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Senate Special Committee on Aging Hearing
“Medicare Part D: Is it Working for Low Income Seniors?”**

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Thank you Chairman Kohl, Senator Smith and distinguished members of the Committee, for inviting me to discuss how the Medicare prescription drug benefit is working for Low Income Subsidy (LIS) eligible beneficiaries.

Prescription drugs are key to the delivery of modern medical care and they are essential to preventing and managing illness, and improving peoples' quality of life. In many respects, the new Medicare prescription drug benefit (Part D) is probably the single most important addition to benefits in the history of the Medicare program.

Because of the extraordinary importance of this new benefit, CMS outreach to Medicare beneficiaries has been unprecedented. Beginning in 2005, Medicare embarked on a multi-faceted campaign to reach out to not just the potential LIS-eligibles, but to each of the more than 42 million people with Medicare.

Medicare's partners, including grassroots organizations, local, state and federal agencies, State Health Insurance Assistance Programs (SHIPs), the faith community, and individual volunteers sponsored and attended tens of thousands of Medicare events and opportunities across the country for people to get personalized assistance.

Some of our strongest partners were the organizations represented here today: the Access to Benefits Coalition (ABC), Health Assistance Partnership (HAP) and the Social Security Administration (SSA). The one-on-one counseling and personalized attention these partnerships made possible enabled Medicare to reach tens of millions of people—one person at a time.

Medicare made numerous improvements to the way we reached out to beneficiaries and their families, including harnessing the power of the internet and strengthening call center capability and capacity.

This ongoing outreach effort has been part of the transformation in the way Medicare does business, from a bill-paying agency to a real partner in keeping beneficiaries' health. Moreover, it is working. We are committed to reaching people who may be eligible but have not applied for the Low Income Subsidy, but it is important to note that today more than 90 percent of people with Medicare have coverage for prescription drugs through Part D or another source. Approximately 70 percent of those identified as potentially eligible for LIS in 2006 are enrolled in Part D. Enrollment in Medicare Part D, and in particular, enrollment by LIS beneficiaries, is impressive by any measure for a new public sector benefit program.

CMS has worked equally hard to ensure that once enrolled, people with Medicare are able to take advantage of their prescription drug coverage without difficulty. In the early days of the program issues were identified and resolved, and as a result, millions of people with Medicare have been using their drug coverage effectively, including the roughly 9.9 million LIS beneficiaries with drug coverage in 2006.

Surveys consistently show over 75 percent of Medicare beneficiaries are satisfied with their current coverage and drug plans. This includes low-income people, including beneficiaries eligible for both Medicare and Medicaid, who receive the LIS. According to a recent survey, 87 percent of dual-eligibles feel "peace of mind" now that they are enrolled in Part D. More than 9 out of 10 dual-eligibles are satisfied. Many (46 percent) of the people who reported skipping or splitting dosages prior to Medicare's prescription drug coverage say they no longer have to under Part D.¹

¹ KRC Research survey for the Medicare Rx Education Network, conducted September 1-7, 2006.

Overview of the Low-Income Subsidy

Prescription drug coverage is absolutely essential for people with limited incomes. One of the main objectives of the Medicare Modernization Act (MMA) was to provide the greatest assistance to those with the greatest need.

The LIS provides substantial help to Medicare beneficiaries with limited incomes: a federal premium subsidy ranging from 25 to 100 percent of the monthly premium cost for qualified plans, and minimal cost-sharing for covered drugs.²

Three groups of beneficiaries are automatically eligible for LIS, meaning they do not have to fill out any sort of application to receive the subsidy:

- Beneficiaries who are eligible for and enrolled in both Medicare and Medicaid due to their income level—the “dual-eligibles” referred to earlier.
- Beneficiaries enrolled in the Medicare Savings Program. These are the Qualified Medicare Beneficiaries (QMBs), Specified Low-Income Medicare Beneficiaries (SLMBs), and Qualifying Individuals (QIs).
- Beneficiaries receiving Supplemental Security Income (SSI), but not Medicaid.

