

The Affordable Care Act Closing the Medicare Coverage Gap

NMEP MEETING
July 20, 2010



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Coverage Gap Defined

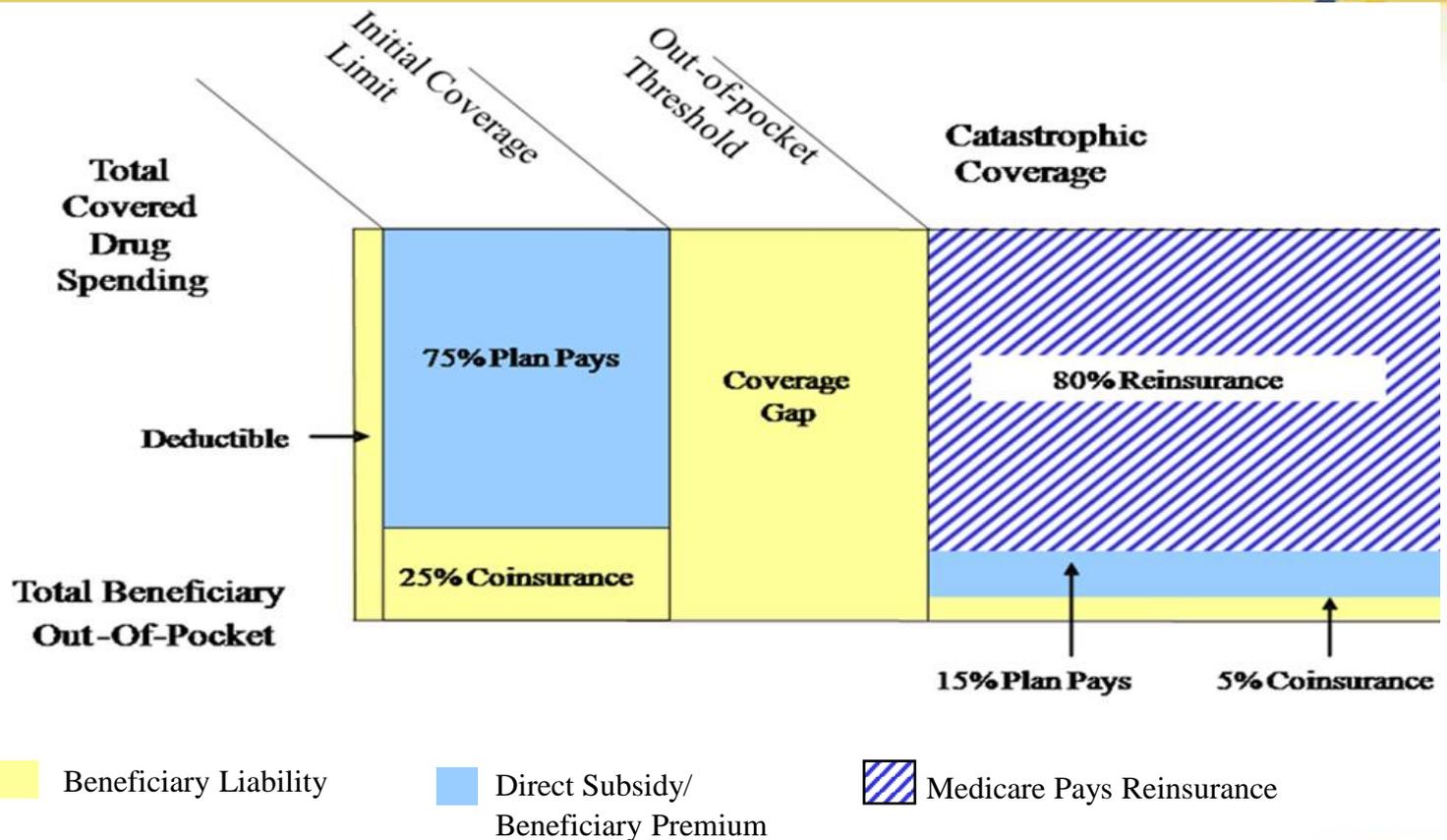
What is the Coverage Gap?

