The New Medicare Part D Voluntary Prescription Drug Benefit and Low Income Subsidy Programs

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What is Medicare Part D?

The Medicare Modernization Act of 2003 created a prescription drug benefit, called Medicare Part D, for people who are eligible for Medicare Part A and/or enrolled in Medicare Part B.

Medicare Part D will change the way people with Medicare get their prescriptions, including those who are enrolled with AHCCCS.

Refer to the attached “Medicare Part D Enrollment and LIS Definitions” for information about the new language and terms that you will be hearing about.
### When Does it Start?

Medicare Part D will be implemented on **January 1st, 2006**. Also on that date, a person with Medicare who is also eligible for Medicaid (called a dual eligible), will no longer be able to have prescriptions paid for by AHCCCS (except for a few classes of drugs that are not covered by Part D), even if they choose not to participate in Medicare Part D.

People with Medicare can choose the Medicare drug plan they want to enroll with beginning in **November 2005**.

People with Medicare who are not receiving Medicaid, QMB, SLMB or QI will be able to start applying for help with the Part D costs beginning in **May 2005**.

### What is the Basic Part D Benefit?

Most people who participate in Medicare Part D will have to pay a share of their prescription drug costs. Those who qualify for a Low Income Subsidy (LIS) program will receive help with paying for their Part D premiums, deductible and co-payments.

Cost-sharing for persons who do not qualify for a Low Income Subsidy includes:

- **A monthly premium of approximately $37**, which will be paid to the Prescription Drug Plan (PDP) with which the person enrolls.
- **$250 annual deductible**
- Once the deductible is met, **the person pays 25%** and Part D pays 75% of costs until the person’s annual prescription costs exceed $2,250.
- **The person pays 100%** of their prescription costs **between $2,250 and $5,100**. This is referred to as the Coverage Gap.
- After $5,100, **co-pays are $2 for generic** or **$5 for brand name** or 5%, whichever is higher.
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What are the Low Income Subsidy Programs?
The Low Income Subsidy (LIS) programs provide help in paying the Part D premium, deductible and co-payments for low income individuals. The amount of the help varies depending on:

- Whether a individual is also receiving Medicaid,
- Whether a person is receiving QMB, SLMB or QI-1,
- The amount of the persons income, and
- In some cases, the amount of the person's resources.

See the “Medicare Part D Benefits and Cost” attachment for specific information about subsidy amounts for the different groups.

How do People Apply for the Low Income Subsidy Programs?
People who are eligible for Medicare and Medicaid, QMB, SLMB and QI-1 will not need to apply separately for the LIS programs. They are automatically eligible for help.

People who are receiving both Medicare and Medicaid are called Dual Eligibles.

People who receive benefits from a Medicare Savings Program (QMB, SLMB and QI) are called Deemed Eligibles.

Other people with income under 150% of the FPL and resources under $10,000 for an individual or $20,000 for a couple may be eligible for a Low Income Subsidy (LIS) by applying to the Social Security Administration (SSA).

AHCCCS staff is responsible for encouraging these individuals to apply through SSA. AHCCCS offices will have a supply of the SSA application to give to people who are interested in applying when they do not qualify for one of our Medicaid or Medicare Savings Programs. Most AHCCCS staff in field offices will be trained to help people fill out the SSA application. The training will be given in June.
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What is SSA doing to help people apply for LIS?

People with Medicare who are not receiving Medicaid, QMB, SLMB or QI-1 will need to apply for help with the Social Security Administration (SSA). SSA will be:

- Mailing low income subsidy applications, beginning in May, to people with Medicare who are not dual eligible or deemed eligible.
- Conducting numerous outreach activities with the help of advocacy groups (such as SHIP and Area Agencies for the Aging) to help people with Medicare fill out the low income subsidy application.
- Helping people who call 1-800-MEDICARE by answering their questions about applying for help with their Medicare Part D costs.
- Processing LIS applications beginning in July.
Are all of the Medicare Drug Plans the Same?

No.

- Each plan has the flexibility to decide which prescription drugs it will cover (called the formulary), as long as they cover at least one generic and one brand name drug within each class of covered drugs.
- Each plan will contract with certain pharmacies
- Each plan will negotiate an allowable cost for prescription drugs with their network of providers.

There are also different types of plans:

A **PDP** is a Medicare Part D Prescription Drug Plan. These plans will be available to the people with Medicare who are not enrolled with a MA-PD or a SNP.

A **MA-PD** is a Medicare Advantage-Prescription Drug plan. Effective January 2005, Medicare Plus or Choice plans will be called Medicare Advantage plans. MA plans are not required to, but may also provide Part D prescription drug coverage. If they do, the Medicare Advantage plan will be a MA-PD. These plans will be available to people with Medicare who are enrolled with the Medicare Advantage plan.