Beneficiaries not falling into one of these categories must apply for the LIS. This means they must submit an application to their state Medicaid agency or SSA, which is responsible for verifying income and assets to determine eligibility. Upon receipt of

² By “qualified plan” we mean a plan with a premium at or below the LIS benchmark. Note that LIS beneficiaries may select any plan in their service area, but will have to pay an additional premium for plans that bid above the LIS benchmark. As required by law, the Low-Income Subsidy is a means-tested public benefit. In order to apply and qualify, Medicare beneficiaries generally must meet both an income and asset test. In 2006, the maximum income to qualify for the LIS was \$14,700 for singles with no dependents or \$19,245 for married individuals with no dependents. (Individuals with dependents had higher income thresholds, and residents of Alaska and Hawaii had lower thresholds). Assets could not exceed \$10,210 for a single person or \$20,420 for a couple. As required by statute, these levels were updated for 2007. The maximum income to qualify for the LIS is now \$15,315 for singles with no dependents or \$20,535 for married individuals with no dependents. (Individuals with dependents have higher income thresholds, and residents of Alaska and Hawaii have lower thresholds). Assets may not exceed \$11,710 for a single person or \$23,410 for a couple (this includes \$1,500 per person for burial expenses).

approval from SSA, beneficiaries may begin receiving subsidized benefits. Of course, these individuals need to be enrolled in a prescription drug plan to get these benefits. CMS automatically enrolls – or facilitates enrollment – into a plan those beneficiaries who have been approved for LIS but have not enrolled in a plan on their own.

CMS was extremely successful in enrolling LIS-eligible individuals into Part D plans in the first year of the program. Of the approximately 13 million beneficiaries CMS estimates were eligible for the LIS in 2006, nearly 10 million now have coverage for prescription drugs. Through ongoing outreach that continues even today, CMS built upon the successes of 2006, with over 300,000 new LIS-beneficiaries enrolled in Part D prior to January 1, 2007. With the recently extended special election period that allows LIS-approved beneficiaries to enroll through the end of 2007 without penalty, these numbers should continue to grow.

Our work to identify and enroll these beneficiaries is a multi-faceted, continuous effort that did not stop with the end of the first enrollment period; rather it has been a sustained and ongoing effort. These potentially eligible LIS individuals continue to be targeted with a multi-pronged education and outreach campaign that leverages existing information intermediaries and resources. Initiatives include direct mailings and targeted telephone calls to beneficiaries, along with local outreach from community groups, intergovernmental partners, and health care providers, including pharmacists. Given that many beneficiaries may be difficult to reach through traditional means, CMS has special initiatives targeting both urban minority beneficiaries, and beneficiaries in rural areas who may be isolated from general community outreach efforts.

Reaching out to People with Medicare: Partnership Is the Key to Success

As noted, CMS began preparation for outreach and education on the low-income subsidy immediately following enactment of the MMA. CMS partners, including grassroots organizations, local, state and federal agencies, SHIPs, the faith community, and individual volunteers sponsored and/or attended more than 12,700 Medicare outreach events providing opportunities for people to get personalized assistance during fall open enrollment. In addition, the Medicare “Mobile Office Tour” logged more than 70,000 miles to 165 cities with more than 200 stops.

CMS’ efforts to reach people who might be eligible for extra help have consistently been among our highest priorities. Partnerships continue to play a significant role in reaching the LIS population, and they have been instrumental in providing the one-on-one counseling and personalized assistance that continues to make Part D a success. CMS is committed to maintaining open lines of communication and dialogue with our partners in order to tailor our outreach efforts. One example includes our relationship with SSA, a partnership critical to reaching the LIS population. CMS collaborated with SSA for numerous LIS education and outreach events, as well as direct mailings and follow-up phone calls to potential LIS beneficiaries. We maintain this very close relationship with SSA in working to continue to identify potential LIS eligible beneficiaries.

