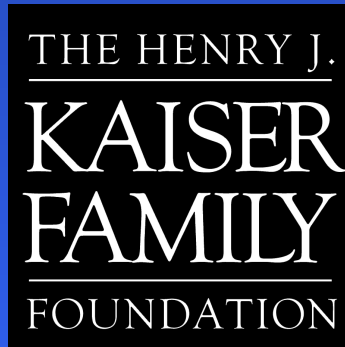


The MMA: On the Road to Implementation

**Drew Altman, Ph.D.
President & CEO
Henry J. Kaiser Family Foundation**

**National Academy of Social Insurance
January 27, 2005**



Medicare Prescription Drug,
Improvement, and Modernization Act
Implementation Timeline:
June 2004—December 2006 Key Dates

June 2004	Medicare-approved drug discount card use begins; \$600 in transitional assistance available for low-income enrollees for the remainder of 2004
August 3, 2004	Centers for Medicare and Medicaid Services (CMS) publishes proposed rules for Medicare drug benefit and Medicare Advantage (MA) program
October 4, 2004	Deadline for submitting public comments on proposed rules to CMS
Fall 2004	Social Security Administrator issues proposed rules regarding eligibility determinations for low-income subsidies
November 15, 2004	Annual coordinated election period for 2005 discount card program enrollment begins (ends December 31, 2004)

June 2004 Medicare-approved drug discount card use begins; \$600 in transitional assistance available for low-income enrollees for the remainder of 2004	August 3, 2004 CMS publishes proposed rules for Medicare drug benefit & Medicare Advantage pgm	October 4, 2004 Deadline for submitting public comments on proposed rules to CMS	Fall 2004 Social Security Administrator issues proposed rules regarding eligibility determinations for low-income subsidies	November 15-December 31, 2004 Annual coordinated election period for 2005 enrollment in discount card program
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December 2004

U.S. Pharmacopeia submits final model guidelines for prescription drug categories and classes to CMS

December 31, 2004

Deadline for 2003 State Medicaid Statistical Information System reporting to be completed and accepted by CMS

January 1, 2005

- Deadline for CMS to announce prescription drug plan (PDP) and MA regions
- Deadline for CMS to release financing and solvency requirements for plans

Jan. 1-Mar 31, 2005

Low-income beneficiaries enrolling in Medicare discount card program this quarter receive full-year \$600 subsidy for 2005 (subsidy pro-rated for part-year enrollment for remainder of 2005)

February 18, 2005

Deadline for CMS to publish risk-adjustment methodology for determining 2006 payment rates

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Early 2005 CMS publishes final rules for Medicare drug benefit and MA program

April 4, 2005 Deadline for Secretary to publish new risk payment rates for MA plans

June 1, 2005 Deadline for CMS to approve PDP plan applications and MA service area expansions

June 6, 2005 Deadline for submitting PDP and Medicare Advantage-prescription drug (MA-PD) plan bids to CMS

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June 31, 2005 Deadline for CMS to “pre-qualify” bidders from eligible fallback entities for plans starting in 2006

July 1, 2005 States begin accepting applications for Part D low-income subsidies

July 1, 2005 Deadline for CMS to establish requirements and procedures for coordination between Part D plans and state pharmacy assistance programs and other insurers (Medicaid programs, group health plans, Federal Employees Health Benefits Plan, TRICARE [Department of Defense health care program])

Sept 2005 CMS awards bids to PDP and MA-PD plans

September 16—Nov 15, 2005: Medigap issuers send written disclosures to policyholders with prescription drug coverage informing them of their options

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Sept 30, 2005 **Deadline for plan sponsors to submit to CMS attestation of actuarial equivalence**

Sept 30, 2005 **Deadline for plan sponsors to apply for retiree drug subsidy payment for 2006**

Oct 1, 2005 **Deadline for transfer of responsibility for Medicare appeals from Social Security Administration to Department of Health and Human Services**

Oct 15, 2005 **Deadline for CMS to disseminate information comparing available Part D coverage to beneficiaries via mail and 1-800-MEDICARE**

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NOVEMBER 15, 2005- MAY 15, 2006: ANNUAL COORDINATED ELECTION PERIOD FOR 2006 PART D ENROLLMENT FOR ALL BENEFICIARIES

November 15, 2005: Deadline for states and entities offering prescription drug coverage to provide written disclosure to Part D eligible individuals regarding actuarial equivalence

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December 31, 2005:

Medigap insurers prohibited from selling new policies with prescription drug coverage

December 31, 2005:

- Medicare drug discount card program ends
- Medicaid prescription drug coverage ends for "full benefit" dual eligibles

January 1, 2006

- **PART D COVERAGE BEGINS FOR ALL BENEFICIARIES ENROLLED IN PDP or MA-PD**
- Retiree drug subsidy program begins
- States begin making monthly "clawback" payments to federal government for dual eligibles
- Low-income subsidies for Part D coverage begin
- Secretary to implement system for billing and benefit coordination for determining beneficiaries' true out-of-pocket (TrOOP) costs

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Jan 1, 2006—Dec 2007: Moratorium on formation of							

Jan 1, 2006—Dec 2007: Moratorium on formation of new local Medicare preferred provider organizations

Jan 1, 2006

•Part D coverage begins for all beneficiaries enrolled in PDP or MA-PD

•Low-income subsidies for Part D coverage begin
•Retiree drug subsidy program begins
•Secretary to implement system for billing and be coordination for determining benef" true out-of-pocket (TrOOP) costs

•States begin making monthly "clawback" federal government for dual eligibles

Jan 1—June 30, 2006: Open enrollment period for MA eligible individuals (during which they can change plans once)

Oct 15, 2006: Deadline for Sec. to notify states of annual per capita drug payment amts for 2007 ("clawback" for dual eligibles)

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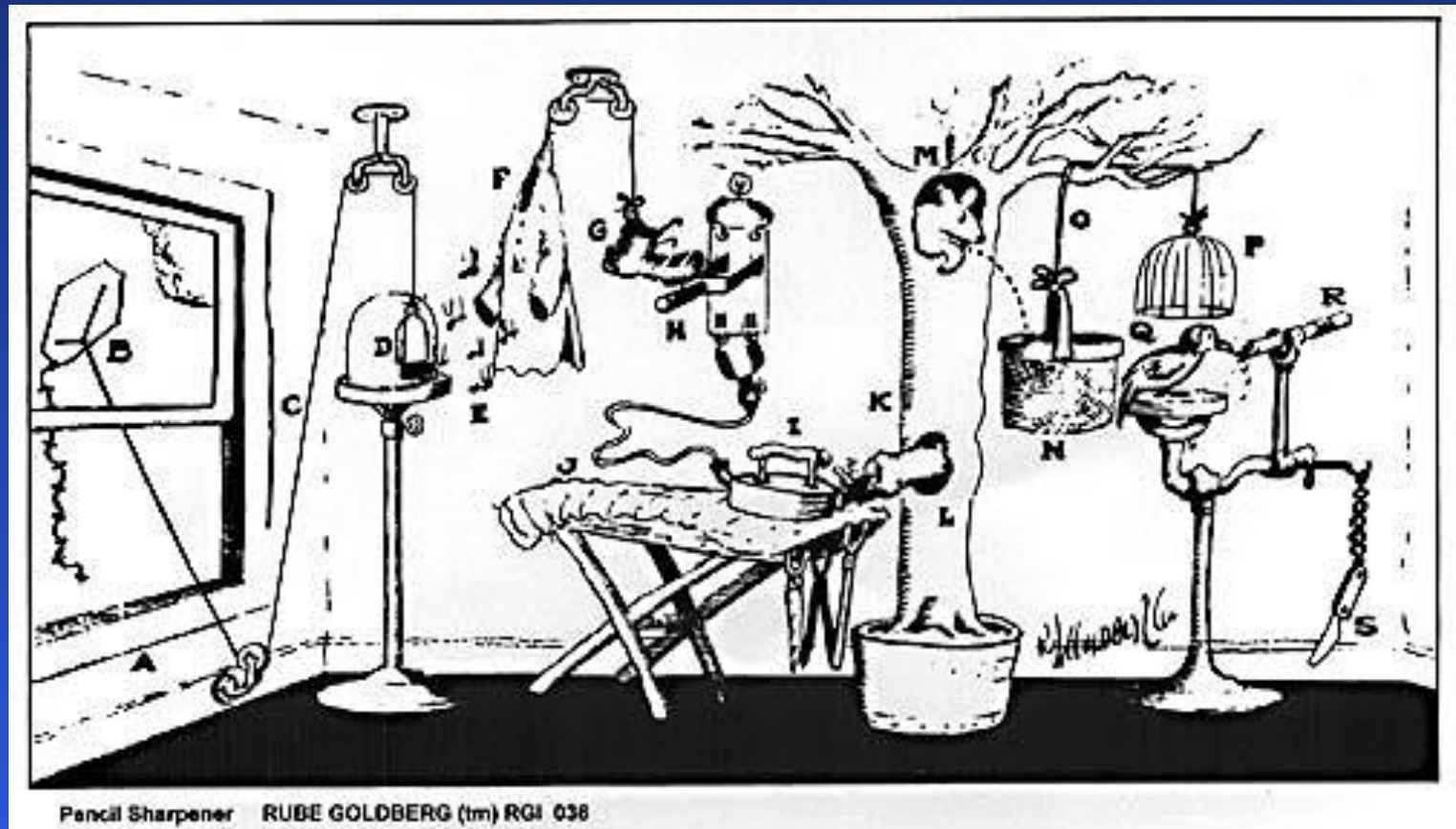
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So, in summary...