A **SNP** is a Medicare Special Needs Plan. Some AHCCCS health plans are taking steps to become a Medicare Special Needs Plan. These plans will only be available to people with dual eligibility. We estimate that about half of the dual eligibles are enrolled with these plans. These people may get their Medicaid, Medicare and Part D prescription drug services all from the same health plan.

**CMS expects to award contracts to approved PDPs, MA-PDs and SNPs in September.** After the contracts are awarded, the PDPs, MA-PDs and SNPs will begin mailing information to Medicare recipients.
How Do People Enroll in a Drug Plan?

**Dual Eligibles** (people with both Medicare and Medicaid) will be automatically enrolled with a plan prior to January 1, 2006. However, if they believe that a different plan would better meet their needs, they can change enrollment at any time.

**Deemed Eligibles** (people with QMB-only, SLMB or QI-1) will be automatically enrolled with a plan effective June 1, 2006, if they do not choose to enroll with a plan prior to that date. They will have one chance after that to change their plan if they believe their needs would be better met by another plan.

**Other people** (who are not dual eligible or deemed eligible) will not be automatically enrolled with a plan. These people will need to pick a plan and contact the plan to enroll.

CMS is currently reviewing applications from drug companies, health plans and other organizations that wish to become PDPs, MA-PDs or SNPs.

When the contracts are awarded, CMS will update its Medicare Modernization Web-site (www.medicare.gov) to include information comparing the different plans. CMS also has a phone bank dedicated to providing Part D enrollment and LIS information at 1-800-MEDICARE (633-4227).

Persons selecting a plan or changing from one plan to another will simply contact the new plan to begin enrollment. Persons who are not dual or deemed eligible will also need to make a decision about whether they will want to pay the Part D premium directly to the plan, or instead have SSA withhold the premium from their Social Security benefit and forward the payment to the plan.

See the “Medicare Part D Enrollment and LIS Contact List” attachment for information about how a person may obtain help in selecting a PDP or MA-PD.

Since contracts will not be awarded by CMS until September, we do not yet know what plans will be available in Arizona.
Things to consider when selecting a plan include:

- Which plan covers the prescription drugs that I am currently taking?
- Are there any special drugs that I take that will only be provided by one of the plans?
- What is the plan’s process for getting an exception to their formulary?
- Is there any difference in the amount of co-pays being charged by the different plans?
- With which plan does my pharmacy participate?
- Am I willing to change my pharmacy if I need to?

CMS will be:

- Mailing information about Part D to all people with Medicare
- Conducting a public information campaign to provide information about how all people with Medicare will enroll in a Part D drug plan.
- Making plan comparison information available on their web site at [www.medicare.gov](http://www.medicare.gov).
- Helping people over the phone at 1-800-MEDICARE (633-4227).
- In October 2005, automatically enrolling all dual eligible individuals into a Part D drug plan effective January 1, 2006, but give them the opportunity to change.
- In May 2006, automatically enrolling the QMB-only, SLMB and QI-1 population into drug plans effective June 1, 2006 if they have not enrolled in a plan by then.
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What are AHCCCS’ Responsibilities:

AHCCCS will:

- Answer questions and provide general information to people who contact us about Part D, the change to their Medicaid prescription coverage and the Low Income Subsidies.
- Refer people who call us who need specific information that we cannot provide to SSA, CMS, or SHIP for help. See the attached “Medicare Part D Enrollment and LIS Contact List” for additional information on selecting the best referral source depending on the person’s reason for needing assistance.
- Continue to determine Medicaid and MCS eligibility as usual.
- Provide a data file to CMS each month that will tell them about our dual eligible and Medicare Cost Sharing members so that CMS can handle their enrollment and SSA can exclude them from LIS outreach activities.
- Designate and train certain Eligibility Specialists to manually determine Low Income Subsidy eligibility just in case people who are not dual or Medicare Cost Sharing eligible insist that AHCCCS, rather than SSA, determine their eligibility.

What will be Happening the Next Few Months?

SSA and CMS will begin mailing information to people with Medicare, including dual eligibles, and will start extensive outreach activities in April and May. You should expect to start receiving phone calls from customers about Part D now.

Here is what you can expect to happen in the next few months:

- May 2005 – SSA will send the first Part D information mailer to all people who have Medicare.
- May 2005 – CMS will send the first informational notices to the Dual Eligible and Deemed Eligible populations
- May to August 2005 – SSA will send LIS applications to persons identified as potentially eligible for the program who are not dual or deemed eligibles.
- October 2005 – CMS will send notices to the dual eligibles with their auto-assignment and information about what to do if they want to change plans.