THE KAISER COMMISSION ON
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Dual Eligibles and Medicare Part D

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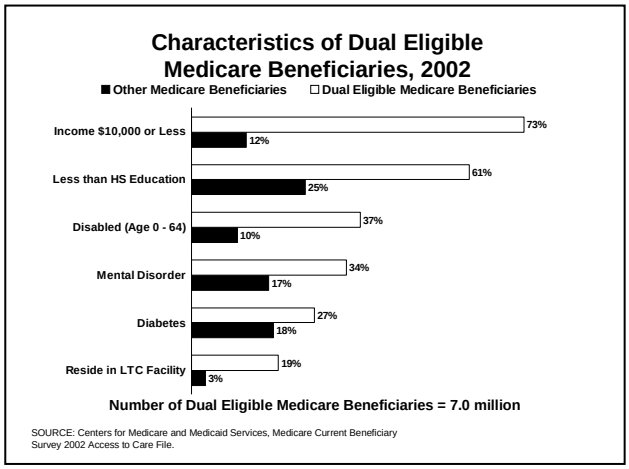
Dual eligibles are the more than six million low-income seniors and people with disabilities who qualify for both Medicaid and Medicare coverage. Until this year, dual eligibles received prescription drug benefits through Medicaid, but effective January 1, 2006, their drug coverage switched to Medicare Part D plans.

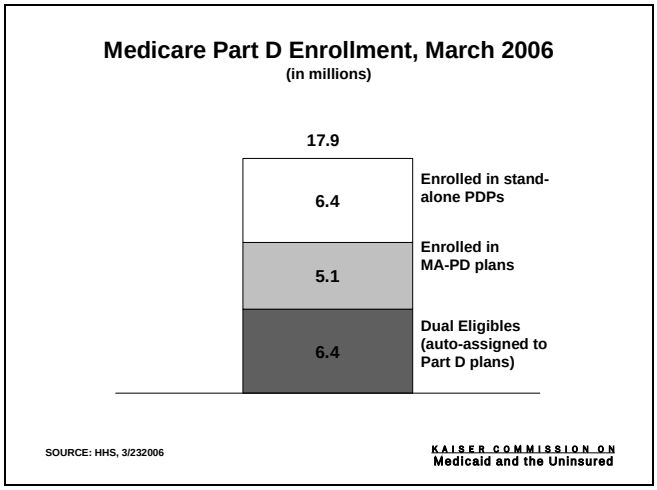
Dual eligibles are poorer and sicker than typical Medicare or Medicaid beneficiaries, resulting in higher service use and greater costs of care. Dual eligibles have twice the rate of fair or poor health as other Medicare beneficiaries and high rates of chronic conditions such as mental illness and diabetes. As a result, prescription drug use is higher among dual eligibles than other Medicare beneficiaries and they were responsible for almost half of Medicaid drug spending in recent years. Dual eligibles are disproportionately female, older, and one in five lives in a nursing home. Dual eligibles are also disproportionately African American or Latino, and prior to the implementation of the Medicare Part D program more than one third of all African American and Latino Medicare beneficiaries received drug coverage through Medicaid.



Dual eligibles are uniquely impacted by Part D in several ways. Medicaid drug coverage for duals ended on December 31, 2005, making them the only group that must participate in an otherwise voluntary program in order to maintain prescription drug coverage. All duals are deemed eligible for the subsidies available for people with low incomes on Medicare so they do not pay premiums or deductibles. Some, however, will face new cost sharing as many of the Medicaid plans they switched from did not charge copayments for drugs. Because duals have been switched from comprehensive Medicaid formularies into privately-administered prescription drug plans (PDPs) that are not subject to the protections found in Medicaid law, they may now face new or more stringent formularies and formulary management tools.[1]

The Administration instituted several protections intended to prevent lapses in duals' access to medications. In an attempt to prevent gaps in coverage during the transition from Medicaid to Part D plans, dual eligibles were randomly auto-assigned to PDPs, and they were subsequently auto-enrolled in those PDPs if they did not choose a different plan. If they find that a PDP's structure or formulary does not meet their needs, dual eligibles have the ability to change plans once a month, unlike other beneficiaries who are locked into plan selections for a year. (In 2006, other Medicare beneficiaries have between 27 and 52 PDPs to choose from depending upon their region, but the number of plans at or below the benchmark premium – and therefore eligible for auto-assignment of dual eligibles – ranges from six to 16.) Additional federal efforts to serve dual eligibles in Part D include an information technology process (the Eligibility Transaction) to help

pharmacists identify plans into which beneficiaries have been enrolled, and a point-of-sale enrollment process to capture dual eligibles that were not auto-enrolled.



Early experiences under Part D have been challenging for many dual eligibles. The early implementation of Part D focused on dual eligibles because Part D coverage for all 6.2 million of them began on January 1, while other Medicare beneficiaries were given until May 15 to enroll without penalty. Shortly before Part D implementation, GAO released a report that identified potential problems in the transition, even while taking CMS, state and PDP contingency plans into account.[2] In the early phases of implementation, there were widespread reports of dual eligibles being overcharged, and, in some cases, leaving the pharmacy without getting their prescriptions filled, as well as reports of plans not following transitional protocols they were required to develop to ensure beneficiary access to needed medications.

Many states stepped in to fill gaps in coverage during the transition. Prior to the implementation of Part D, state officials expressed significant concerns about the transition for dual eligibles.[3] State contingency plans prior to implementation varied considerably, and state responses since implementation were varied as well. In the first few weeks of 2006, 37 states implemented temporary coverage programs to provide low-income Medicare beneficiaries access to drugs through Medicaid.[4] Subsequently, on January 24, the federal government announced a Medicare demonstration project to coordinate and supplement drug plan reimbursement to states for drugs distributed through these emergency programs.

Dual eligibles face ongoing challenges related to Part D. Duals still receive other care through Medicaid, so three-way coordination of care between Medicare, Medicaid and Part D plans may be complicated. As the Part D market matures, there are concerns about continued formulary robustness and increases in cost sharing. Additionally, if competition among plans works as intended, attrition is likely, potentially destabilizing drug coverage for the dually eligible population. The effectiveness of the Part D appeals process whereby beneficiaries or their medical providers are able to challenge plan decisions on drug coverage remains to be seen. Finally, as new people become dual eligibles, informing them and enrolling them in PDPs will remain a challenge, and certain system lags may lead to lapses in coverage.[5]

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[1] Crowley J, Ashner D, Elam L. State Medicaid Outpatient Prescription Drug Policies: Findings from a National Survey, 2005 Update. KCMU, October 2005. http://www.kff.org/medicaid/7381.cfm

[2] Contingency Plans to Address Potential Problems with the Transition of Dual-Eligible Beneficiaries from Medicaid to Medicare Drug Coverage. United States Government Accountability Office, Washington D.C. December 16, 2005. GAO-06-278R

[3] Smith V, Gifford K, Kramer S, Elam L. A Medicaid Perspective on Part D Implementation; The Medicare Prescription Drug Program Findings from a Focus Group Discussion with Medicaid Directors. KCMU, December 2005. http://www.kff.org/medicaid/7447.cfm

[4] Smith V, Gifford K, Kramer S, Elam L. The Transition of Dual Eligibles to Medicare Part D Drug Coverage: State Actions During Implementation. KCMU, February 2006. http://www.kff.org/medicaid/7467.cfm

[5] Smith V, Gifford K, Kramer S, Elam L. Observations on the Initial Implementation of the Medicare Prescription Drug Program: Perspectives of State Medicaid Directors. KCMU, May 2006.

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