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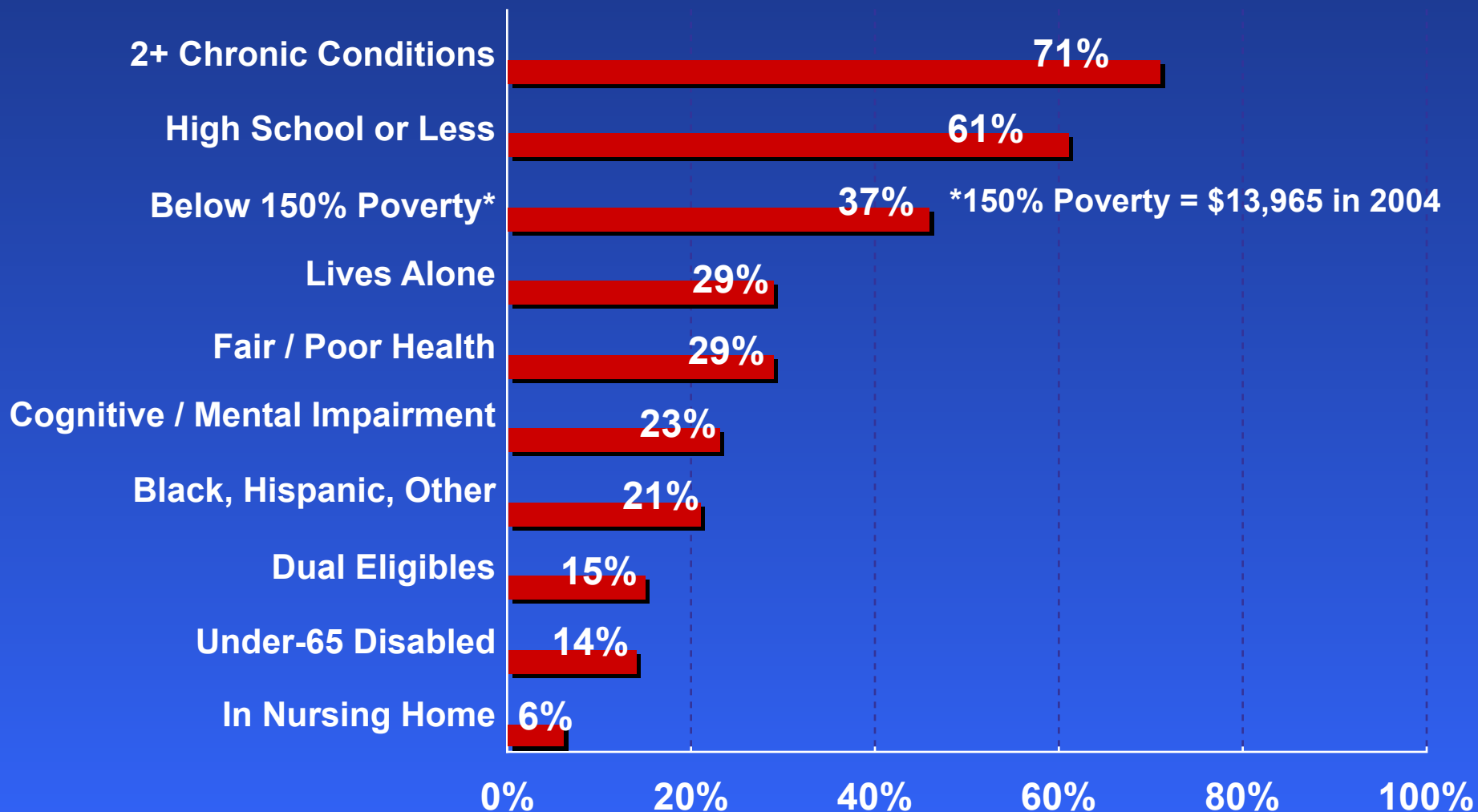
Filler While Drew Talks Some More



Open window (A) and fly kite (B). String (C) lifts small door (D) allowing moths (E) to escape and eat red flannel shirt (F). As weight of shirt becomes less, shoe (G) steps on switch (H) which heats electric iron (I) and burns hole in pants (J). Smoke (K) enters hole in tree (L), smoking out opossum (M) which jumps into basket (N), pulling rope (O) and lifting cage (P), allowing woodpecker (Q) to chew wood from pencil (R), exposing lead. Emergency knife (S) is always handy in case opossum or the woodpecker gets sick and can't work. (Selection of Rube Goldberg cartoon purely coincidental)

Medicare Population Characteristics

Percent of total Medicare population...

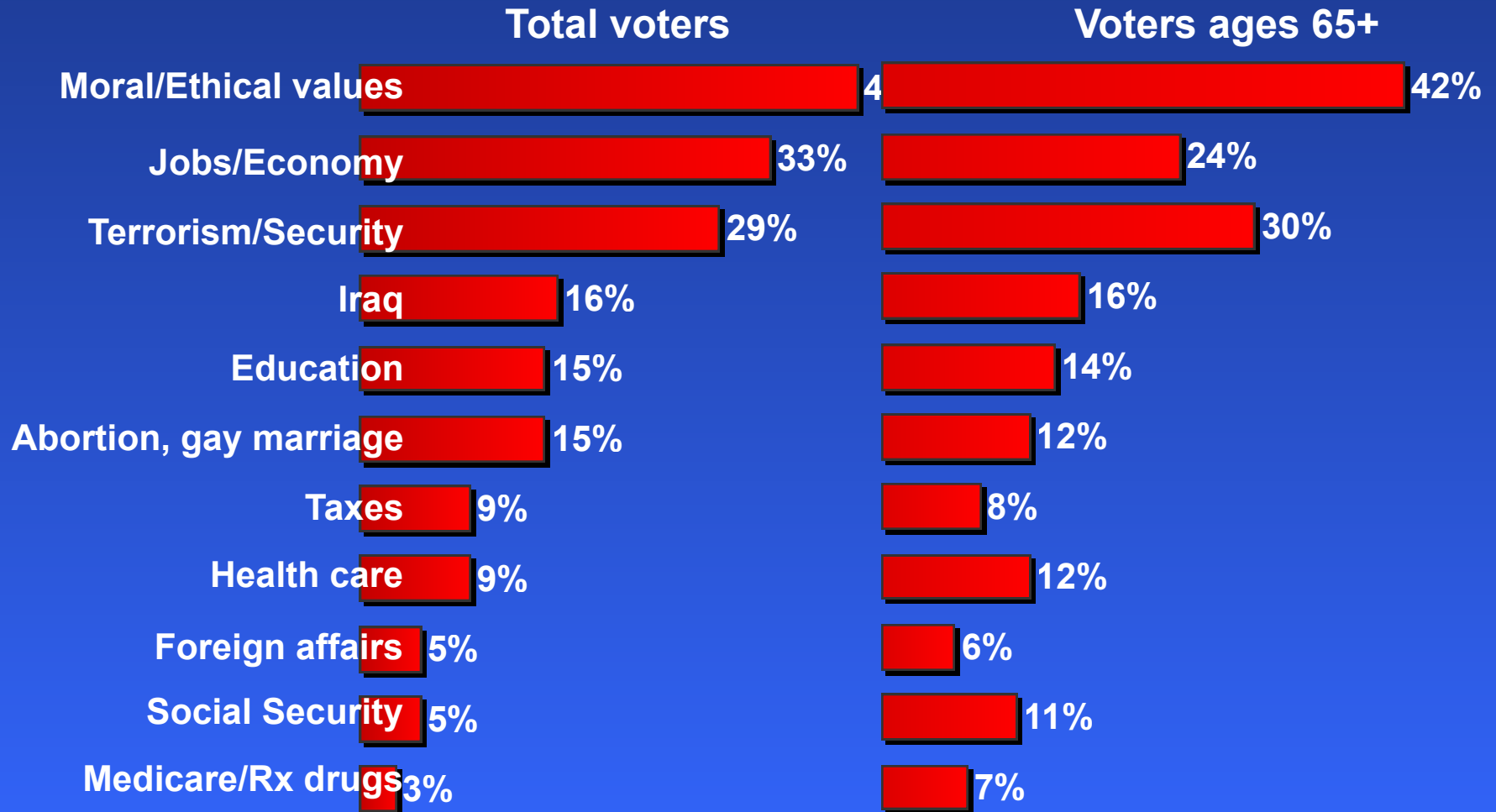


Major Questions Beneficiaries Need to Answer

- Do I Enroll?
- In What?
 - Remain in traditional program and enroll in private “drug coverage only” plan?
 - Leave traditional Medicare, enroll in private managed care plan?
- Which Plan?
 - What will my premiums and cost sharing be?
 - ***Will my drugs be covered?***
- Do I Qualify for the Low-Income Subsidy?
 - Am I a dual?
 - Am I below 100% FPL?
 - Am I below 135% FPL?
 - Am I below 150% FPL?
 - Do I pass the assets test?