In addition, the U.S. Administration on Aging (AoA) has been crucial to both the success of LIS beneficiary enrollment, as well as the success of Part D in general. Prior to the open enrollment period, AoA granted a contract to assist with the enrollment of beneficiaries into Part D. A large part of this contract supported grassroots efforts to target hard-to-reach populations, especially in minority and disability communities. Partner organizations included National Adult Day Services Association, Meals on Wheels Association, National Alliance for Hispanic Health, and American Association of Homes and Services for the Aging, just to cite a few.

Also, CMS has worked collaboratively with the USA Freedom Corps and the US Department of Housing and Urban Development to distribute LIS literature and materials

to people living in subsidized housing, and the US Department of Agriculture to identify individuals through the food stamp program who might be eligible for the LIS.

The SHIPs and the Health Assistance Partnership (HAP) that supports them also have been invaluable partners to CMS in helping LIS eligible beneficiaries. SHIPs in each state offer local one-on-one counseling and assistance to people with Medicare and their families. Through CMS funded grants directed to states, SHIPs provide free counseling and assistance via telephone and face-to-face interactive sessions, public education presentations and programs, and media activities. Although SHIPs have a diverse portfolio of health care issues for which they help beneficiaries, the CMS grant provided to SHIPs directed them to increasingly focus their attention and efforts during enrollment opportunities on hard-to-reach populations, including the LIS eligible population. SHIP directors have reported anecdotally that the number of low-income beneficiaries they serve each year has increased significantly, currently making up 20-25 percent of their total client base.

Further, SHIPs are expanding their Part D targeted outreach initiatives—especially those that provide education and expand enrollment opportunities for dual-eligible, low-income, hard-to-reach beneficiaries, and beneficiaries who lack coverage for their prescription drug expenses. In support of SHIPs, CMS and HAP are discussing how to develop ways to coordinate HAP services so that the SHIP network effectively reaches all populations. Further, HAP convenes monthly informational MMA forums, and has assisted several SHIPs with volunteer recruitment and training. For instance, they are working with the Ohio SHIP on a technology tool to better manage volunteers and to support data entry. They also worked with the Iowa SHIP on a web-based counselor recertification program and they are currently working with the Maine and Kansas SHIPs on strategic action plans.

CMS is also grateful for the assistance of the National Council on Aging (NCOA) and ABC-Rx in supporting our outreach efforts. CMS and AoA worked together to contract with NCOA to develop an on-line Low-Income Subsidy application service from June 2005 to September 2006. In addition, NCOA received a CMS-funded grant to reach and

assist beneficiaries in applying for LIS, and subsequently enroll beneficiaries in a plan. Also, as part of its coalitions – ABC-Rx and Benefits Checkup Rx -- NCOA came up with innovative outreach strategies to find and help people file for the low-income subsidy.

Another critical component of CMS' outreach initiatives was the direct engagement of the provider community, and especially the pharmacy community. In our initial effort that began in May 2005, CMS partnered with chain and independent pharmacies in an education and outreach program for the Low-Income Subsidy. This effort, which preceded the implementation of the drug benefit, was designed to provide information to potential enrollees about the coming Medicare drug benefit and to encourage low-income beneficiaries to take advantage of personalized help in applying for the subsidy. Information and assistance was provided in more than 30,000 chain pharmacy stores across the country. CMS was able to reach and enlist the help of many thousands of additional pharmacists and independent pharmacies through efforts with state and national pharmacy associations and buying groups.

The communications between CMS and pharmacies marked the beginning of an extensive and lasting effort to exchange information and educate the pharmacy community. During open enrollment, pharmacists held thousands of in-store informational days, provided medication reviews, offered community presentations and events, and have helped beneficiaries compare their plan options.

CMS continues to leverage existing relationships with hundreds of community-based organizations around the country. These include schools, senior-centers, community centers, and places of worship. Having a unique relationship with the community, these organizations are able to understand the populations they serve and can best identify their needs. CMS has also conducted over 1,200 “train-the-trainer” events with local and national partners on LIS-specific outreach, including SHIP counselors, physicians, pharmacists, Federal/State/local government partners, and hundreds of community organizations across the country to reach LIS beneficiaries and provide individual

guidance. In addition, as natural partners, CMS works in ongoing efforts with physicians, providers and their staff to provide counseling services and enrollment activities for the low-income population.

