

TO: Local District Commissioners, Medicaid Directors

FROM: Betty Rice, Director
Division of Consumer and Local District Relations

SUBJECT: Discount Drug Card and the State Outreach Toolkit for Medicare

EFFECTIVE DATE: Immediately

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This is to remind local social services districts of the first stage of implementation of the Medicare Modernization Act (MMA) which provides new prescription benefits to Medicare enrollees. Enrollees may sign up in May with access to benefits beginning June 1, 2004 and extending through December 31, 2005 (and could carry into 2006 until enrolled in Part D). Although enrollees will not sign up for this benefit at the local social services district offices but through Medicare, we want to familiarize you with the program.

Some highlights of the MMA program are described below:

1. To join the discount drug card program, beneficiaries will complete an enrollment form and submit it to a discount drug card sponsor. Card sponsors can charge up to \$30 per year for enrollment. For eligible beneficiaries with incomes below 135% of the Federal Poverty Level (FPL), Medicare will pay the annual enrollment fee. The discount card can help beneficiaries save an estimated 10 - 15% on their total drug spending with discounts of up to 25% or more on individual prescription drugs.
2. Medicaid recipients are not eligible to apply for the new drug card. However, if a person possesses a drug card and then attains Medicaid eligibility, they may retain the card and should continue to use the benefit to offset Medicaid costs. No changes to the third party subsystem are planned. The pharmacy does not submit a Medicare claim, but rather the drug is offered at a discounted price. When billing Medicaid, the pharmacist will be instructed to complete the "amount charged" field with the Medicare discounted drug price. The pharmacist can then bill Medicaid for any balance up to the Medicaid rate for that drug.
3. Individuals with income under 135% of the FPL will be eligible for transitional assistance. For these individuals, up to \$600 in credit per year will be provided in conjunction with the discount card to help purchase prescription drugs. These enrollees with incomes <135% FPL would be required to pay 10% coinsurance on each prescription; or 5% in cases of those <100% of FPL. Medicare will pay the enrollment fees for those who qualify for the \$600 subsidy. Pharmacists will be instructed

to use any available credit prior to billing Medicaid for the balance. For these individuals, the pharmacy should only bill Medicaid the required 5% to 10% coinsurance until the \$600 subsidy has been exhausted.

4. The \$600 transitional assistance included in the Medicare prescription drug card program will not count toward meeting a spenddown for Medicaid eligibility. The \$600 credit consists entirely of federal funds, which, by law, cannot be counted toward a spenddown. Actual out-of-pocket expenses paid by the individual can be used to meet the spenddown.

The Elderly Pharmaceutical Insurance Coverage (EPIC) Program recently sent a letter to low income EPIC enrollees, informing them that they will be automatically enrolled in the Medicare-approved discount drug card being offered by First Health Services, which is endorsed by EPIC. By using this card, enrollees will have their annual EPIC enrollment fee waived. Also, in most cases the EPIC co-payments will be lower when they purchase prescriptions using the \$600 Medicare credit offered to low income individuals. Spenddown recipients in EPIC who meet their spenddown through EPIC payments may want to decline enrollment in the EPIC Medicare Discount Drug Card. If they decide that they do not want to join the EPIC/Medicare discount drug card, they should notify EPIC in writing, as soon as possible. Joining any other Medicare discount drug card may also affect their spenddown.

Additional information regarding the Discount Drug Card Program is available at <http://www.cms.hhs.gov/partnerships/tools/materials/MMA/default.asp>. This website introduces the reader to the State Outreach Toolkit for Medicare which provides information on the drug discount card and Transitional Assistance Program, approval of drug card sponsors, overview of the new benefits in Medicare, and related materials.

Local district staff should refer inquiries regarding the drug card to 1-800-MEDICARE (633-4227).