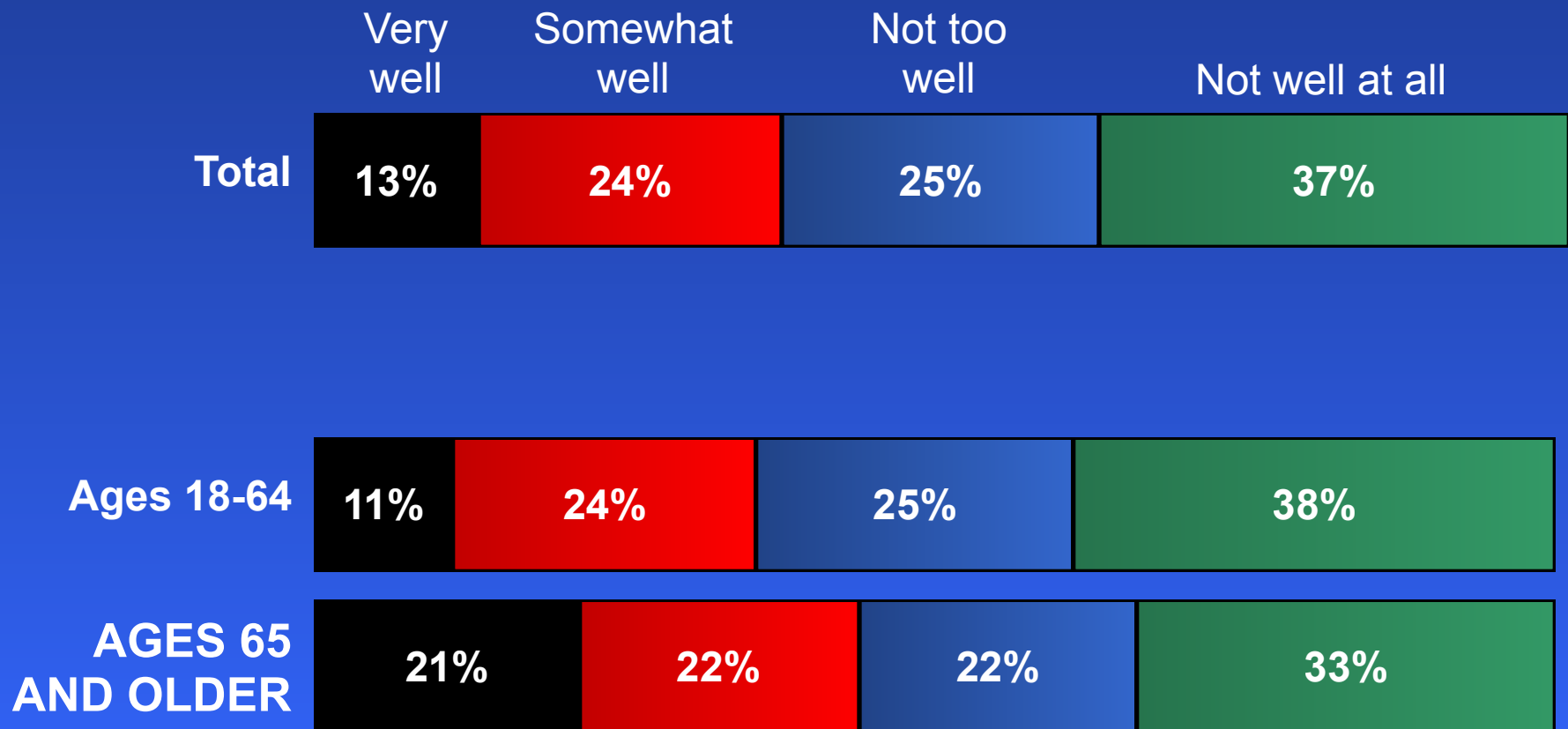
Voting Issues by Age – LA Times Exit Poll

Among voters in the 2004 election, percent who said each of the following was one of the top two issues determining their vote for president...



Do You Understand the New Medicare Law?

As you may know, at the end of 2003, President Bush and the U.S. Congress approved a new Medicare law that includes some coverage of prescription drug costs for seniors. **How well would you say you understand this new law?**

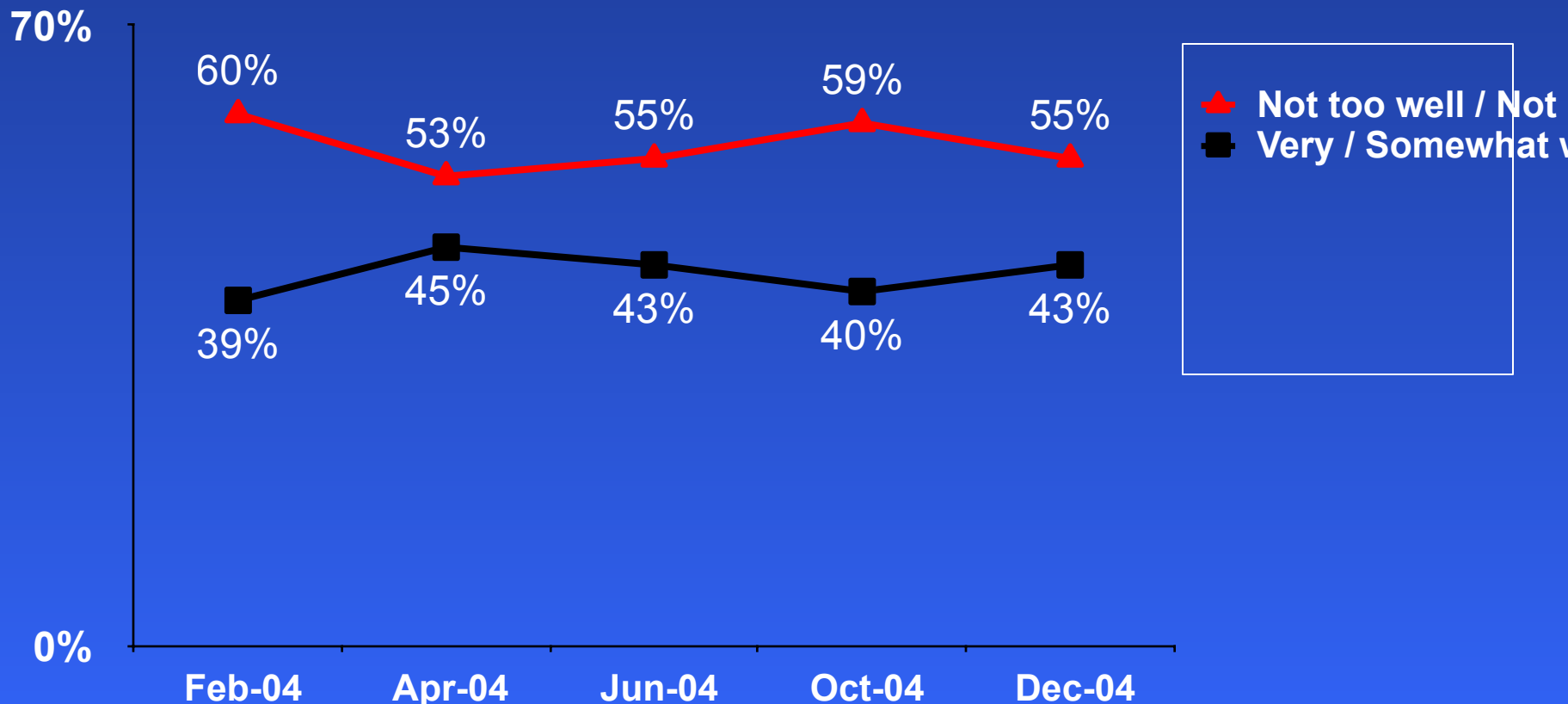


* Don't know responses not shown

Source: Kaiser Family Foundation *Health Poll Report* survey (conducted December 2-5, 2004)

Seniors' Understanding of New Medicare Law - Trend

AMONG SENIORS: As you may know, at the end of 2003, President Bush and the U.S. Congress approved a new Medicare law that includes some coverage of prescription drug costs for seniors. **How well would you say you understand this new law?**

