



Center for Medicaid and State Operations

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JUL 7 2004

SHOL #04-002

Dear State Health Official:

This letter is to inform you of a provision in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) that appropriates funds for grants to State Pharmaceutical Assistance Programs (SPAPs) for the purpose of educating SPAP participants about Medicare Part D coverage. The Centers for Medicare & Medicaid Services (CMS) is dedicated to fully supporting the SPAPs through the MMA transition period. The transitional grant is only one example of the support available to SPAPs. For example, if the state is the authorized representative for their beneficiaries, SPAPs may auto-enroll their enrollees into Medicare-endorsed drug cards of the state's choice.

The MMA establishes a new voluntary prescription drug benefit under Part D of title XVIII of the Social Security Act (the Act). Individuals eligible for the Medicare Part D benefit will be able to obtain prescription drug coverage through prescription drug plans (PDPs) or Medicare Advantage plans offering qualified prescription drug coverage (MA-PD plans) (collectively, Part D plans). Section 1860D-23 of the Act, as added by section 101 of the MMA, provides that the Secretary will establish requirements for transitional grant funds to be made available in order to promote coordination between the PDPs, MA-PD plans, and the SPAPs.

The MMA provides \$62.5 million in funding for grants to SPAPs for each of Federal fiscal years 2005 (October 1, 2004 – September 30, 2005) and 2006 (October 1, 2005 – September 30, 2006) in predetermined amounts based on the number of participants enrolled in each program as of October 1, 2003. The grants are to be used to:

- Educate SPAP participants eligible for the Medicare Part D benefit about the prescription coverage available under PDPs or MA-PD plans;
- Provide technical assistance, phone support, and counseling in order to help SPAP participants eligible for the Medicare Part D benefit select and enroll in Part D plans; and
- Support other activities that promote effective coordination of enrollment, coverage, and payment between the SPAPs and Part D plans.

CMS will share information with SPAPs on tested ways to effectively communicate with Medicare beneficiaries to assist them with activities funded through these grants.

Grant Eligibility

The SPAPs may apply for the grant if: they are currently operating programs that were implemented on or before October 1,2003; they provide financial assistance for the purchase of prescription drugs or provide supplemental prescription drug coverage for SPAP participants; and they will provide educational assistance to all SPAP participants enrolled in Part D plans regardless of the Part D plan.

State pharmacy discount programs that, as of October 1,2003, did not (or that currently do not) offer payment in full, or in part, for pharmacy claims (e.g., programs that only provide discount cards or referral services) are not eligible to receive the transitional grant assistance.

The transitional grant assistance program is subject to the Department of Health and Human Services regulations at 45 C.F.R. Part 92, with the exception of those parts of the regulations that relate to the time, form and manner of application.

Grant Requirements

In order to be approved by CMS to receive the transitional grant assistance, an SPAP must submit a letter of application that must contain all of the following components:

- Name and address of the SPAP and its administering agency along with a contact person and phone number;
- Number of Medicare beneficiaries who were enrolled in the SPAP as of October 1,2003;
  - Statement that the SPAP offers financial assistance to its beneficiaries;
- Short description of how the grant will be used for the purposes stated in the preceding paragraph; and
  - Signed statement by the program director certifying that the information being submitted is accurate.

The amount of the grant for each state with an approved application will be based on the proportion of the number of Medicare enrollees in each approved state’s program as of October 1,2003, to the total of all Medicare enrollees in approved state programs nationwide on that date.

Application Deadlines

The deadline for submitting grant applications is August 9,2004. SPAPs that qualify for the transitional grant will be notified of application approval and the amount of grant funds no later than September 30,2004. A list of approved states and their grant amounts will be posted on the CMS Web site.

Please address your applications to Deirdre Duzor or Larry Reed, Centers for Medicare & Medicaid Services, Medicaid Pharmacy Team, 7500 Security Boulevard, Mailstop S2-01-16, Baltimore, Maryland 21244.

If you have questions or need further information, you may contact Deirdre Duzor at (410) 786-4626 or Larry Reed at (410) 786-3325.

Sincerely,

/s/

Dennis G. Smith  
Director

cc:

CMS Regional Administrators

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for Medicaid and State Operations

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American Public ~~Human~~ Services Association

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information collection is estimated to average **2** hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 **Security** Boulevard, Attn: PRA Reports Clearance Officer, Baltimore, Maryland 21244-1850.

Expiration Date: August 10,2004