What a Difference a Year Makes: CMS Addresses Systems Issues, Anticipates Transition Challenges, and 2007 Moves Forward Smoothly

One year ago, CMS was facing a number of systems and process issues impacting some Part D enrollees' ability to access covered drugs. CMS worked hard to find and fix the problems, and took significant steps early to avoid similar issues in 2007. We worked with plans, pharmacists and States to improve data systems impacting beneficiary access. For example, we facilitated better communications between plans and pharmacies which resulted in upgrades to pharmacy software systems that will improve messaging between pharmacies and plans for better customer service. Also, throughout the year, CMS made a series of systems and process changes and enhancements to improve our file and data exchanges with plans, SSA and the states to improve performance and accuracy in beneficiary enrollment and benefits processing.

In September 2006 CMS published a "Readiness Checklist" for all prescription drug plans, reminding them of their obligations, key dates, and vital tasks to ensure a smooth annual enrollment season and transition to the 2007 benefit year. The Readiness Checklist included elements related to call center requirements, complaint resolution, systems testing and connectivity, data submission and file processing, enrollment procedures, beneficiary marketing and communication strategies, beneficiary and pharmacy customer service, and timely payment to pharmacies.

In early November 2006, CMS asked all plans to report back to CMS on their successes and any problems encountered in accomplishing the tasks on the Readiness Checklist. The results from this exercise served two important functions: First, it reassured CMS that the vast majority of plans were fully prepared for annual enrollment and the new benefit year and that they had successfully interpreted our guidance and requirements. Second, it identified an area where some plans indeed were having problems – for

example, some plans reported that they were not able to issue the Annual Notices of Change (ANOCs) within the timeframe specified by CMS. Using this information from the Readiness Checklist, CMS was able to quickly implement a strategy to ensure that beneficiaries who did not receive an ANOC in a timely manner would be granted a special election period to extend the period of time they had to make a decision about their 2007 plan choice.

Each month CMS auto-enrolls or facilitates the enrollment of dual eligibles and or LIS eligibles into certain prescription drug plans. These plans are sent lists of beneficiaries each month who are not already enrolled in a plan, and the qualified plan accepts those beneficiaries as their enrollees. There are special system requirements and processing needs associated with accepting auto-enrollments and facilitated enrollments. In fall 2006, CMS identified a handful of plans that either would be receiving auto-enrollees and facilitated enrollees for the first time or would receive a significantly higher volume of auto-enrollees and facilitated enrollees in 2007 compared to 2006. To ensure that these beneficiaries would experience a smooth transition to receiving their prescription benefits through a Part D plan, CMS conducted autoenrollment and facilitated enrollment readiness audits. These audits were very thorough and examined all of the systems and other processes plans needed to have in place to successfully process the enrollment records, communicate with beneficiaries, and provide service. Any plan that was not fully prepared to undertake this important task was excluded from receiving autoenrollments and facilitated enrollments.

To ensure a smooth transition for the existing LIS enrolled population specifically, CMS worked with States and SSA to identify dual, MSP and SSI beneficiaries who would again automatically qualify for LIS in 2007. Such beneficiaries were “re-deemed” for the low income subsidy for all of 2007. CMS also anticipated that some beneficiaries deemed eligible for LIS in 2006 would not be automatically eligible in 2007. After working with SSA to identify an initial count of 632,000 individuals no longer automatically eligible for extra help in 2007, CMS and SSA worked together to contact these individuals by mail, explaining their loss of deemed status, and provided an

application for LIS with postage paid envelope to apply and qualify for this help through the SSA application process. It was CMS's goal to ensure that each of these beneficiaries was aware of their change in status and could take action accordingly.