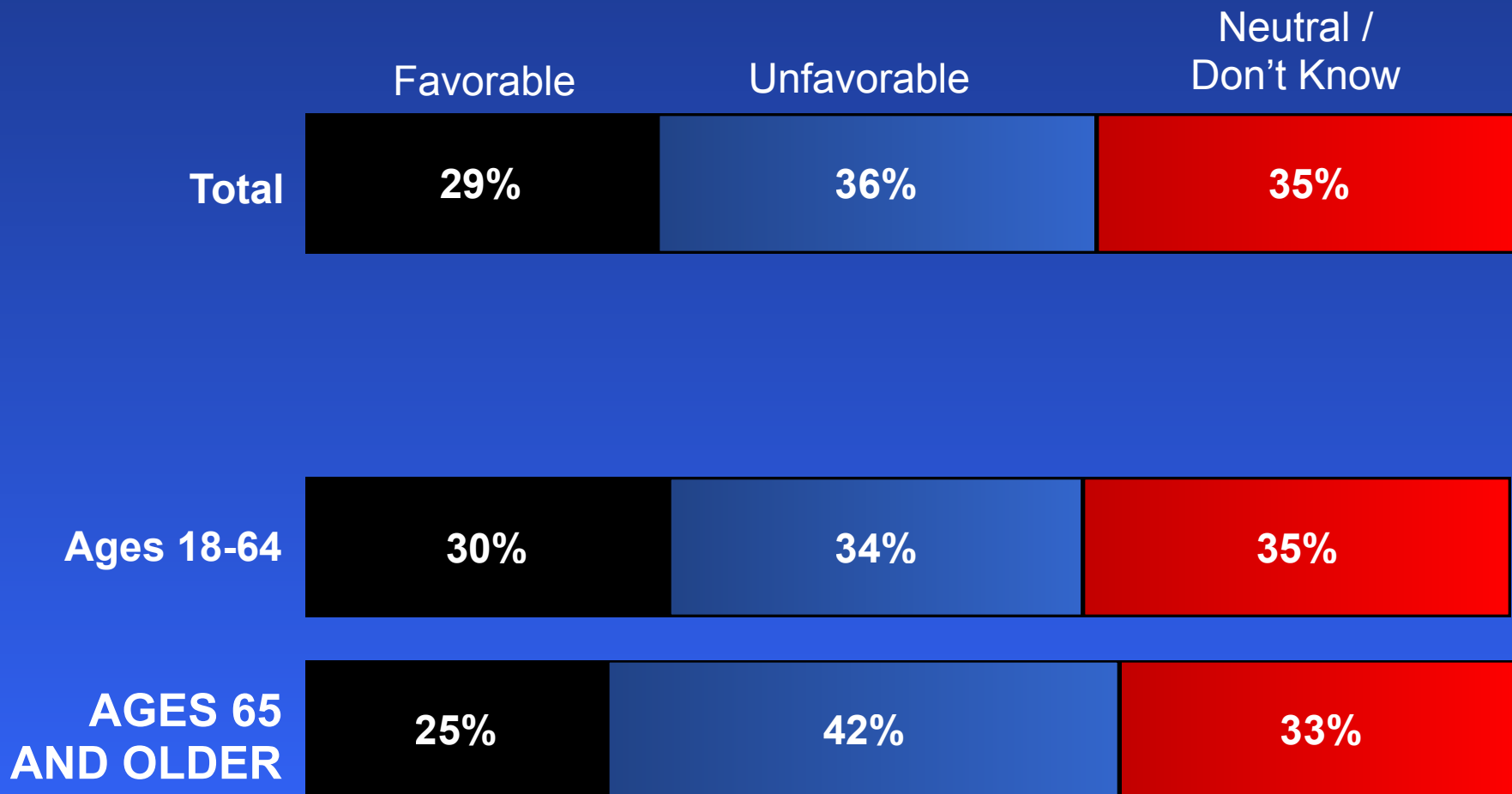


* Don't know responses not shown

Source: Kaiser Family Foundation surveys

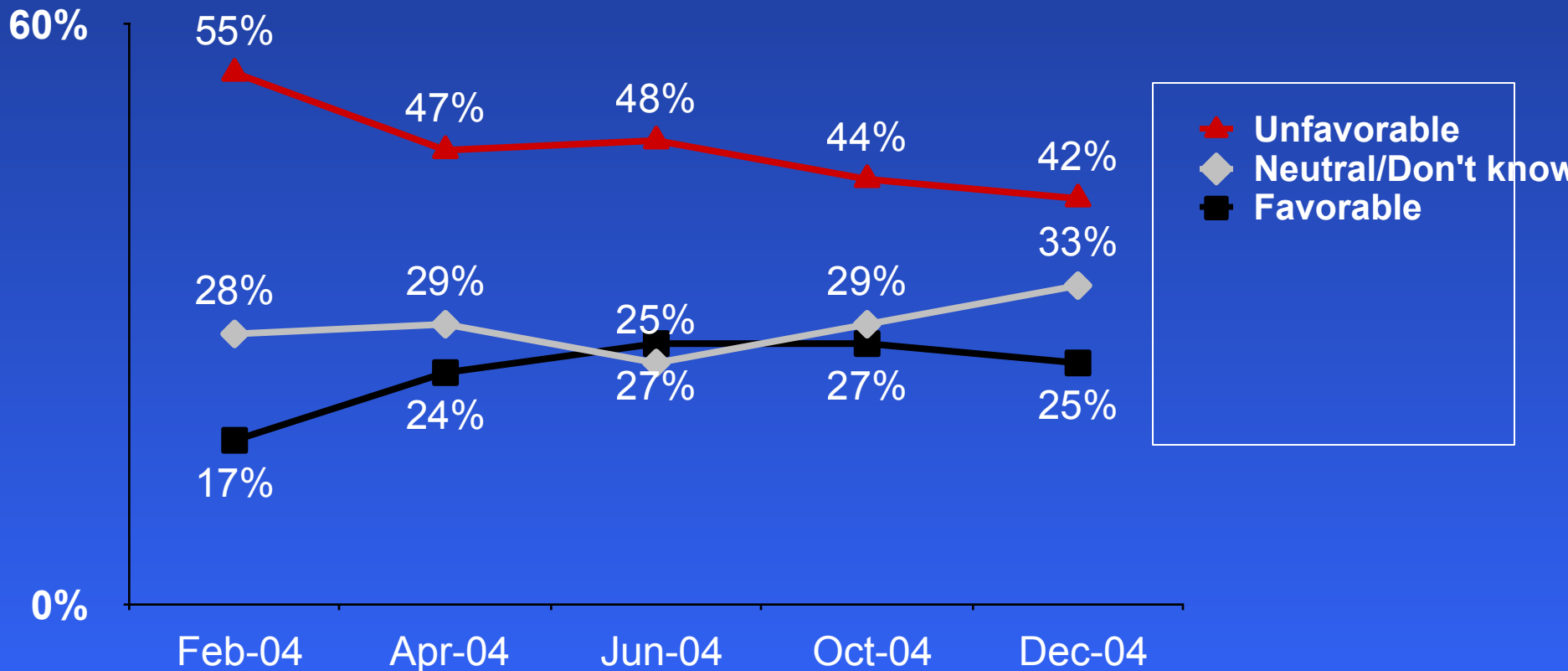
Impressions of New Medicare Law

Given what you know about it, in general, **do you have a favorable or unfavorable impression of the new Medicare law?**



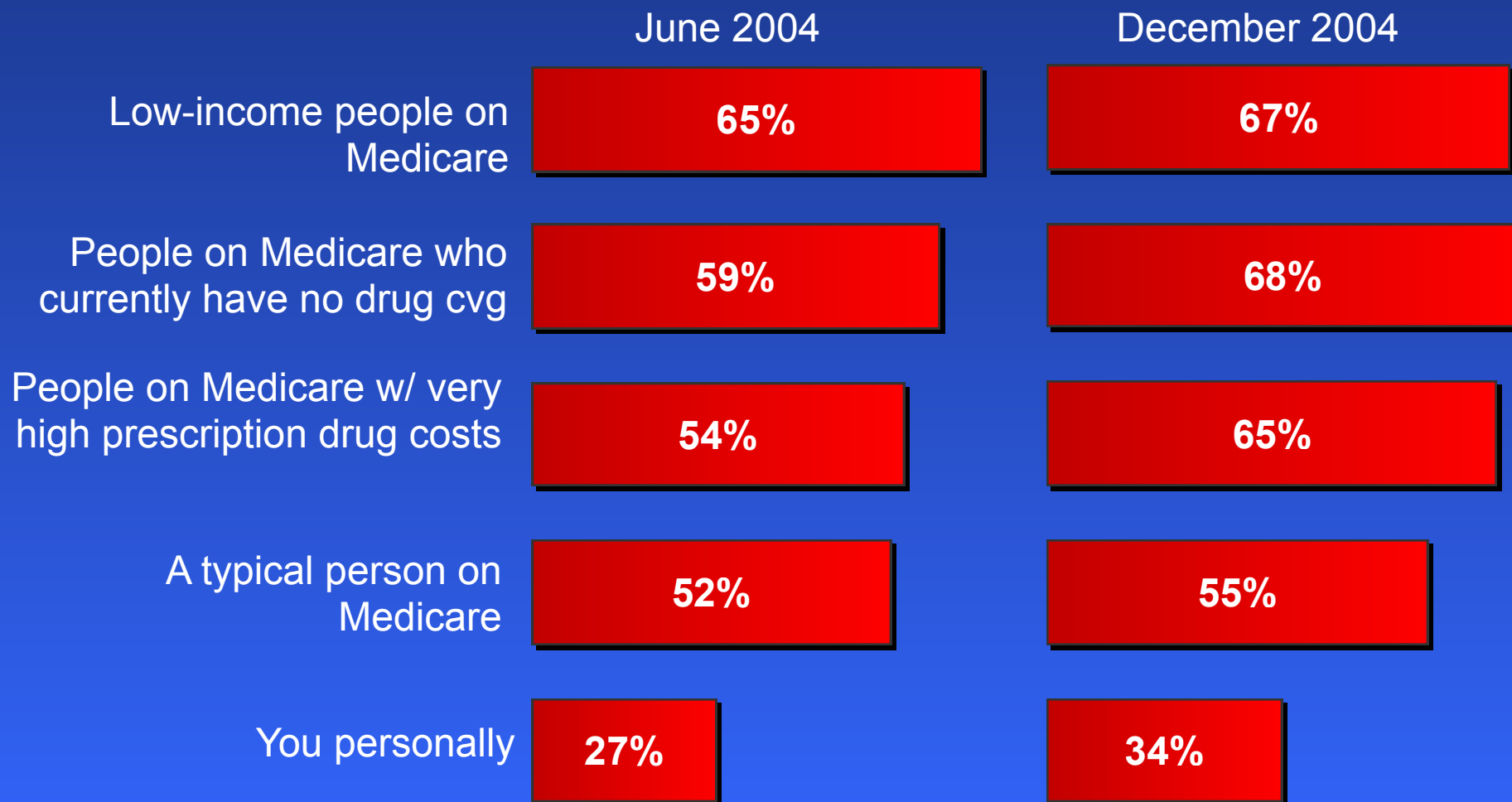
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Perceived Helpfulness of New Medicare Law

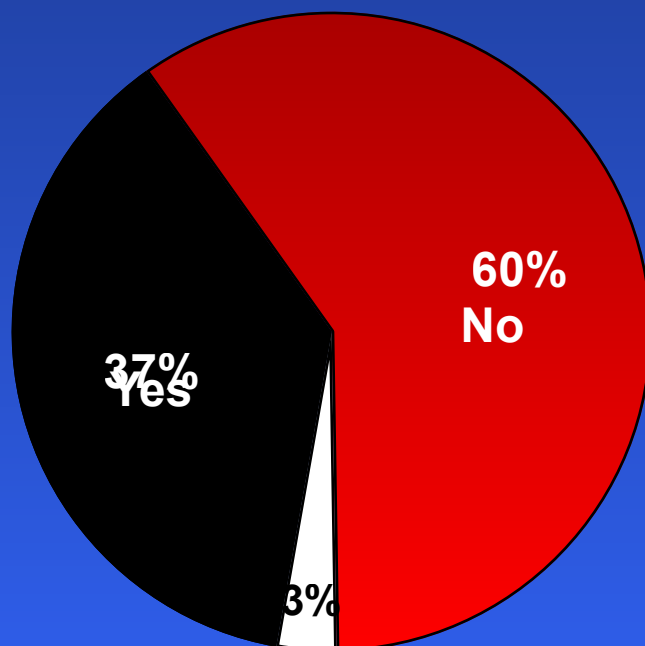
AMONG SENIORS: Percent saying the new Medicare law will be very or somewhat helpful for...



