

New Medicare Law Will Impact People who are Dually Eligible for Medicare and Medicaid

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) adds prescription drug coverage to Medicare through Part D plans beginning on January 1, 2006.

For individuals who are dually eligible for both Medicare and Medicaid, the new law terminates prescription drug coverage under Medicaid and provides prescription drug coverage under the new Part D. (Individuals who are dually eligible will continue to receive Medicaid benefits for other health care expenses however their prescription drugs will now be covered only by Medicare).

Dual Eligibles--Individuals who receive both Medicare and Medicaid:

- 1) An individual whose disability presented itself prior to age 18 may be entitled to Medicaid. This occurs because the individual becomes entitled to Supplemental Security Income (SSI), which in New Jersey makes a person automatically eligible for Medicaid. The same individual may receive Medicare as a dependent or survivor if the parent dies or begins to receive Social Security due to retirement or disability. Most of these individuals with disabilities are called Disabled Adult Children (DAC). Individuals with developmental disabilities generally become dually eligible in this way.
- 2) An individual with a disability may begin to receive Social Security Disability Insurance (SSDI) on their own work record and become eligible for Medicare as well. If their work history is minimal, meaning that their SSDI check is low, they may also be eligible for SSI and Medicaid as low income individuals. Some individuals in New Jersey may also be eligible for Medicaid because their income is below 100% of the federal poverty level. Individuals with mental illness generally become dually eligible in these ways.

Participation in the Medicare Part D Prescription Drug benefit is voluntary for all Medicare beneficiaries. However, dual eligibles should become enrolled in this program because many of them use a high number of prescription drugs.

Dual Eligibles will need to enroll in Medicare Part D prior to December 31, 2005. After December 31, the Medicaid program will no longer provide prescription drugs for dual eligibles. (All other health related services they receive under Medicaid will continue).

All Medicare beneficiaries that choose Part D benefits, including dual eligibles, will receive their prescription drug coverage from private plans called prescription drug plans (PDP). Each plan will have its own formulary. (Formularies restrict the specific medications available to an

individual in a plan). Medicaid, on the other hand, currently covers all medically necessary drugs.

The new drug benefit will be administered by private prescription drug plans (PDP). All beneficiaries will be required to sign up for a particular drug plan. If an individual does not sign up for a plan, Medicare will automatically enroll them in a PDP. Each PDP will have its own formulary. This means that that an individual's choice of a PDP is dependent upon the medication an individual takes.

When the program begins in 2006, the new Medicare Part D prescription drug benefit will require a co-payment on every prescription drug.

Dual eligibles with income at or below 100% of the federal poverty level (\$9,310 for individuals and \$12,490 for couples in 2004) will have a co-payment for their prescriptions of \$3 for each brand name drugs and \$1 for each generic drug.

Dual eligibles with income above 100% of the federal poverty level will have co-payments of \$5 for each brand name drug and \$2 for each generic drug. These dual eligibles, along with other individuals are known as full income subsidy eligible, whose income is above 100% of the federal poverty level (FPL), will have co-payments of \$5 for each brand name drug and \$2 for each generic drug. In addition, there is another low-income group of individuals with incomes above 135% of FPL but below 150% FPL. This group of individuals will have a 15% coinsurance and a \$50 deductible.

These co-payments are a significant change to New Jersey dual eligibles. Currently, New Jersey's Medicaid prescription drug benefit provides beneficiaries with the full range of drugs without a co-payment. Under the new law, beneficiaries will have to give the pharmacy a co-payment when they pick-up their medications from the pharmacy. Under the Medicare Prescription program, there is nothing to stop pharmacies from denying prescriptions to an individual who cannot pay the co-payment.

Changes Needed at State Level to minimize Impact of Part D Coverage for Dual Eligibles

- Identify and allocate the funding needed for wrap-around or supplemental coverage for the dual eligibles.

States have the option to use State funds for a wrap-around for Part D benefits. The wrap-around could be used to cover prescriptions not allowed under Part D and cover the required Part D co-payments.

- Develop a comprehensive plan for a seamless transition for all the State's dual eligibles into the Part D program. The goal is to ensure that the dual eligibles receive coverage for all the prescription medications they need, with no co-payments.