

# GETTING PRESCRIPTION DRUGS

## To Those Who Need Them Most

There are major changes taking place in the way elderly and disabled people pay for prescription drugs. These changes are being ushered in by the new Medicare law, which, if it lives up to its promise, will be incredibly helpful to some of the most vulnerable members of our society. What are the details of the new law? How many people will it affect? How will low-income people be assisted? What are the implementation challenges? How are they being addressed by the federal government? What can grantmakers do to help?

### DETAILS OF THE MEDICARE LAW

The new Medicare law has two key components: a temporary program that allows beneficiaries to receive discount prices on their prescriptions at retail pharmacies, and a comprehensive prescription drug benefit, which will begin in January 2006. The temporary prescription drug discount card program began in June 2004 and will end December 31, 2005. The discount card does not constitute a comprehensive drug benefit; it is a voluntary program designed to be a first step toward improved access to obtaining prescription drugs by lowering costs for beneficiaries during 2004 and 2005. The Medicare-approved cards require annual premiums of about \$35 and provide discounts of 16 to 30 percent off of retail drug prices.

Additional assistance is available for low-income beneficiaries, who can apply to have the annual discount card premium waived and receive a \$600 credit toward their prescriptions each year. The Centers for Medicare & Medicaid Services (CMS) estimates that just over 7 million of Medicare's 41 million beneficiaries will sign up for the drug card program, and that more than 4 million of the program's 7 million low-income beneficiaries will receive the \$600 subsidy (Kaiser Commission on Medicaid and the Uninsured 2004).

On January 1, 2006, Medicare's new prescription drug benefit will begin. To access the new benefit, beneficiaries can choose to remain in the traditional Medicare program and enroll in a private prescription drug plan, or they can enroll in a Medicare Advantage health plan that covers prescription drugs. Medicare beneficiaries will be required to pay an annual premium, as well as meet annual deductible and cost-sharing requirements.

Under the new benefit, assistance will be available for qualified low-income beneficiaries, including individuals with both Medicare and Medicaid coverage (referred to as dual eligibles), who will no longer receive drug coverage through their state

Medicaid plan. Institutionalized dual eligibles will have no cost sharing and pay no premiums for their drug coverage. Dual eligibles who are not institutionalized and whose income does not exceed the federal poverty level (FPL) will not pay the deductible, but will have nominal copayments of \$1 for generic and \$3 for brand-name drugs. Dual eligibles with incomes above the FPL will have higher drug copayments. Those with incomes up to 150 percent of the FPL and assets of no more than \$10,000 for an individual will be eligible for subsidized premiums based on a sliding scale, as well as a lower annual deductible of \$50 (Alliance for Health Reform 2004).

The impact of the new law on the low-income population is expected to be enormous. The Congressional Budget Office estimates that 14 million low-income beneficiaries will be eligible for assistance, 6 million of whom have been receiving drug coverage through Medicaid and over half of whom will become newly eligible for drug coverage (Moon 2004). It has been estimated that in 2006 nearly 9 million low-income Medicare beneficiaries will pay, on average, 83 percent (or \$584) less for prescription drugs than they would without the new law (Actuarial Research Corporation 2004).

### POTENTIAL CHALLENGES TO IMPLEMENTATION

In many ways, implementation of the discount card program has served as a dress rehearsal for the roll-out of the comprehensive drug benefit in 2006. The prospect of providing 41 million seniors and people with disabilities – and the organizations on which they rely – with clear and consistent information about the new benefit is daunting. Social isolation, low literacy, and cognitive impairments among beneficiaries compound the challenge. Enrollment in the new prescription drug plans is voluntary, leaving some of the most vulnerable members of society – the poor, the elderly, and the disabled – facing complex decisions about whether and how to participate. Because beneficiaries will be locked in to the plan they choose for a year and will face higher premiums for not signing up during the initial enrollment period, making the wrong decision may have unfortunate consequences. Beneficiaries will also have to determine how to coordinate the new benefit with other coverage sources, such as state pharmacy assistance programs and employer coverage.