How Will it Affect Me?

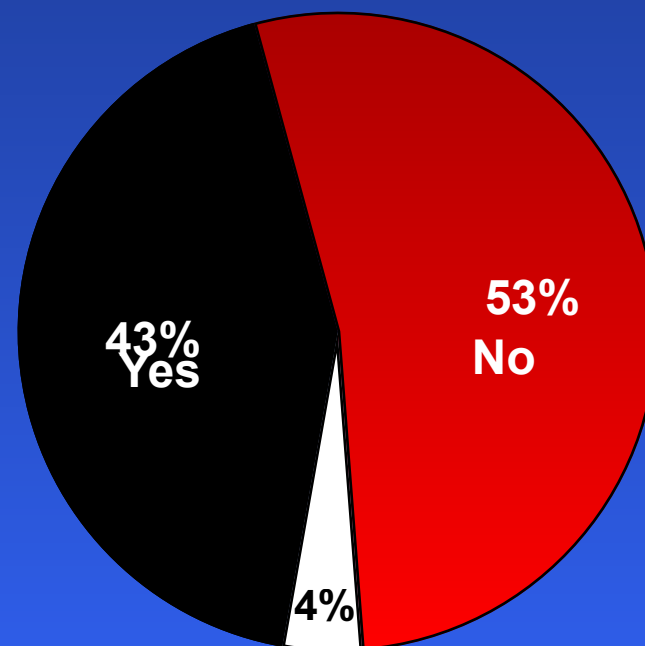
AMONG SENIORS: Do you feel you have enough information about the law to understand **how it will impact you personally, or not?**

June 2004



Don't know/
Refused

December 2004

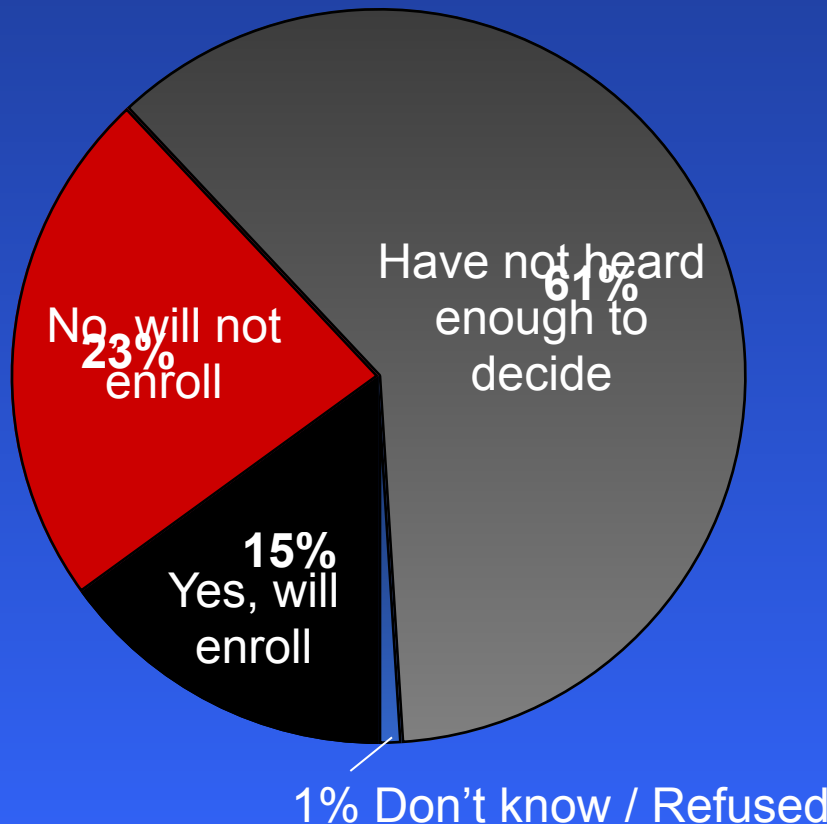


Don't know/
Refused

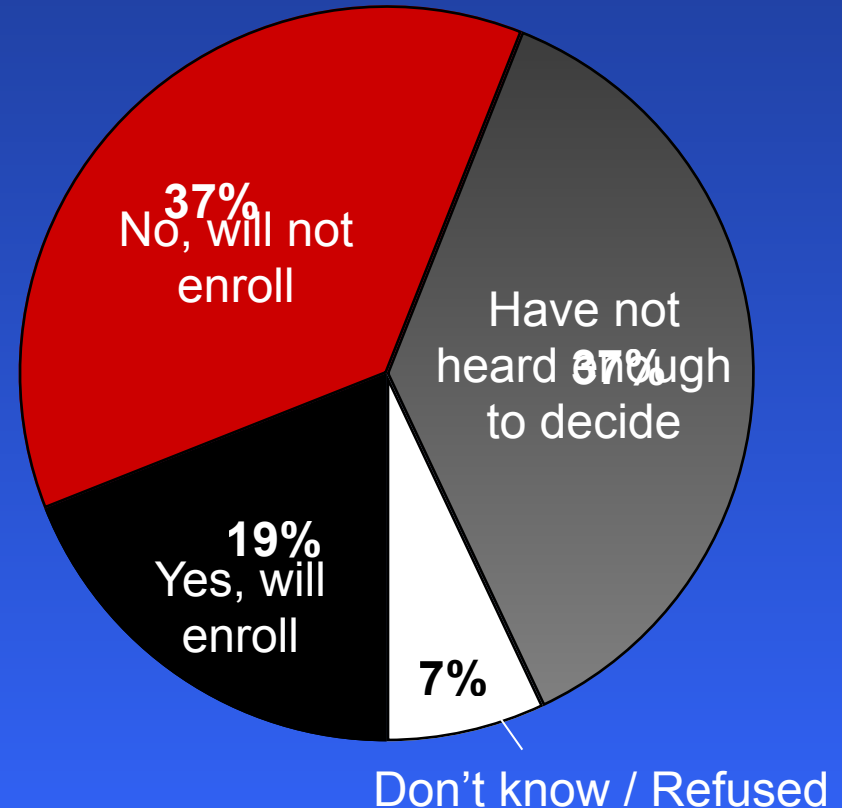
Reported Plans for Enrollment in 2006 Benefit

AMONG SENIORS: Thinking ahead to 2006 – when the new Medicare drug benefit becomes available – do you think you will enroll in a Medicare drug plan, you will not enroll in a Medicare drug plan, or have you not yet heard enough to decide?

