

Prescription Drug Costs and Post-eligibility for Institutionalized Individuals

Background

Beginning January 1, 2006 individuals enrolled in Medicare will be able to receive prescription drugs through Medicare Part D. For the most part, coverage of prescription drugs will no longer be available under Medicaid. Many states have raised questions about how to treat pharmacy charges and Part D costs for institutionalized individuals.

Part D Premiums

Full benefit dual eligibles (FBDEs) are entitled to premium-free Part D enrollment, however they may elect enrollment in an enhanced plan. Those who enroll in an enhanced plan are responsible for that portion of the premium attributable to the enhancement. When an institutionalized FBDE is enrolled in an enhanced plan the portion of the premium that remains the individual's responsibility is an allowable deduction in the post-eligibility calculation.

Co-pays, Deductibles & Coverage Gap

Full benefit dual eligibles (FBDEs) who are institutionalized and enrolled in a Part D plan or a Medicare Advantage-Prescription Drug plan (PDP or MA-PD) will not be responsible for the payment of deductibles or co-pays, nor will they be subject to a coverage gap in their Part D benefits (these rules do not apply to individuals eligible under a 1915 (c) waiver). Listed below are the various circumstances that may apply to institutionalized FBDEs:

1. Individuals who were FBDEs and institutionalized as of January 1, 2006 will be auto-enrolled into a PDP or, if in a Medicare Advantage plan that offers a drug plan, into the MA-PD. The plan will require no co-pays or deductibles and will apply no coverage gap.
2. For individuals who were FBDEs prior to institutionalization, and who were subject to co-pays, the plan may continue to charge those co-pays until such time as the plan is notified of the individual's institutionalized status. If the state identifies the individual as an institutionalized FBDE for past months on their monthly MMA file, the plan will reimburse the individual for any co-pays incurred during those months.
3. For individuals who were enrolled in Part D, but who were not eligible for Medicaid at the time of institutionalization, the plan may continue to charge co-pays, deductibles and costs incurred during a coverage gap until such time as the plan is notified of the individual's status as an institutionalized FBDE. If the state identifies the individual as an institutionalized FBDE for past months on their monthly MMA file, the plan will reimburse the individual for co-pays, deductibles and costs incurred during a coverage gap for those months.

4. Individuals who qualify for Part D but are not enrolled in a plan, and are not Medicaid eligible at the time of institutionalization, will be fully responsible for their drug costs until Medicaid eligibility is determined and auto-enrollment is processed as an institutionalized person. The plan will be responsible for drug charges with the effective date of the enrollment. The plan will not charge deductibles or co-pays, or apply a coverage gap to those enrolled as institutionalized FBDEs.

In the first three circumstances above, when post-eligibility is calculated, there should be no deductions for co-pays, deductibles or coverage gaps. This is because, if incurred, the individual is not ultimately responsible for these charges. In the last circumstance above, the individual will remain responsible for Part D covered drugs purchased prior to the effective date of the Part D enrollment. In this circumstance the cost of these drugs is an allowable deduction in the post-eligibility calculation.

Non-formulary Part D Drugs

PDPs and MA-PDs are required to develop transition plans for institutionalized individuals. Plans may allow for limited coverage of drugs that are not part of the plan's formulary. Each PDP/MA-PD's transition plan may vary. Plans must issue a periodic (at least monthly) statement to the beneficiary explaining all benefits paid and denied. Part D drugs that are not covered by the plan may not be covered by Medicaid, and absent other drug coverage, these would remain the responsibility of the individual. These charges may be allowable deductions in the post-eligibility calculation. To determine whether or not prescription charges should be allowed in post-eligibility, apply the following rules:

- When a plan denies coverage of a prescription the beneficiary has the right to request an exception for coverage of the drug. The beneficiary is notified in writing of the decision on any exception requested. If the drug charge appears on the statement as a denial, and no exception was requested, do not allow the charge.
- If the drug charge appears on the statement as a denial, and an exception was requested and denied, allow the charge. At the state's option, the deduction for these costs may be subject to reasonable limits.

This procedure will help ensure that legitimate costs for drugs not covered by the plan are correctly allowed in post-eligibility. By relying on the plan statements and exception notices, eligibility workers will not need to be concerned with knowing the plan's formulary or non-formulary drugs covered under a transition plan or under the exception process. Applicants should be advised to maintain these documents for consideration in post-eligibility.

Non-Part D Covered Drugs

Certain drugs are not covered under Part D. State Medicaid programs have the option of covering these excluded drugs. If the institutionalized FBDE presents documentation that a purchased drug is excluded under Part D, and the State Medicaid program has not opted to cover the drug, absent other drug coverage, the drug may be an allowable deduction in the post-eligibility calculation. States may place reasonable limits on this deduction.

Projection and Reconciliation

For states that opt to project medical expenses for post-eligibility, note that the projected figures must be reconciled at the end of the prospective period. Use the guidelines above to determine the beneficiary's actual costs to determine the appropriate adjustment to the projected deductions.