

Drug Card Offering and Transitional Assistance



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*Pre-Application Conference for the Medicare Prescription Drug Discount Card
and Transitional Assistance Program – December 18 & 19, 2003*

Topics

- Enrollment Fee
- Definition of Covered Discount Card Drugs
- Formulary and Minimum Prescription Drug Offering
- Pricing
- Transitional Assistance

Enrollment Fee

- Up to \$30 in CY 2004 and 2005
- Cannot be prorated; cannot change during a calendar year
- CMS will pay for transitional assistance enrollees

Covered Discount Card Drugs

- Statutory definition
- Includes most prescription drugs
 - Also includes syringes, needles, alcohol swabs, and gauze (NCPDP transaction standard may be used to bill for these)
- Excludes:
 - OTC, weight-related, fertility, cosmetic, symptomatic relief cough or colds, vitamins (except prenatal), barbituates, benzodiazepines
 - Drugs that would be covered under Medicare, including Part B, for that individual in that instance

Use of Formularies

- Use of formularies is permitted
 - I.e., sponsors need not offer a discount on every covered discount card drug
- Caveats:
 - Transitional assistance must still apply to all covered drugs available at the pharmacy
 - Formularies must meet minimum requirements. . .

Minimum Formulary Requirements

- Purpose is to establish a floor to ensure that formularies include the types of drugs commonly needed by Medicare beneficiaries
- Not our intention to build the operating framework of a sponsor's formulary
- Formulary must include:
 - At least one drug in each of 209 therapeutic categories as published in regulation and solicitation
 - At least 55% of the 209 categories must include a generic offered for a discount

Minimum Formulary Requirements, Cont.

■ Example: Respiratory Therapy Agents

Antihistamines

- * *Antihistamines - 1st Generation*
- * *Antihistamines - 2nd Generation*

Asthma Therapy Agents

- * *Asthma Therapy - Anticholinergics*
Asthma Therapy - Beta Adrenergic
- * *Agents*
Asthma Therapy - Glucocorticoids
Asthma Therapy - Leukotriene

Modulators

- * *Asthma Therapy - Xanthines*
Asthma Therapy Combinations

Nasal Preparations

- Nasal Anti-infectives*
Nasal Antiallergy
- * *Nasal Anticholinergics*
- * *Nasal Corticosteroids*

Formulary Considerations

- We would like to understand whether and how sponsors' formularies address the following:
 - Medications not widely recommended for use in the elderly, but may be appropriate in certain circumstances
 - Availability of discounts to certain populations, including HIV, mental illness, cancer, where drugs are not easily substitutable
 - Availability of appropriate selections and dosage forms of drugs within each category

Pricing

- Sponsors must offer “negotiated prices” on prescription drugs
 - Defined as: taking into account negotiated price concessions (such as discounts, direct or indirect subsidies, rebates, and direct or indirect remunerations), including any dispensing fees
 - The negotiated price is the point-of-sale price in *dollars*
- Manufacturer rebates or discounts must be obtained on covered discount card drugs, and a share passed through to beneficiaries
 - Applicants will report the estimated amount of rebates they’ll obtain and pass through

Pricing, Cont.

- Negotiated prices under this program are exempt from Medicaid “best price”
- We recognize discounted prices will vary across drugs and pharmacy contracts
 - Prices and formularies may also vary by enrollee characteristics (e.g., low-income enrollees)
- We will monitor for “bait and switch”
 - Prices may change, but should be in accordance with changes in AWP or sponsor’s cost structure

Other Pricing Requirements

- Sponsors must ensure:
 - Network and mail order pharmacies charge the lower of the negotiated price or “usual and customary” price
 - Network pharmacies report at the point of sale the differential between the price of the brand name drug being purchased and the price the equivalent generic available at that pharmacy
 - Mail order pharmacies to provide info at time of delivery

Transitional Assistance (TA)

- Up to \$600 a year will be made available to low-income beneficiaries
 - \$600 in 2004
 - Up to \$600 in 2005
 - Amount will be prorated for late enrollees by subtracting \$150 each quarter starting April 1, 2005
- CMS will report amount to enrollee's card sponsor
- Sponsors responsible for administering, tracking in real-time, and adjudicating claims for TA

Transitional Assistance, Cont.

- Sponsors must allow \$600 to apply to all covered discount card drugs offered at the pharmacy, regardless of whether offered for a negotiated price (i.e., on the formulary)
- TA applies to the lower of negotiated price or usual and customary price
- Sponsors must make available at the point of sale and by toll-free number at any time amount of TA remaining

Transitional Assistance, Cont.

- **Coinsurance. Sponsors to:**
 - Ensure appropriate coinsurance amount is charged (unless waived by pharmacy under appropriate circumstances):
 - 5% for enrollees not more than 100% poverty
 - 10% for enrollees above 100% poverty
- **Rollover. Sponsors to:**
 - Track amount of TA remaining
 - Allow rollover of remaining funds from sponsor to sponsor and across years through early 2006 provided beneficiary does not disqualify him/herself
 - Report amount to CMS upon disenrollment

Transition Period

- January 1, 2006 through end of open enrollment for Part D in early 2006
- Sponsors maintain their programs
- No enrollment fees during CY 2006
- No new transitional assistance