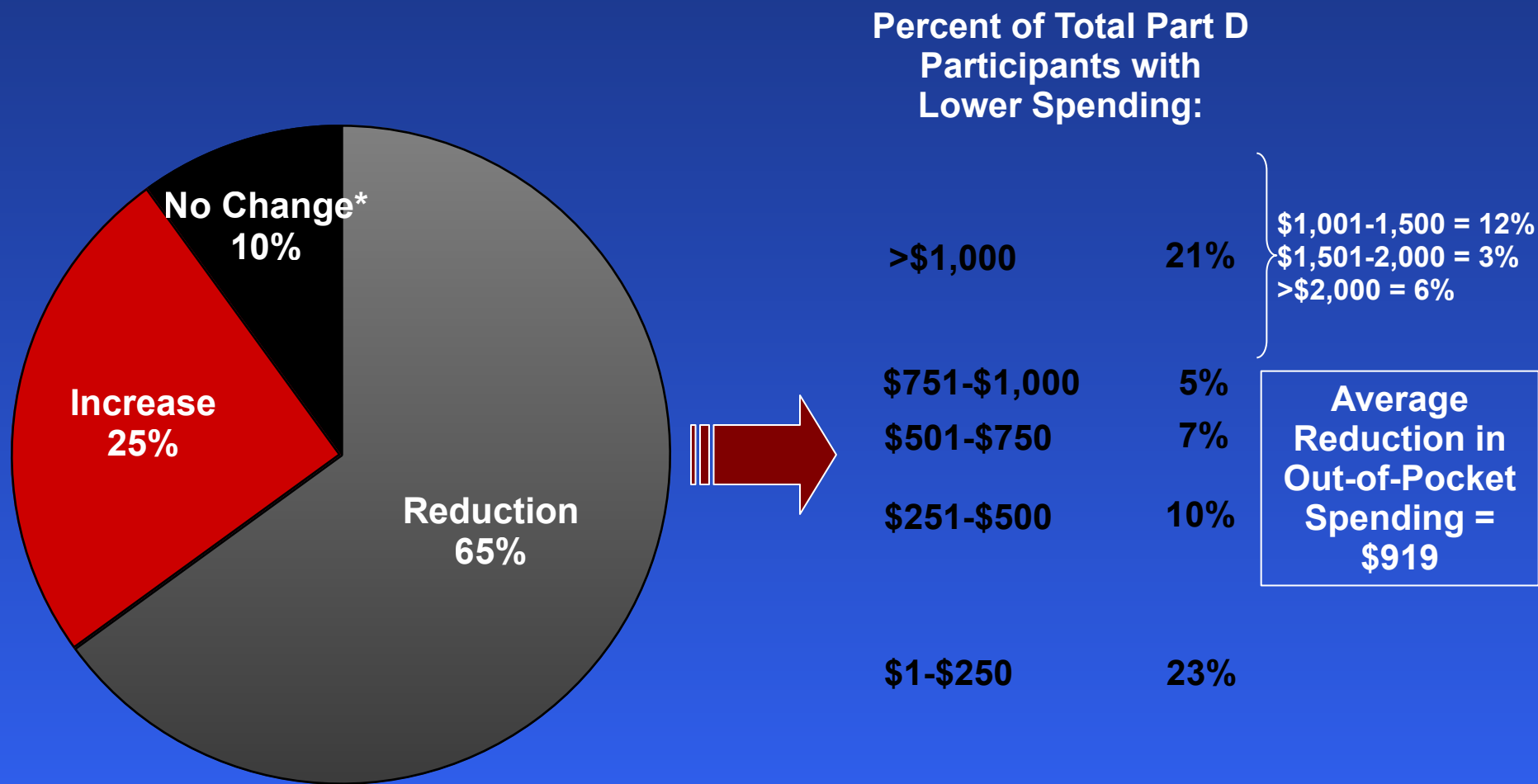
June 2004



December 2004



Distribution of Part D Participants with a Reduction in Projected Out-of-Pocket Prescription Drug Spending Under the MMA, 2006



Total = 29 Million Part D Participants

*Part D participants with no change in out-of-pocket spending have \$0 total spending.
 Note: Estimates exclude premiums and assume no supplementation of Part D coverage.
 SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, November 2004.

Distribution of Part D Participants with an Increase in Projected Out-of-Pocket Prescription Drug Spending Under the MMA, in 2006

Percent of Total Part D
Participants with
Higher Spending:

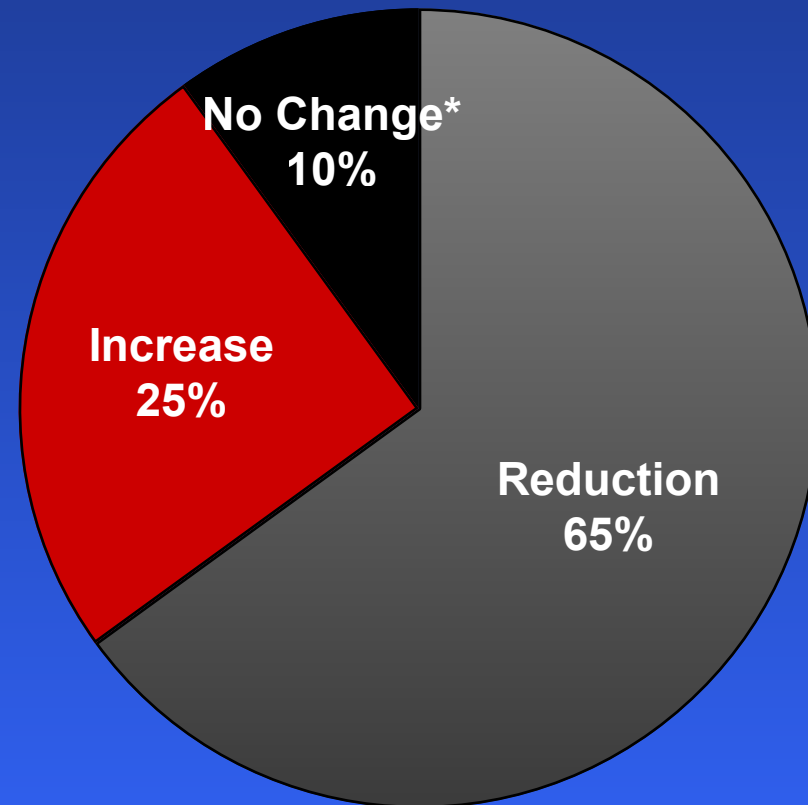
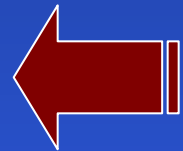
Average
Increase in
Out-of-Pocket
Spending =
\$492

>\$1,000 4%

\$251-\$1,000 4%

\$51-\$250 7%

\$1-\$50 10%



Total = 29 Million Part D Participants

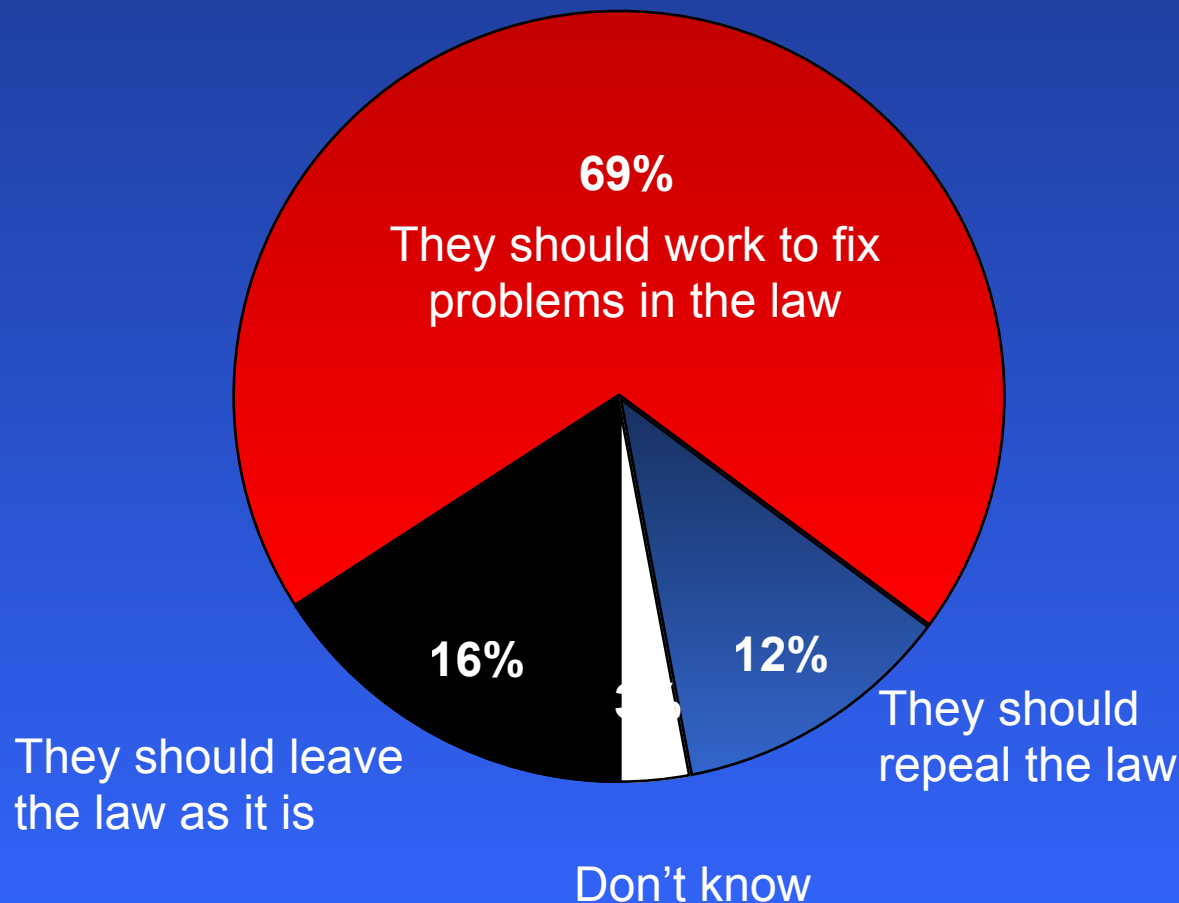
*Part D participants with no change in out-of-pocket spending have \$0 total spending.

Note: Estimates exclude premiums and assume no supplementation of Part D coverage.

SOURCE: Actuarial Research Corporation analysis for the Kaiser Family Foundation, November 2004.

Seniors Opinions About What Lawmakers Should Do With The New Medicare Law

AMONG THOSE AGES 65 AND OLDER: Which of the following comes closest to your view of what lawmakers in Washington should do with the new Medicare law?