Through 2010 beneficiaries have had to pay 100% of covered drug costs in between 2 phases of the drug benefit where the health plan and Medicare paid a portion of the costs.

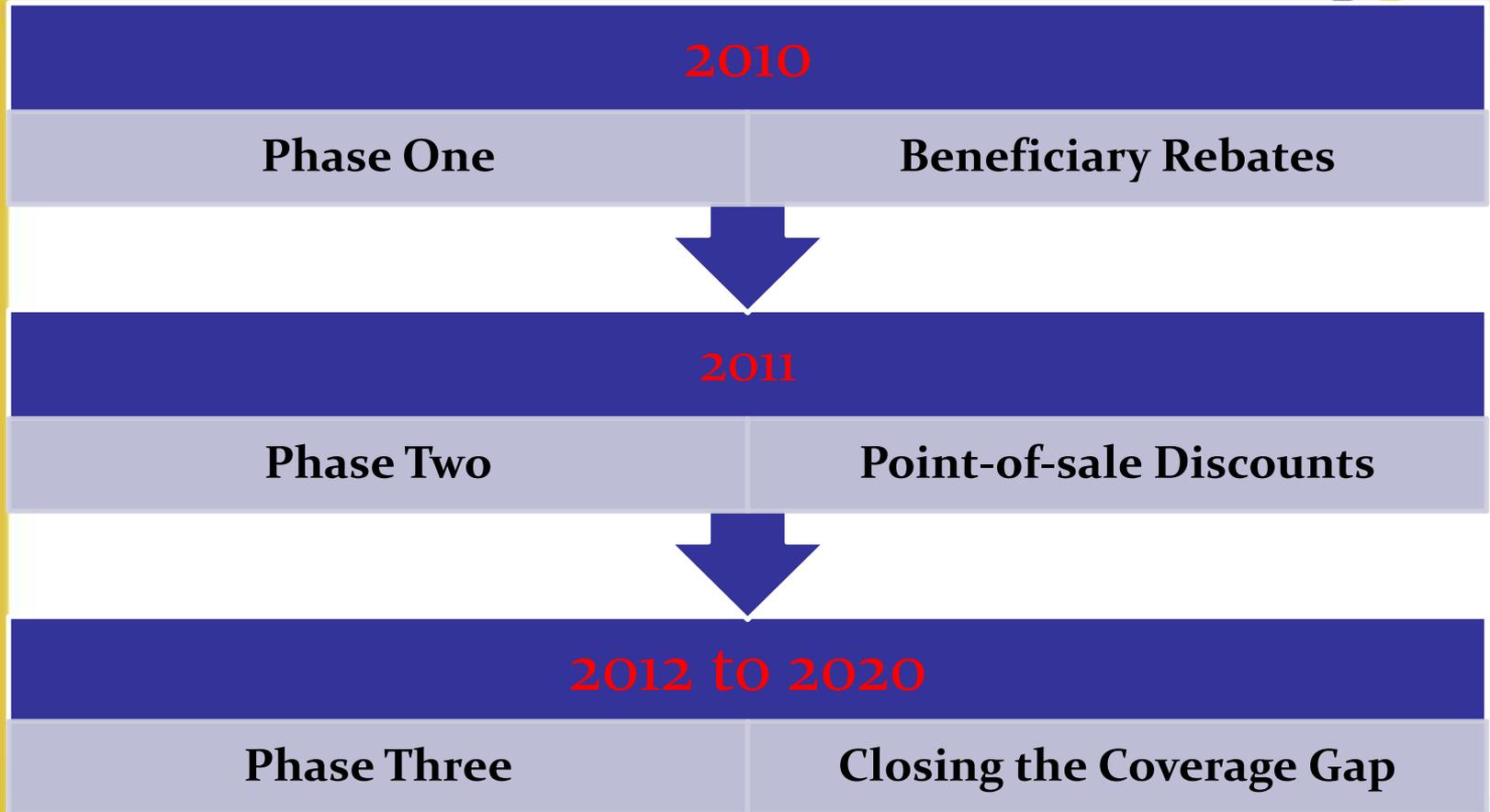
Beginning in 2011, the term “coverage gap” will mean the phase of the Part D benefit between the Initial Coverage Limit (ICL) and the Catastrophic Threshold

