The Medicare Prescription Drug Benefit

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for
Alliance for Health Reform

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Exhibit 1
The Clock Is Ticking: Key Dates and Deadlines

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Days from today</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 6</td>
<td>Plans submit bids to CMS</td>
<td></td>
</tr>
<tr>
<td>July 1</td>
<td>SSA and Medicaid review low-income subsidy applications</td>
<td></td>
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<tr>
<td>August 9</td>
<td>CMS releases national average monthly bid amount</td>
<td></td>
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<tr>
<td>September 30</td>
<td>CMS announces list of approved prescription drug plans</td>
<td></td>
</tr>
<tr>
<td>October 1</td>
<td>Approved plans permitted to begin marketing</td>
<td></td>
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<tr>
<td>October 17</td>
<td>Medicare Prescription Drug Plan Finder goes live</td>
<td></td>
</tr>
<tr>
<td>November 15</td>
<td>People on Medicare can begin to enroll (through May 15, 2006)</td>
<td>8 days</td>
</tr>
<tr>
<td>December 31</td>
<td>Medicaid drug coverage for dual eligibles ends</td>
<td>54 days</td>
</tr>
<tr>
<td>January 1</td>
<td>Medicare drug coverage begins for drug plan enrollees</td>
<td>55 days</td>
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</table>
Overview of Medicare Prescription Drug Benefit

- Medicare will help cover the cost of prescription drugs delivered through private plans
- 43 million people on Medicare will have a choice of:
  - Traditional, fee-for-service Medicare plus prescription drug plan
  - Medicare HMO or PPO for basic benefits and prescription drugs
  - No Medicare prescription drug coverage (e.g., veterans)
- Plans to offer standard prescription drug benefit, or equivalent
- Premiums and cost-sharing assistance for people with low incomes – about $15,000 singles/$20,000 for couples – and modest assets
- Medicaid drug coverage terminates for 6.5 million dual eligibles; transitioned to Medicare drug plans by January 1
- CMS expects ~30 million to join a Medicare drug plan in 2006

Exhibit 3

Standard Medicare Drug Benefit, 2006

- $386 average annual premium***
- $250 Deductible
- $2,250 in Total Drug Costs*
- $5,100 in Total Drug Costs**

- Beneficiary Out-of-Pocket Spending
- 25% Medicare Pays 75%
- 5% Medicare Pays 95%
- $2,850 Gap: Beneficiary Pays 100%

*Equivalent to $750 in out-of-pocket spending. **Equivalent to $3,600 in out-of-pocket spending. ***Annual amount based on $32.20 national average monthly beneficiary premium (CMS, August 2005).

Exhibit 4

Beneficiaries In Most States Will Have a Choice of About 40 Medicare Prescription Drug Plans

Many will also have choice among HMOs or PPOs for Rx coverage

Exhibit 5

Access to Medicare Drug Plans in Four States

<table>
<thead>
<tr>
<th>Medicine Prescription Drug Plans (PDPs)</th>
<th>Maryland</th>
<th>California</th>
<th>Florida</th>
<th>Nebraska</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms offering PDPs</td>
<td>19</td>
<td>18</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Number of PDPs</td>
<td>47</td>
<td>47</td>
<td>43</td>
<td>41</td>
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<tr>
<td>Number of PDPs available to low-income recipients</td>
<td>18</td>
<td>12</td>
<td>8</td>
<td>17</td>
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<tr>
<td>PDP Monthly Premiums</td>
<td>$6.44 - $68.91</td>
<td>$5.41 - $66.08</td>
<td>$10.35 - $104.89</td>
<td>$1.87 - $99.90</td>
</tr>
<tr>
<td>Number of PDPs with $250 Deductible</td>
<td>18</td>
<td>16</td>
<td>13</td>
<td>14</td>
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<tr>
<td>Number of PDPs with Coverage in the Donut Hole</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>7</td>
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</tbody>
</table>

Medicare Advantage Prescription Drug Plans (MA-PDs)

<table>
<thead>
<tr>
<th>Medicare Advantage Options</th>
<th>HMO</th>
<th>PPO</th>
<th>PFFS</th>
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<td>HMO</td>
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</tr>
<tr>
<td>PPO</td>
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<tr>
<td>PFFS</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

20-29 drug plans (2 states)  
30-39 drug plans (3 states)  
40-49 drug plans (44 states)  
50-59 drug plans (2 states)
Whether to Enroll in a Drug Plan Will Depend on Many Factors, Including Current Source of Coverage

Getting Started: Five Key Questions for People on Medicare

#1 - Should I sign up for a Medicare drug plan?

#2 - What type of Medicare plan do I want?

#3 - Which plans cover my (most expensive) drugs?

#4 - What do I pay out-of-pocket for each of my prescriptions when I fill them at the pharmacy?
  - Or, by mail order?

#5 - Are my pharmacies in the plan’s network?
Exhibit 8

Three of Five Seniors Say They Do Not Understand the New Drug Benefit

- Very Well: 13%
- Somewhat Well: 24%
- Not Too Well: 31%
- Not Well At All: 29%
- 60% do not understand the drug law

* Don’t know responses not shown.
Source: Kaiser Family Foundation Health Poll Report Survey (conducted August 4-8, 2005).

Exhibit 9

One in Five Seniors Said They Plan to Enroll in a Medicare Drug Plan in 2006

- Yes, will enroll: 22%
- No, will not enroll: 33%
- Have not heard enough to decide: 40%
- Don’t know/Refused: 5%

Source: Kaiser Family Foundation Health Poll Report Survey (conducted August 4-8, 2005).
Implications

• Significant change underway for Medicare program and beneficiaries

• Dozens of new plans in each state

• Immediate challenges
  – Helping 43 million people decide whether to enroll, choose between plans, and then join a plan
  – Assuring 6.5 million dual eligibles transition to Medicare plans without serious glitches or gaps
  – Working to assist low-income beneficiaries apply for additional help and enroll in Medicare Rx plan

• Education challenges not insignificant