

Committee on Ways and Means

States Benefit Significantly from Medicare Prescription Drug Bill

Under the bipartisan prescription drug proposal being considered in the House, states, especially those with comprehensive pharmaceutical assistance programs, will benefit significantly.

Medicare Assumes the Cost of Prescription Drugs for Low-Income Senior Citizens

- Presently all states provide dually eligible Medicare beneficiaries prescription drug coverage through their Medicaid programs. On average, states pay 43% of these Medicaid costs, but many states pay 50%. In addition, about 25 states provide state pharmacy assistance programs for seniors with incomes above the dually eligible criteria. Prescription drugs are one of the fastest growing expenditures for states.
- The bill treats Medicare beneficiaries as seniors first and low-income second. As such, it makes the Medicare prescription drug benefit “primary” for low-income senior citizens, just as Medicare is the primary insurer for every other benefit (hospital, physicians, skilled nursing facilities, etc.). This ensures all low-income individuals receive uniform assistance regardless of where they live. Further, the bill allows states to offer additional assistance if they so choose.
- The bill fully subsidizes premiums for those seniors with incomes up to 150% of poverty, phasing out at 175% of poverty. It fully subsidizes cost-sharing for seniors with incomes up to 175% of poverty, with the exception of nominal co-payments which cannot exceed \$5 per prescription. As such, nearly all costs up to \$2,000 and 100% of costs above the \$4,500 catastrophic benefit are covered for these low-income beneficiaries.
- The federal government will—over a ten-year period—assume all of the costs currently incurred by states for providing Medicare’s standard prescription drug benefit to low-income (Medicare/Medicaid eligible) populations. State obligations for Medicaid are phased-out 10% a year over 10 years, but they are fully relieved of their fiscal obligations for the state pharmacy programs immediately.

Provides Most Help to States With Pharmaceutical Assistance Programs

Some states have initiated pharmaceutical assistance programs to provide prescription drug assistance to low-income seniors. These states will receive the most assistance on their costs as Medicare becomes primary for these beneficiaries. How will these programs relate to the new Medicare drug benefit? States have several options:

- First, they could design their state pharmacy programs to “wrap around” the Medicare drug benefit.
 - As such, the state pharmacy program could fill in the costs for low-income individuals with costs between \$2,000 and the \$4,500 catastrophic benefit.

- The state pharmacy assistance programs could use money saved from the Medicare drug benefit to extend their assistance to persons with incomes above 175% of poverty, for example 200% of poverty or even 300% of poverty.
- Second, state pharmacy programs could work to encourage low-income individuals to enroll in a Medicare prescription drug plan, thereby creating a seamless transition from the perspective of the individual. Their cost-sharing still could not exceed \$5 and they could get the prescription drugs they need at a convenient pharmacy. From the beneficiary's perspective nothing will have changed.
- Third, state pharmacy programs could choose to become a prescription drug plan themselves, receiving direct federal assistance to provide the benefit, so long as they met the criteria for a prescription drug plan sponsor outlined in the bill. These requirements include implementing beneficiary protections, establishing solvency standards, and offering prescription drug coverage to all Medicare beneficiaries.