For example, in the 2011 standard benefit, the ICL will begin after total spending reaches \$2,840 and will continue until the beneficiary’s out-of-pocket expenditures reach \$4,550

Example, Standard Benefit 2010



Affordable Care Act (ACA) Closing the Coverage Gap

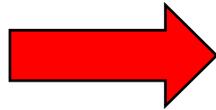


Phase 1, 2010 - Beneficiary Rebate

- Beneficiaries who reach the gap receive a one time **\$250** rebate check
- Checks are based on data produced by plan sponsor and sent to CMS
- Payments issued within 75 days of the quarter in which they hit the gap
- Explanatory letter from Secretary Sebelius is included with the check

2010 - Beneficiary Rebate (cont'd)

Payment Update



June: \approx 81,000 sent June 10
July : \approx 350,500 prepared for mailing
August: \approx 692,000 estimated
Monthly payments to continue through mid 2011

2010 - Beneficiary Rebate (cont'd)

Health Plans poised to address common concerns:

- Rebate check not received due to an address change
- Rebate check not received due to late, or yet-to-be submitted records from the plan to CMS
- Questions about reaching the gap; or
- The beneficiary believes they have reached the coverage gap, but has not received a check

2010 Beneficiary Rebate (cont'd)

1-800 Medicare

Scripts to help beneficiaries set expectations and identify true problems

If rebate is due, the sponsor has submitted all data to CMS, and the correct beneficiary address is on file with SSA, the beneficiary should wait four months after reaching the coverage gap to contact 1-800-Medicare

2010 Beneficiary Rebate (cont'd)

Status:

- First phase of ACA strategy well under way
- Rebate checks are on track
- Part D sponsors field any questions
- 1-800 Medicare prepared to assist beneficiaries as well
- Few beneficiary problems reported

Phase 2, 2011 - Point-of-sale Discounts

Beginning January 2011, seniors who fall in the coverage gap will receive up to a **50%** discount when buying Medicare Part D covered brand-name drugs

The dollar value of the manufacturer discount counts towards the beneficiary's out-of-pocket costs

2011 - Point-of-sale Discounts (cont'd)

Process designed to be seamless to beneficiaries

- Plans issued guidance to begin programming
- CMS working cooperatively with manufacturers to develop model agreement
- Third party administrator to coordinate data behind the scenes

2011 - Point-of-sale Discounts (cont'd)

Inherent Complexity

- Requires real-time adjudication of claims
 - eligibility,
 - drug costs (negotiated prices, dispensing fees),
 - formulary status,
 - benefit stage,
 - cost sharing
 - portion which falls in coverage gap

2011 - Point-of-sale Discounts (cont'd)

- Beneficiaries' Explanation of Benefits (EOB's) will include detail of payment calculations
- Plan sponsor will be prepared to answer questions about claims
- Education of beneficiary advocates will be important factor

2011 - Point-of-sale Discounts (cont'd)

Status:

- Industry has voiced support for discount program
- Manufacturer model agreement near completion
- Beneficiary and advocate information strategy now needs to be developed; initial input suggests two levels of educational materials needed – possibly three, for pharmacists
- Discounts to be operational January, 2011

Phase 3, 2011 to 2020

Closing the Donut Hole

- ACA calls for seniors to receive additional savings on brand-name and generic drugs until the donut hole is “completely closed” in 2020
- Ultimately beneficiaries will be responsible for only 25% coinsurance payments rather than paying 100% of the costs as they did prior to ACA.

