

# Committee on Ways and Means

## States Benefit Significantly from H.R. 1, the "Medicare Prescription Drug and Modernization Act of 2003"

Under H.R. 1, states, especially those with comprehensive pharmaceutical assistance programs, will benefit significantly. States will receive more than \$40 billion in assistance under the proposal, with the most help going to those states that have provided pharmaceutical drug assistance to seniors. The National Governors Association has endorsed the buyout of state Medicaid obligations under the bill. Our governors recognize that Medicare drug assistance is integral to assisting states manage their budgets in this time of need.

### 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 up to 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 choose.
- The bill fully subsidizes premiums for seniors with income up to 135% of poverty, phasing out at 150% of poverty. It also fully subsidizes cost-sharing for seniors with incomes up to 135% of poverty, with the exception of nominal co-payments not to exceed \$5 per prescription. As such, nearly all costs up to \$2,000 and 100% of costs above the \$3,500 catastrophic benefit are covered for these low-income beneficiaries.
- The federal government will—over a fifteen-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.

### 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.

- The state pharmacy program could fill in the costs for low-income individuals with costs between \$2,000 and the \$3,500 catastrophic benefit. This spending would count against the catastrophic cap.
- The state pharmacy assistance programs could use money saved from the Medicare drug benefit to extend their assistance to persons with incomes above 150% 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 per prescription, and they could get the prescription drugs they need at a convenient pharmacy. From the beneficiary's perspective nothing will have changed.
- A State Pharmaceutical Assistance Transition Commission would be established under the bill. This commission would develop a proposal to address the unique transition issues facing those states that have chosen to provide prescription drug assistance to their seniors.