

Prescription Drug Costs under Spend-down

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 when evaluating Medicare beneficiaries for spend-down.

Q. When are prescription drugs for Medicare beneficiaries an allowable expense under spend-down?

A. For the purposes of Medicaid spend-down, incurred Part D pharmacy costs are treated in the same manner as any other costs incurred for medical care. All usual rules for determination of an applicant's liability, insurance coverage and spend-down eligibility are applicable. Costs paid in whole or in part by an SPAP, or other public program of the state or a political subdivision of the state, which involves no federal funds may be counted as an incurred medical expense to establish eligibility under a Medicaid spend-down. Note that if a State's Medicaid program provides coverage of any of these costs, they are not allowable under spend-down.

Enrollment in Part D is voluntary, therefore not all Medicare beneficiaries will be enrolled in a Medicare Part D plan (PDP) or a Medicare Advantage plan (MA-PD). For those enrolled in a PDP or MA-PD, not all drugs will be covered. Each plan may have a different combination of deductibles, co-pays and coverage gaps. To determine if drug costs incurred by Medicare beneficiaries are allowable under spend-down, apply the following rules:

- If the Medicare beneficiary was not enrolled in a PDP or MA-PD on the date of service, allow the prescription drug cost.
- If the Medicare beneficiary was enrolled in a PDP or MA-PD on the date of service, the plan must issue a periodic (at least monthly) statement to the beneficiary explaining all benefits paid and denied, and amounts attributed to cost sharing. If the drug charge is identified on this statement as a beneficiary liability, i.e. part of a deductible, co-pay or coverage gap, allow the expense under spend-down.
- 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.

These procedures will help ensure that legitimate part D cost sharing expenses are allowed under spend-down, as well as expenditures for drugs not covered by the PDP or MA-PD. By relying on the statements and exception notices, eligibility workers will not need to be concerned with knowing the cost sharing rules for each plan, the plan formularies or non-formulary drugs covered under a transition plan or under the exception process. Applicants should be advised to maintain their statements and other related documentation for consideration under spend-down.