

Medicare Part D: The Basics

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**Cynthia Tudor, Ph.D.,
Director,
Medicare Drug Benefit Group**

Part D History

- **The Medicare Prescription Drug Improvement and Modernization Act of 2003 (Pub. L. 108-173) was signed into law on December 8, 2003.**
- **CMS published the Medicare Prescription Drug Benefit; Final Rule (42 CFR Parts 400, 403, 411, 417, and 423) on January 28, 2005.**
- **E-prescribing and the Prescription Drug Program; Final Rule published on November 7, 2005.**
- **Medicare Part D Data NPRM published on October 18, 2006.**
- **Tax Relief and Health Care Act of 2006 (Sec. 202(b) Payment for Administration of Part D Vaccines) was signed into law on December 20, 2006**

Eligibility and Enrollment

- **To join a Medicare Drug Plan, individuals must:**
 - Be entitled to Medicare Part A and/or enrolled in Part B
 - Reside in Plan's service area
- **Coverage is not automatic**
 - Except people who qualify for extra help (LIS)
- **People entitled to Medicare on February 1, 2006, or later have a 7-month period to enroll.**
- **Annual enrollment period (AEP) is from November 15 through December 31.**
- **Full Benefit Dual Eligibles (FBDE) can switch plans during any month (effective the 1st of the following month).**



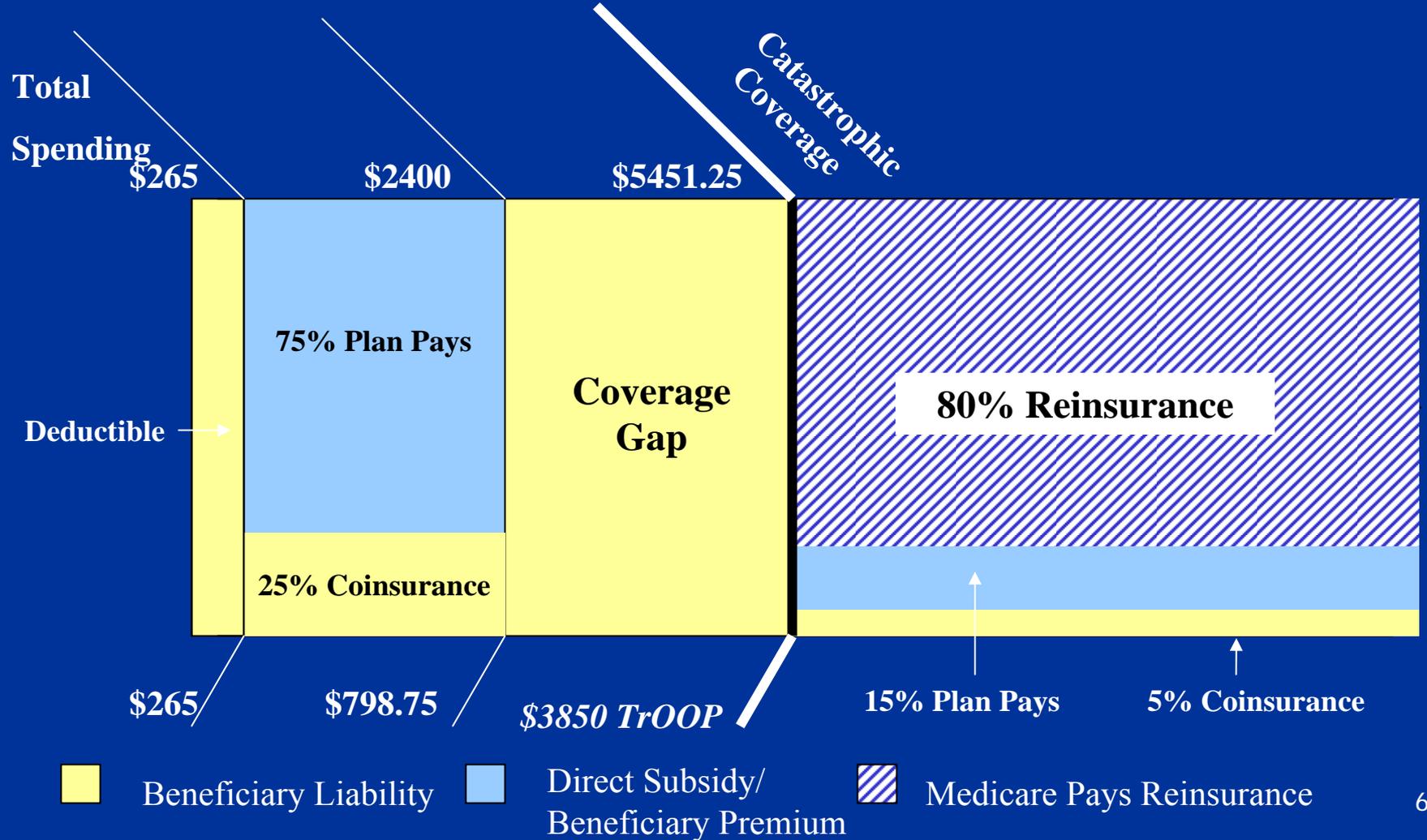
What is the Low Income Subsidy (LIS)?