Additionally, CMS provided information to plans about affected beneficiaries, so they too could conduct outreach (by phone or mail) to enrollees who would no longer automatically qualify for extra help in 2007. As states have submitted their monthly data files identifying duals who have regained their Medicaid eligibility, the number of beneficiaries no longer automatically eligible for extra help has decreased. CMS outreach included a September 2006 letter to beneficiaries; guidance to state Medicaid directors with a list of people who lost LIS down to the zip code level; and technical assistance to the prescription drug plans – including providing each drug plan sponsor with a list of affected members in early October. As a result, as of January 2007, roughly 35 percent of people who had lost their deemed status had regained LIS eligibility – including those who regained their deemed status and those who reapplied and qualified for LIS with SSA. We expect these numbers to continue to grow throughout 2007.

CMS also anticipated transition issues related to the requirement that plan sponsors must qualify annually for automatic assignment of dual eligible beneficiaries. Due to the nature of the annual bidding process and the requirement that dual eligible beneficiaries be assigned only to plans that submit bids below the regional low-income benchmark (LIS benchmark), a strong potential existed that many plans qualified to accept auto-assignment of dual eligible beneficiaries in 2006 might not qualify in 2007 resulting in a large-scale shift of this population in the new benefit year. Early estimates were that as many as 3.7 million dual eligibles would be in plans that would no longer have premiums below the LIS benchmark amount in 2007.

To address this issue, as well as to promote effective competition that builds on the savings achieved through beneficiaries' plan choices in 2006, CMS implemented a transitional approach to determining the federal contribution to the drug benefit for low-income Medicare beneficiaries in 2007. This transition policy resulted in greater stability

in zero-premium plan options for LIS beneficiaries, thus minimizing the need for beneficiaries to be reassigned for 2007. In addition, as another key aspect of CMS' efforts to minimize dual eligible beneficiary movement among plans, CMS is conducting a demonstration that permits plans with premium increases of less than \$2 above the LIS benchmark for 2007 to qualify to retain their current LIS beneficiaries. In the case of beneficiaries who changed plans in 2006 after being facilitated into a plan by CMS, CMS did not randomly reassign the beneficiaries into a new plan for 2007 if the beneficiary affirmatively elected to stay in their 2006 plan and pay a higher monthly premium (due to the plan's bid above the 2007 LIS benchmark). In effect, if the beneficiary had independently chosen that plan for 2006, CMS honored the decision for 2007, allowing the beneficiary to remain in their 2006 plan. In these cases, plans notified individuals of their prospective premium increase in 2007 and of their right to change plans.

Thanks to these efforts, fewer than 250,000 individuals needed to be re-assigned randomly to different prescription drug plans. CMS mailed color-coded (blue) letters to all LIS beneficiaries who were being reassigned to notify them of the reassignment and their options for selecting an alternative plan. Plans also mailed notifications, indicating the enrollee could be reassigned to a different drug plan sponsor for 2007.

Finally, CMS has made important strides to promote a seamless transition for Medicaid-eligible individuals who are about to attain Medicare eligibility. Beginning in July 2006, we requested that States submit information to us concerning these individuals in advance of their Medicare eligibility so that CMS can deem them eligible for the LIS and assign them to a Medicare Part D plan before the start of their Part D eligibility. This prospective identification and enrollment process has resulted in the seamless transition of more than 10,000 new dual eligible individuals per month into Medicare Part D coverage.

Looking Ahead: Reaching the Remaining LIS-Eligibles

Despite all the progress made to date, CMS is committed to doing much more. Working with our partners, we will continue our outreach and education effort until we are

satisfied that every beneficiary who might want to apply for LIS can learn about the benefits and receive personalized assistance to get the most out of their Medicare benefits at the lowest possible cost.

CMS' partner engagement goals for 2007 strive to make Medicare a permanent grassroots program. CMS is working with its various partners and key stakeholders in this evolution, and is increasing proactive outreach. By connecting partners and sharing resources nationally and in the field, CMS will continue to help people with Medicare make the most of their benefits through personalized assistance and ongoing outreach.