One concern is that low-income beneficiaries, who make up 45 percent of all Medicare enrollees, will not take full advan-

tage of the temporary prescription drug discount card program or the new prescription drug benefit. CMS has launched a number of efforts to educate low-income beneficiaries about the discount card program, including \$4.6 million in grants to community-based organizations to help educate and enroll low-income beneficiaries (Health Policy Alternatives 2004). Enrollment has been slower than expected, however, with only 1.5 million low-income beneficiaries signed up for the program thus far, demonstrating the continuing need for sustained outreach activities (Kaiser Daily Health Policy Report 2004).

### OPPORTUNITIES FOR GRANTMAKERS

There are several ways funders can help low-income people on Medicare get the assistance promised by the new law. Grantmakers are building coalitions to guide comprehensive, statewide efforts. In Illinois, the Michael Reese Health Trust and The Retirement Research Foundation made a three-year, \$1.5 million commitment to Health & Disability Advocates to launch the *Make Medicare Work Coalition*. Its goal is to maximize enrollment in the prescription drug benefit program, ensure enrollees receive the maximum benefit, and partner with state policymakers to preserve existing safety-net programs. The coalition will include service providers, government agencies, consumers, community-based organizations, and business.

Foundations are employing strategies to raise public awareness of the new benefit, including education campaigns and customized one-on-one assistance. The Retirement Research Foundation has also made a two-year grant of over \$200,000 to support the Public Action Foundation's *Medicare Prescription Drugs Advocacy and Education Campaign*. This statewide effort will provide Illinois seniors with the knowledge needed to compare existing state health care programs with the new Medicare drug program; recruit senior volunteers as future advocates for changes in the law and regulations; educate state health care administrators on the concerns older adults have about the new law; and educate the media, community organizations, service providers, and others reaching out to beneficiaries to inform them of how state and federal prescription drug programs work. The Nathan Cummings Foundation made a \$100,000 award to the Washington, DC-based USAction Education Fund to support the *Medicare Education Project*, which will enable senior citizens and people with disabilities in five states to assess how the new Medicare law will affect them and their states' health care programs. Working with partner organizations in Arizona, Iowa, Florida, Illinois, and Pennsylvania, the project will organize multiple educational events at senior centers, retirement communities, and other appropriate venues. The project will provide training to a corps of older volunteers in each state who will lead these events. Educational materials will include a confidential calculator that allows people to enter their current spending and see how the new law will affect them. And the FISA Foundation made a \$70,000 grant to the Pennsylvania Health Law Project to promote access to prescription drug coverage for beneficiaries with physical and/or sensory disabilities by educating them about their new choices under the new Medicare law.

Direct support to supplement the discount drug program is another option for foundations. The Merck Company Foundation established a new program to provide its medicines free for low-income Medicare beneficiaries with drug discount cards. Through the program, Merck will provide its medicines free to a beneficiary's discount card plan once the cardholder has exhausted the \$600 credit. The Health Foundation of Greater Cincinnati supports *MedShare*, a program providing low-cost prescription drugs for indigent patients at 45 sites in Ohio and Kentucky. The foundation has successfully arranged to have federally qualified health center prices apply to the prescriptions that low-income Medicare beneficiaries buy with their \$600 credit, helping indigent patients to get more medications for their allotted funds.

Tracking and analyzing implementation of the new Medicare law can provide policymakers, regulators, and others with a better sense of how to best reach beneficiaries and their need for additional assistance. The United Hospital Fund, for example, made a \$75,000 grant to New Yorkers for Accessible Health Coverage to analyze the implications of the Medicare legislation on pharmaceutical coverage in New York State, identify best strategies for expansion of the state's drug program for seniors and transition with the new Medicare benefits, and investigate the options for enhancing pharmaceutical access for nonelderly disabled individuals.

With another year of transitional assistance available through the drug discount card program and the 2006 start of the new prescription drug benefit looming, reaching the nation's Medicare beneficiaries will be a challenge for both the public and private sectors. Because of their vast knowledge of local stakeholders and ability to be nimble and innovative funders, grantmakers are well positioned to have an impact on this mammoth undertaking.

### SOURCES

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