



Medicare: Issue of the Day

January 30, 2004

BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

CMS Creates Pharmacy Plus Demonstrations:

- ✧ Centers for Medicare and Medicaid Services, using section 1115 demonstration authority of the Social Security Act, has developed Pharmacy Plus waivers, to extend pharmacy coverage to certain low-income elderly and disabled individuals who are not otherwise eligible for Medicaid.
- ✧ Pharmacy Plus demonstrations provides the much needed financial assistance to low-income aged and disabled individuals by:
 - Covering the individual's cost of drugs;
 - Covering the individual's cost sharing obligation for private prescription programs; and
 - Providing wrap-around coverage to bring private sources of drug coverage up to the level of the Pharmacy Plus benefit.
- ✧ States may construct their Pharmacy Plus programs to provide eligibility for individuals who are not eligible for full Medicaid benefits and who have incomes below 200 percent of the Federal Poverty Level (FPL).
- ✧ In Pharmacy Plus, States may elect to provide a prescription and over-the-counter drug benefit that is similar to, or different from, the benefits provided in the Medicaid State Plan. States may choose to deliver services via fee-for-service or capitation.
- ✧ States are encouraged to involve the private sector in implementing these programs and are encouraged to explore the use of pharmacy benefit managers (PBM).
- ✧ Premiums, cost sharing (deductibles, co-payments and coinsurance), and benefit limitations are all available tools for providing incentives and cost containment.
- ✧ The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) establishes a new Part D benefit that provides a prescription drug benefit to all Medicare beneficiaries. Therefore, when the new benefit begins, states with Pharmacy Plus waivers may want to eliminate or substantially revise them because Medicare will be providing prescription drug coverage to seniors now covered by Pharmacy Plus.

Current Pharmacy Plus Programs

- ✧ **Four states currently have approved and implemented Pharmacy Plus demonstrations**
– Illinois, Wisconsin, Florida and South Carolina. Each is described briefly below.
- **Illinois** – Under this waiver, seniors aged 65 and older with income not exceeding 200 percent of the federal poverty level (FPL) receive a pharmacy benefit. There is no co-payment requirement for individuals with income at or below 100 percent FPL, and a \$1 co-payment applies for individuals with income over 100 percent FPL. All enrollees pay 20 percent of drug costs in excess of \$1750. The program will cover 368,000 individuals, and was implemented in June 2002.
 - **Florida** – The Florida program covers individuals with incomes between 88 percent and 120 percent of FPL. Monthly benefits are limited to \$160. The program features a three-tiered co-payment – \$2 for generics, \$5 for preferred name brand drugs, and \$15 for non-preferred brand name drugs. Enrollment in the program is capped at 58,472. The program began operating in August 2002.
 - **Wisconsin** – This waiver program also covers seniors aged 65 and over with income of 200 percent of FPL or less. All participants pay an annual enrollment fee of \$20, a \$5 co-payment for generic drugs, and a \$15 co-payment for brand name drugs. Beneficiaries with income above 160 percent of FPL also must pay a \$ 500 deductible. The program will cover about 184,000 individuals and was implemented in September 2002.
 - **South Carolina** – This program covers seniors aged 65 and over with income of 200 percent of FPL or less. Waiver participants must pay a \$500 annual deductible. Once the annual deductible has been met, the program features a three-tiered co-payment – \$10 for generics, \$15 for preferred name brand drugs, and \$ 21 for non-preferred brand name drugs. The program will cover approximately 66,000 individuals and began operation in January 2003.