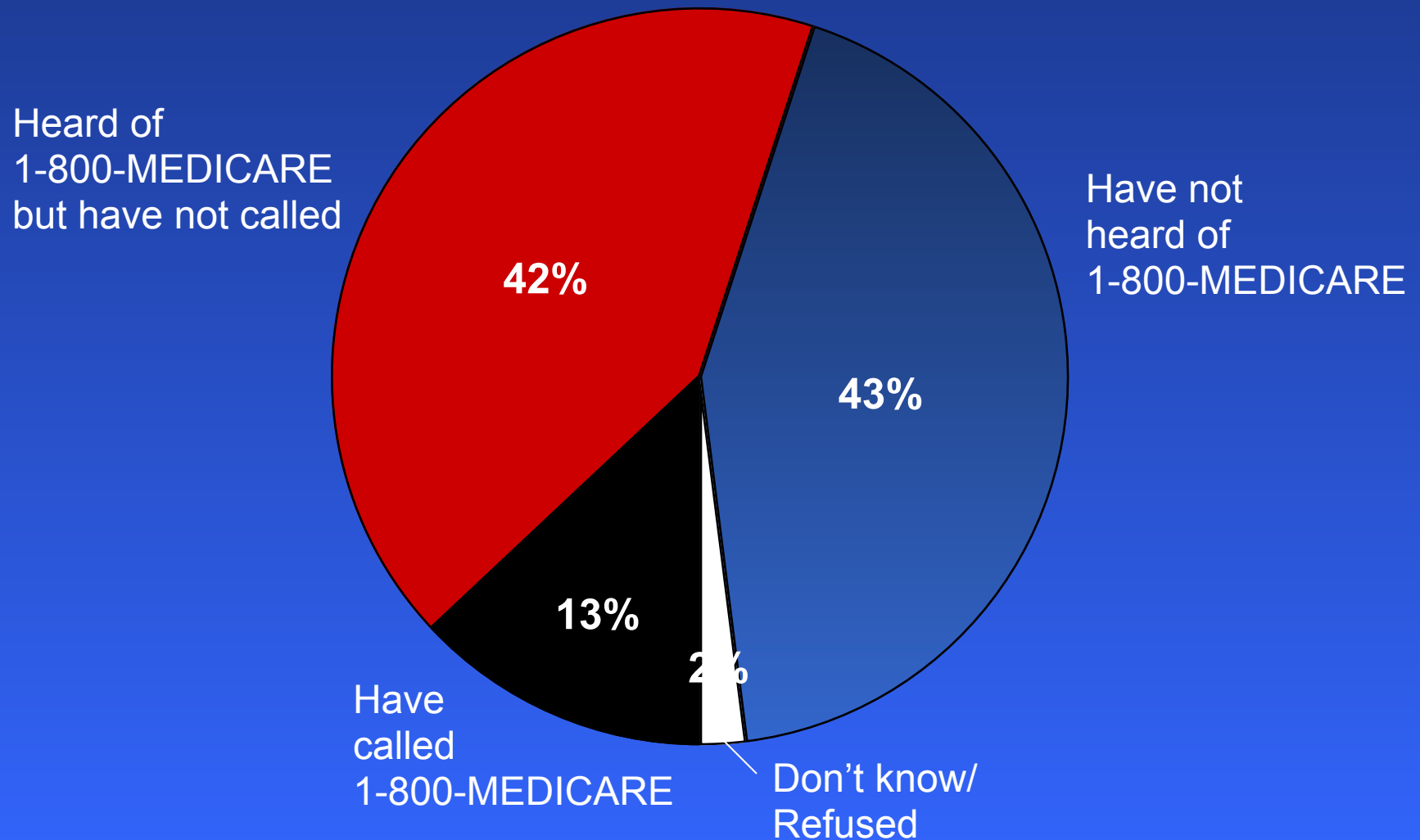
Sources For Information About Medicare Drug Plan

AMONG SENIORS: Percent who say they would be very likely to turn to each of the following for help in deciding whether to enroll in a Medicare drug plan...



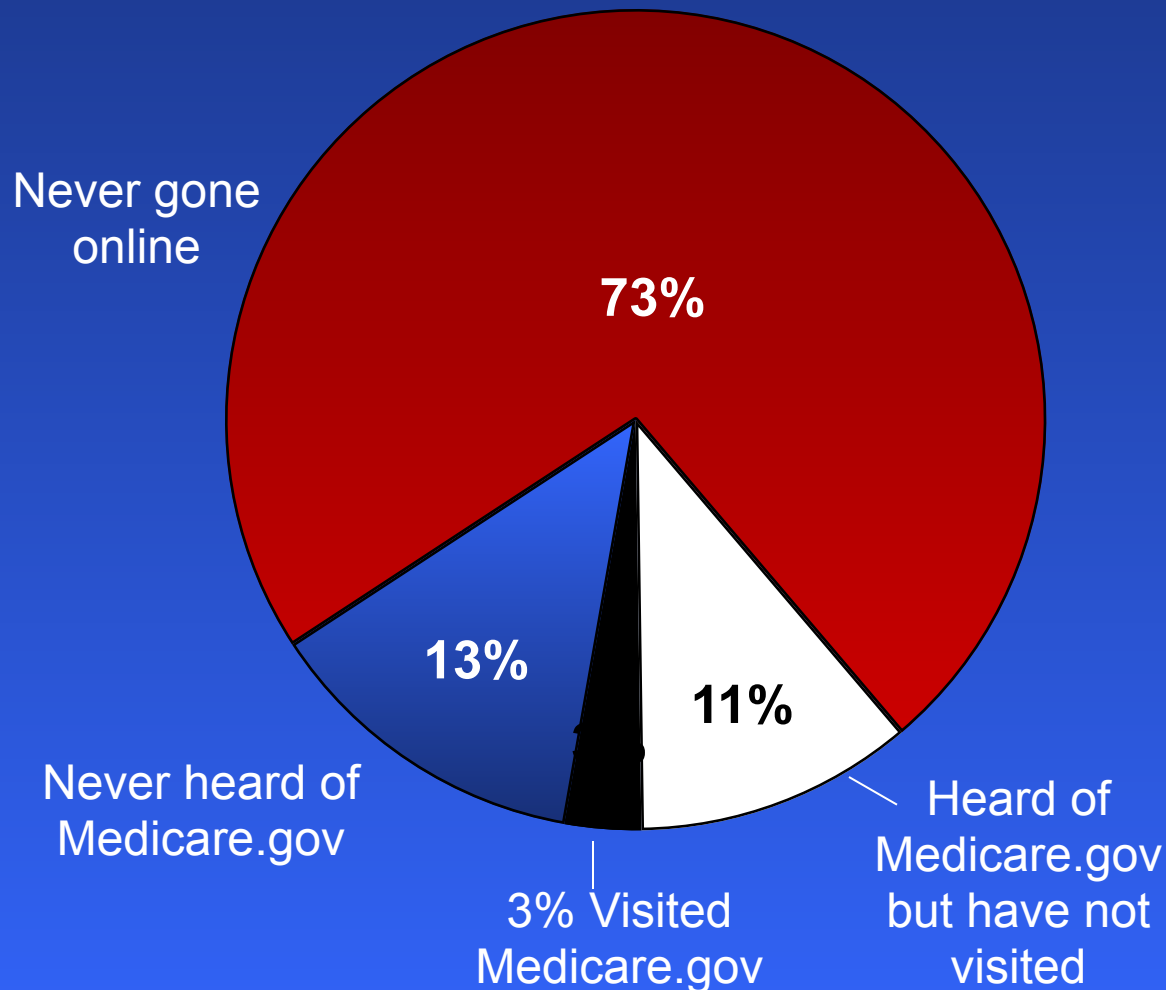
Reported Awareness and Use of 1-800-Medicare

AMONG SENIORS: % who say they have heard of/called 1-800-MEDICARE...



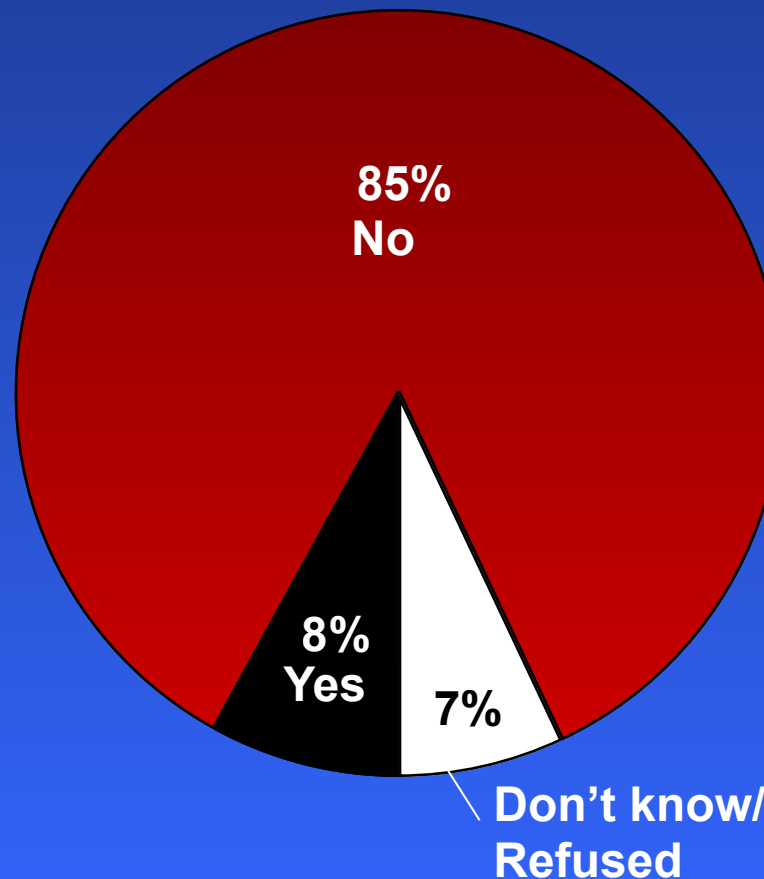
Seniors Reported Awareness and Use of Medicare.gov

Percent who say they have heard of/visited Medicare.gov...