2011 to 2020 Closing the Donut Hole (cont'd)

Brand Name Drugs

2009 – Beneficiary pays 100%

2010 – Beneficiary pays 100% (receives \$250 rebate for being in coverage gap)

2011 – Beneficiary pays up to \approx 50%

2013 to 2020 – Medicare gradually decreases beneficiary's cost sharing until payment is:

50% Mfr Discount	25% Medicare	25% Beneficiary
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2011 to 2020 Closing the Donut Hole (cont'd)

Generic Drugs

2009 – Beneficiary pays **100%**

2010 – Beneficiary pays **100%** (receives **\$250** rebate for being in donut hole)

2011 – Beneficiary pays **93%**

2012 to 2020– Medicare gradually decreases beneficiary's cost sharing 7 percentage points per year until coinsurance is **25%**

Medicare /Plan 75%	25% Beneficiary
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2011 to 2020 Closing the Donut Hole (cont'd)

Out of Pocket (OOP) Requirement for Catastrophic Phase:

When beneficiaries exit the coverage gap and enter the “catastrophic” phase beneficiaries pay $\approx 5\%$ of their covered Rx costs

Currently, the out-of-pocket threshold for beneficiaries to reach the catastrophic phase increases each year

ACA reduces the growth rate of the OOP amount required to enter catastrophic phase beginning in 2014

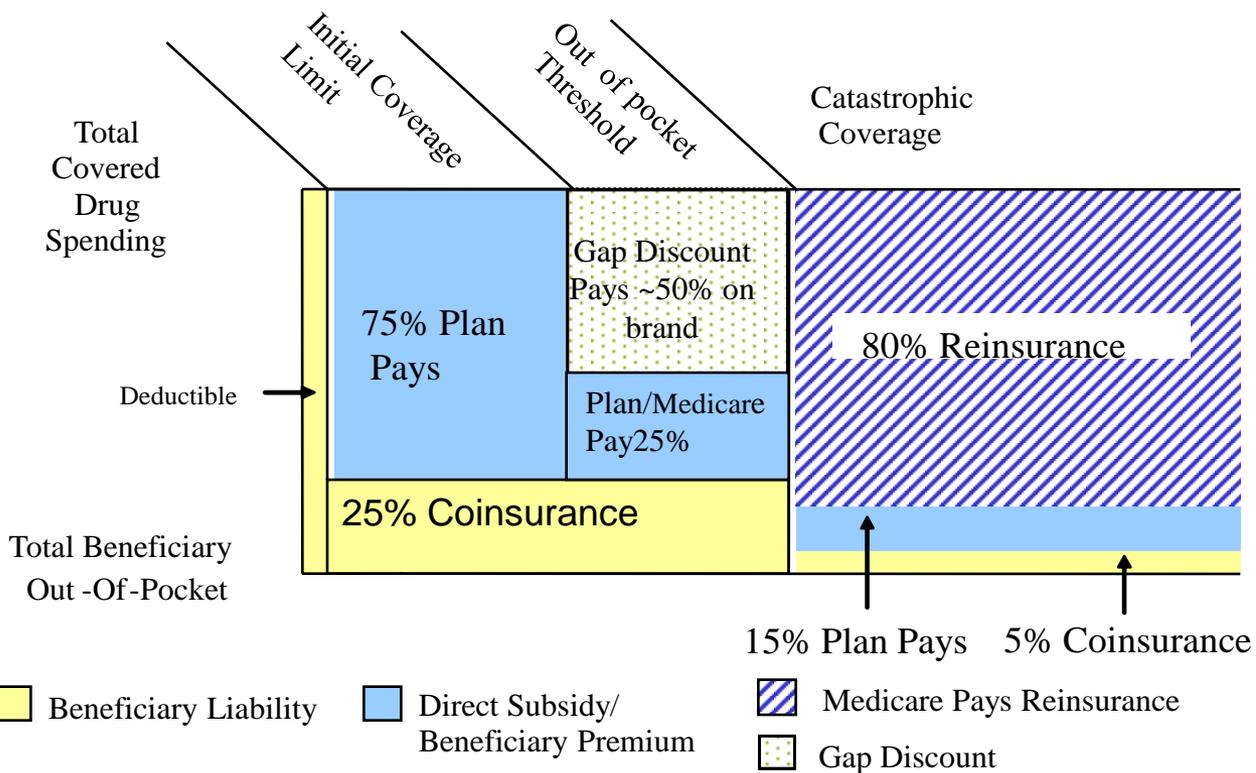
This change will effectively limit the time one spends in the coverage gap



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Defined Standard Benefit 2020



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Thank you for your time

- Questions?

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