with paying premiums, co-pays or other cost sharing.

"Vermont is changing its statutes for various pharmaceutical programs," said Theo Kennedy, a departmental director and attorney within Vermont's Agency for Human Services. "If someone is covered [under Part D], we're probably going to wrap around for their financial out-of-pocket costs."

In some states, legislation is pending that would require agencies to provide education and outreach to seniors and others regarding the new Part D benefit. CMS is also providing grants to 21 state programs to help educate enrollees about the upcoming changes and smoothly shift them to the new benefits.

State pharmaceutical assistance programs are trying to determine, too, what role to play in the eligibility and enrollment process for Medicare Part D. At a recent meeting hosted by CSG, the National Governors Association, and CMS, state pharmaceutical assistance program personnel stated they wanted to aid low-income individuals with accessing special assistance under Medicare Part D. There are questions surrounding the authority of the programs under the MMA or under state laws to do this.

## Medicare Part D Basics

The 2003 Medicare Modernization Act provides for two basic benefits. The first, implemented in May 2004, was a prescription drug discount card for Medicare beneficiaries to help recipients save money on drug expenses. Medicare Part D is the other half of that equation, and will go into effect in January 1, 2006.

Under Part D, the Federal government will add a voluntary prescription drug benefit to Medicare. To access Part D benefits, beneficiaries will have the choice of enrolling in a stand-alone prescription drug plan or enrolling in a Medicare Advantage plan that provides comprehensive health care benefits, not just drug coverage.

Medicare Part D will also include substantial subsidies for individuals earning less than 150 percent of the federal poverty level (\$14,355 for an individual in 2005), including no or low premiums, low co-payments, and little or no deductible.

Special assistance for low income beneficiaries includes Medicare paying for prescription drugs costs for dual eligibles, low-income individuals enrolled in both Medicaid and Medicare. In 2002, state Medicaid programs provided drug coverage to more than 6 million dual eligibles at an estimated per capita cost of \$918 in state spending.

Under the Medicare drug law, states and the Social Security Administration will be responsible for determining who qualifies for low-income assistance under the new law. More than 14 million seniors are expected to be eligible for low-income assistance.

## Further Resources on the MMA/Medicare Part D

To assist states through the transition to the new Medicare Part D benefit, The Council of State Governments and the National Governors Association in partnership with the Centers for Medicare and Medicaid Services are developing several resources for state officials to use as guides to navigate the upcoming changes.

One new resource available to legislators and legislative staff is a new MMA Tool Kit for Legislators. For more information about this and other educational events and publications on MMA, see [www.csg.org](http://www.csg.org) (keyword: medicare) or contact Trudi Matthews, Associate Director for Health Policy, at (859) 244-8157 or [tmatthews@csg.org](mailto:tmatthews@csg.org).



## A Boon for State Employee Benefits

Many states are evaluating how and whether Medicare changes affect health benefits for retired state employees.

Under the MMA, states may save money by getting a federal subsidy for providing drug coverage to state retirees. Employers who maintain drug coverage for retirees that is equal or better to Medicare Part D coverage can apply for a 28 percent subsidy for drug costs between \$250 and \$5,000 per retiree.

In addition to the subsidy, states may also look at other strategies for state retiree health benefits, including:

- Directly contracting with Medicare to become a Medicare prescription drug plan
- Contracting with a Medicare prescription drug plan or Medicare Advantage prescription drug plan to subsidize more of their retirees' cost sharing and provide additional benefits
- Setting up a supplemental plan and coordinating benefits with the coverage offered by Medicare prescription drug plans

States are faced with determining whether to take the subsidy or whether to restructure state retiree benefits. In the case of the subsidy, the state needs to determine which agency will get it, and how it will be allocated. Additionally, states will need to educate retirees about their drug coverage options.

—Trudi Matthews is the Associate Director for Health Policy and Sarah Donta is a Health Policy Research Associate at CSG.

## A Medicare Part D Timeline—Important dates states need to know

### May 2005

Social Security Administration will begin sending applications to people needing low income assistance

### June 6, 2005

Centers for Medicare and Medicaid Services will send out letters to inform dual eligibles about the change over to Medicare Part D

### July 1, 2005

State Medicaid Offices and the Social Security Administration will begin accepting Low Income Subsidy Applications

### September 2005

Prescription Drug Plans providing drug coverage will be announced

### November 15, 2005

Enrollment period for Medicare Drug Benefit Program

### January 1, 2006

Part D Benefit begins and auto-enrollment for dual eligibles becomes effective

### February 25, 2006

States begin to make monthly payments to Federal government