Seniors' Reported Help From Others Getting Medicare Information Online

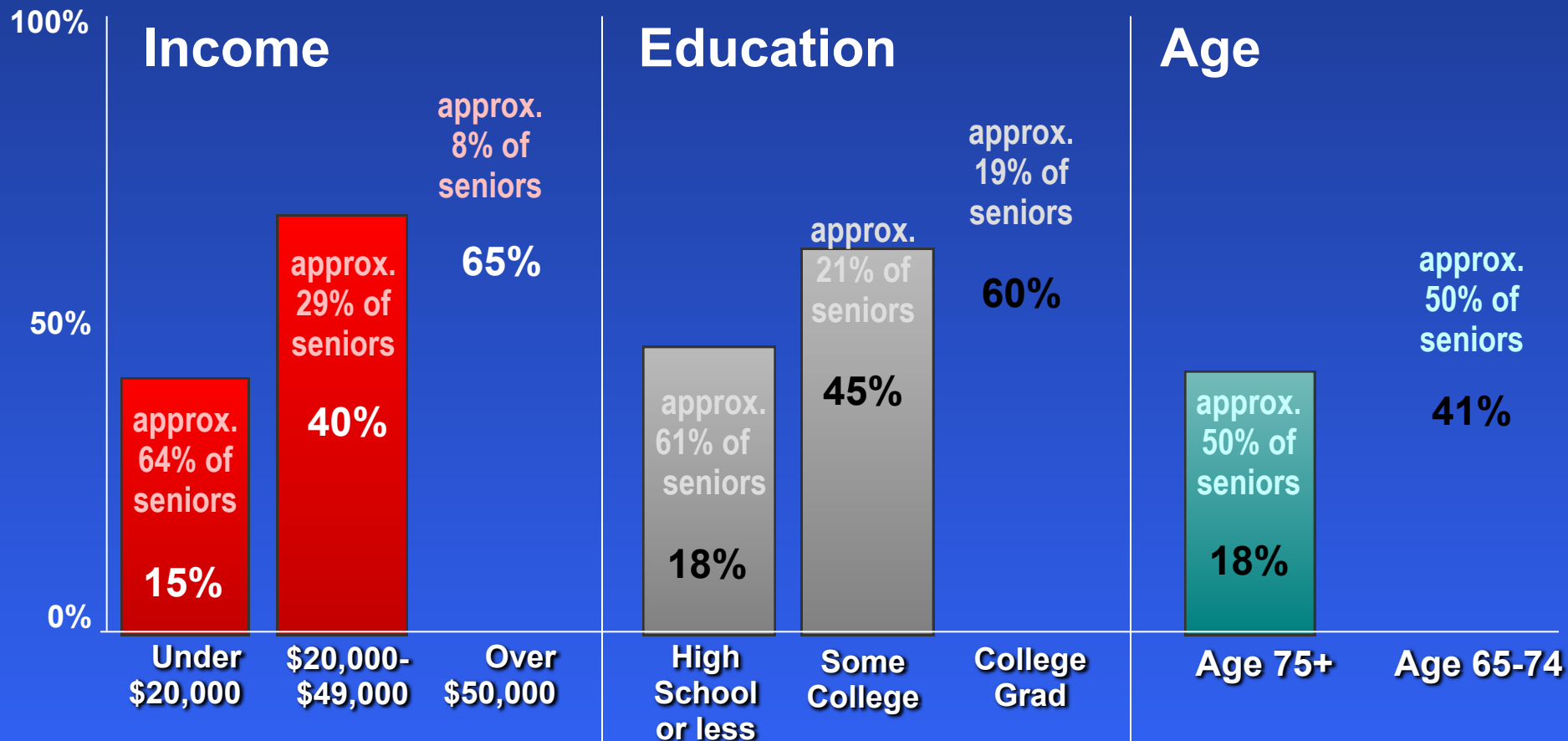
AMONG SENIORS: As far as you know, has a friend or family member ever visited an Internet web site on your behalf for information about Medicare, or not?



Digital Divide Among Seniors

Internet Use Among Seniors by Income, Education & Age

% of seniors who have ever gone online to use the Internet or World Wide Web, or email

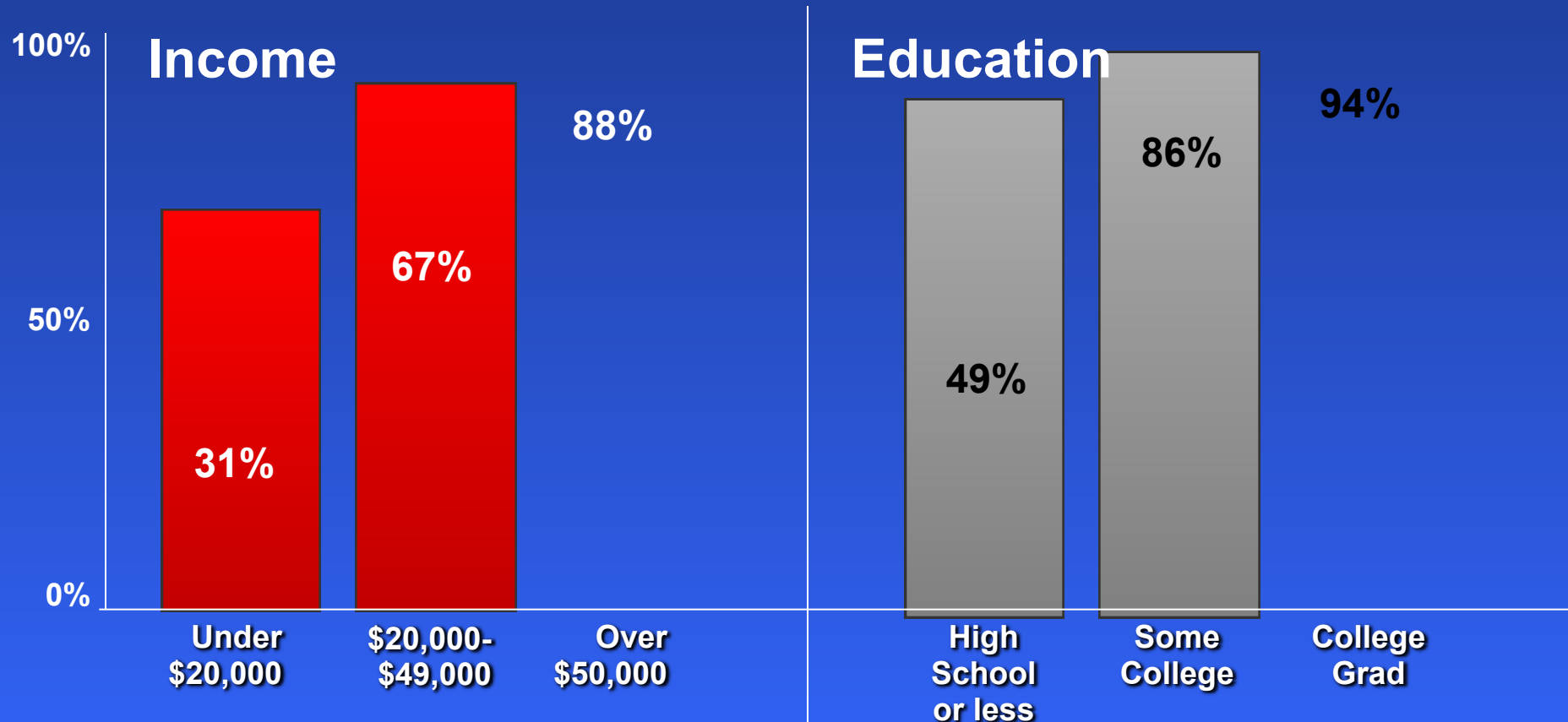


Sources: Kaiser Family Foundation *Seniors and the Internet Survey* (conducted March 5—April 18, 2004); Medicare Current Beneficiary Survey, 2002

Percentage of “Near Seniors” (50-64) Years Old Who Have Ever Gone Online

By Income and Education

Have you ever gone online to use the Internet or World Wide Web, or email?



Source: Kaiser Family Foundation *e-Health and the Elderly: How Seniors Use the Internet for Health Information*, conducted March 5 - April 18, 2004

Beneficiary Education: Key Components

- **Media campaign**
- **Medicare and You Handbook**
- **Medicare.gov**
- **Toll free hotline: 1-800 Medicare**
- **State Health Insurance Assistance Programs (SHIPs)**
 - 21.1 million in '04 to \$31.7 million in '05
 - Served 1.2 million through one-on-one counseling in 2003

***CMS reports it expects to spend about \$300 million for education and outreach in FY 2005**

Conclusions

- **Beneficiaries remain confused & uninformed, and more negative than positive, but it won't be real until it's real**
- **It will take a big, multi-pronged beneficiary assistance effort to avoid serious beneficiary confusion in the early stages**
 - **Customized 1-on-1 assistance will be critical**
- **The early transition is not a fair test**
- **My long-term prediction: no clear verdict**
- **The MMA is just part of a much bigger debate... 10 years from now will you be:**
 - **The National Academy of Social Insurance... or**
 - **The National HISTORICAL SOCIETY for Social Insurance?**

Ruminations on Implementation

By a Poet

As we know,
There are known knowns.
There are things we know we know.

We also know
There are known unknowns
That is to say
We know there are some things
We do not know.

But there are also unknown unknowns,
The ones we don't know
We don't know.

Source: Donald Rumsfeld, Department of Defense News Briefing, February 12, 2002

As cited in Slate (slate.com), April 2, 2003