- Provides people with limited income and resources extra help with their Medicare prescription drug plan costs, including their premium, deductible and cost sharing.
- A person must enroll in a Medicare drug plan such as a PDP, MA-PD, or PACE to receive this assistance.
- CMS is working with States to identify FBDEs prospectively and autoenroll them into Part D plans prior to their effective date.

How Do People Qualify for LIS?

People with Medicare and	Basis	Data Source	Changes During the Year
Medicaid benefits <ul style="list-style-type: none"> • Full Medicaid benefits • Medicare Savings Program 	Automatically qualify	State files	Deemed for a full calendar year Generally only change LIS level if favorable to beneficiary
SSI benefits		SSA	
Limited income and resources	Must apply	SSA (most) or states	Subsidy changing events may impact status mid-year (both favorable and unfavorable changes)

Standard Benefit 2007



Annual Adjustments for Standard Benefit in 2007

Benefit Parameters	2006	2007
Deductible	\$250	\$265
Initial Coverage Limit	\$2250	\$2400
Out-of-Pocket Threshold	\$3600	\$3850
Total Covered Drug Spend at OOP Threshold	\$5100	\$5451.25
LIS Copayments	2006	2007
Institutionalized	\$0	\$0
Up to or at 100% FPL	\$1/\$3	\$1/\$3.10
Other LIS	\$2/\$5	\$2.15/\$5.35

Part D Contract Summary

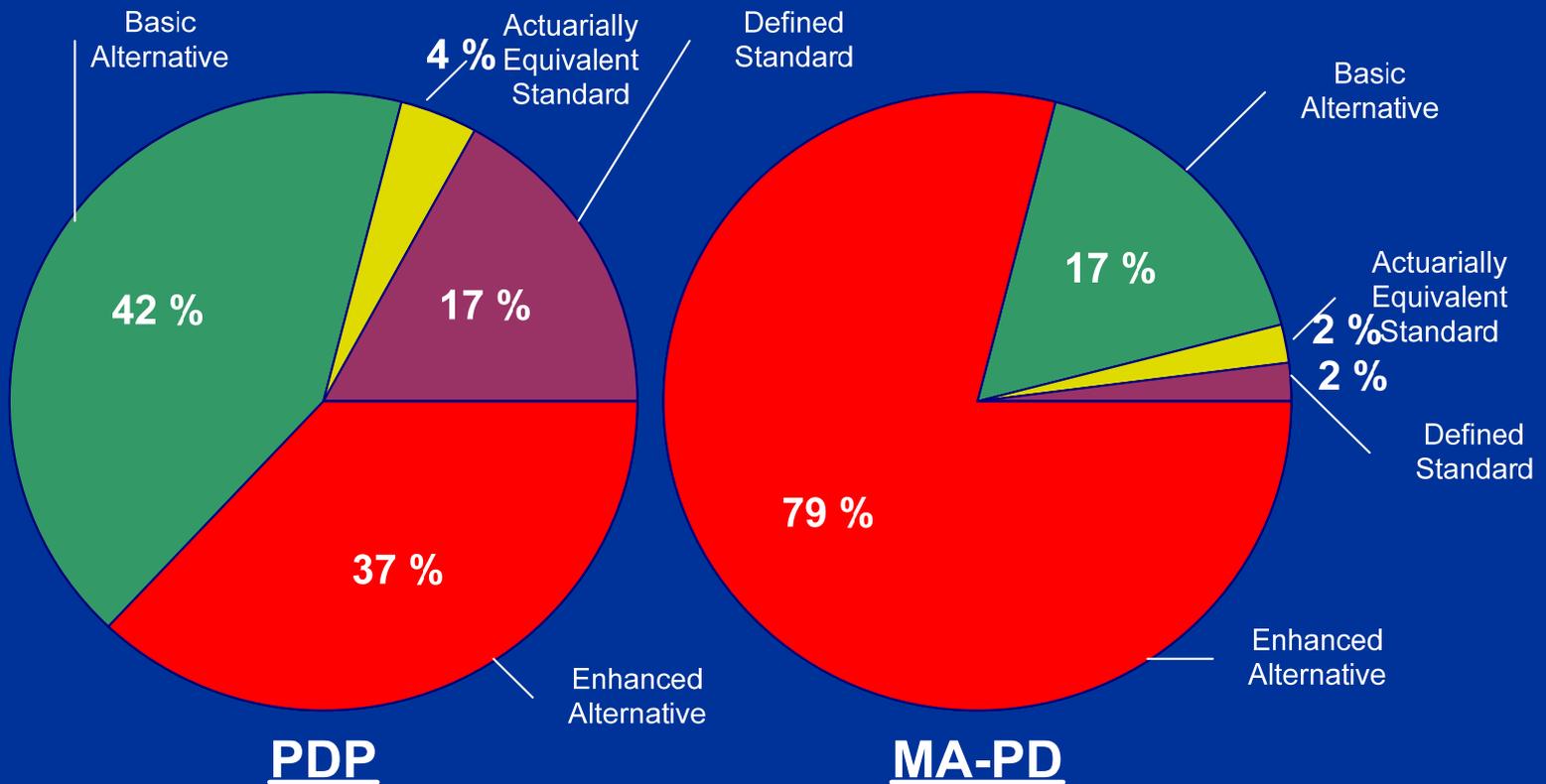
Contract Type	2006		2007	
	Contracts	Plans	Contracts	Plans
PDP	91	1,446	91	1,920
MA-PD	469	1,491	549	1,715
Totals	560	2,937	640	3,635

Excludes Employer Only Plans

CY07 Benefit Type Analysis

Benefit Type	% of PDP Plans	Change from 2006	% of MA-PD Plans	Change from 2006
Defined Std. Benefit	12.1%	+2.8%	5.1%	-2.4%
Actuarially Equivalent Std.	13.4%	-8.3%	2.1%	-5.2%
Basic Alternative	27.2%	+0.5%	18.1%	-2.6%
Enhanced Alternative	47.3%	+5.0%	74.7%	+10.2%
Totals	100%	-	100%	-

Enrollment by Benefit Type



Data as of Jan07

Analysis excludes FBDE
& LIS

2007 Plan Summary

- **Every state has at least one plan option with a premium less than \$20 per month; at least one plan available with no deductible; and several plans available with coverage of generic drugs in the coverage gap.**
- **On average, premiums increased less than \$8 over 2006 and in several states the average premiums decreased.**
- **Beneficiaries have access to between 27 and 41 plans with no deductibles in 2007 (an increase of 3 to 13 plans per state from 2006).**
- **In every state, the majority of plans offer mail-order pharmacy services.**

2007 Plan Summary (cont.)

- **The number of PDP sponsors ranges from 20 to 29 per state which represents an increase over 2006 of 4 to 9 sponsors per state.**
- **The number of PDP plans offered by these sponsors ranges from 45 to 66, representing an increase of 7 to 18 plans compared to 2006.**
- **In general, the largest increase in plans was seen for those offering enhanced coverage.**
- **In 2007, there are between 4 and 12 additional enhanced plans offered in each state.**
- **Enhanced plans represent between 44% to 50% of plans offered in each state.**

What is a Part D Drug?

- Rx Only
- Drugs approved by FDA for safety and efficacy as described in §1927(k)(2)
- Biologicals as described in §1927(k)(2)
- Insulin and medical supplies associated with the injection of insulin
- Vaccines
- Used for “Medically Accepted Indications”

Drug Exclusions

- A drug in which coverage is available under Parts A or B as it is prescribed and dispensed or administered to an individual
- Drugs when used for anorexia, weight loss, or weight gain
- Drugs when used to promote fertility
- Drugs when used for cosmetic purposes or hair growth
- Drug when used for symptomatic relief of cough and colds
- Prescription vitamins and mineral products, except prenatal vitamins and fluoride preparations
- Nonprescription drugs, barbiturates, and benzodiazepines

What is a Formulary?

- **A formulary is the list of drugs that a Medicare Prescription Drug Plan covers without granting an exception. Formularies help to contain costs.**
- **General requirement: The formulary must include at least two drugs in each therapeutic category and class of covered Part D drugs.**
- **Represents a floor rather than an absolute standard.**
- **Utilization Tools: Prior Authorization, Step Therapy, and Quantity Limits.**

Final 2006 Part D Enrollment

Enrollment Category	#
Stand-Alone Prescription Drug Plan	10.98M
Medicare Advantage with Prescription Drugs	6.65M
Medicare-Medicaid (Automatically Enrolled)	6.27
Medicare Retiree Drug Subsidy	6.94M
Estimated Federal Retirees (Tricare, FEHB)	3.33M
Total	34.17M
Additional Sources of Creditable Coverage	4.86M

Data as of 01.16.07

For More Part D Information

www.cms.hhs.gov/PrescriptionDrugCovGenIn/01/01_Overview.asp

- Enrollment Data
- Performance Data
- Information for Pharmaceutical Manufacturers and Physicians
- Part D Regulations

www.cms.hhs.gov/PrescriptionDrugCovContra/01_Overview.asp

- Formulary Guidance
- Marketing Guidance
- Reporting Requirements
- Enrollment Guidance
- Coordination of Benefits Guidance
- Other Part D Related Guidance

www.cms.hhs.gov/DrugCoverageClaimsData/01_Overview.asp

- Prescription Drug Event (PDE) Information
- Risk Adjustment Information