

Special Committee on Aging
Timothy R. Murphy
Secretary
Executive Office of Health and Human Services
Commonwealth of Massachusetts
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Chairman Smith and other members of the Special Committee on Aging, I am Timothy Murphy, Secretary of the Executive Office of Health and Human Services for the Commonwealth of Massachusetts. Beth Waldman, Medicaid Director for Massachusetts' Medicaid program, and Paul Jeffrey, Pharmacy Director for Massachusetts' Medicaid program are both here with me before the Committee. I appreciate the opportunity to testify before this Committee today to discuss the issues regarding the transition to the Medicare Part D program for so-called dual eligible individuals and participants in the Commonwealth's Prescription Advantage Program, a State Pharmaceutical Assistance Program ("SPAP") for lower and moderate-income seniors and disabled individuals.

By way of background, the Commonwealth's Medicaid program serves over one million residents, or approximately 17 percent of our population. We have approximately 190,000 elderly and disabled Medicaid members who are also eligible for Medicare benefits, so-called dual eligible individuals, of which 51 percent are elderly and 49 percent are disabled. In addition, the Commonwealth's SPAP has approximately 72,000 members. Each of these individuals, along with the over 700,000 other Medicare eligible Massachusetts residents, will now benefit from the inclusion of prescription drug coverage in the Medicare program.

As you are aware, there have been many transitional issues since the January 1, 2006 launch date for the Medicare Part D prescription drug benefit. Consumers and their families, advocates, pharmacists and state governments have grappled particularly with the continuity of services for dually eligible individuals. In anticipation of a transition period, the Commonwealth enacted on December 30, 2005 legislation that required the state to pay for a one-time 30-day supply of any drug not covered by a Medicare Part D plan at the time a prescription is presented by a dually eligible individual or a SPAP member at a pharmacy. This program anticipated that dually eligible individuals may have transition issues around the coverage of certain prescription drugs by a specific plan. It did not anticipate wide-spread difficulties with the implementation of the Part D benefit. We hoped that this action would help contribute to the successful implementation of the Medicare Part D benefit and ensure that our residents were not denied necessary medications.

The Office of Medicaid and the Executive Office of Elder Affairs closely examined the implementation of the Medicare Part D benefit as it began on January 1, 2006. Specifically, the Office of Medicaid's Pharmacy Program worked closely with its

Pharmacy Advisory Council, which was established in 2002 and is comprised of key pharmacy providers throughout the Commonwealth, to monitor the situation. Unfortunately, consumers, doctors and pharmacists struggled with the transition to the new program. Stories of pharmacists' inability to determine Part D eligibility and enrollment for dually eligible individuals were commonplace. In addition, we also heard many anecdotes of drug plans not supplying a transitional supply of medications, overcharging of co-payments, extensive system glitches, excessive interactions with the new insurance plans, and consumers and pharmacists spending 30 to 60 minutes waiting to speak with government or insurance representatives were occurring too frequently. Many dually eligible individuals were leaving pharmacies without their needed prescriptions.

On January 7, 2006, Governor Mitt Romney directed the Office of Medicaid and the Executive Office of Elder Affairs to assure that all dually eligible individuals and SPAP members receive prescription benefits that existed as of December 31, 2005. We accomplished this directive by allowing pharmacies to bill the state's Medicaid program and SPAP as the primary payer for prescription drugs. The Commonwealth, along with 29 other states, determined this action was necessary to help facilitate the transition to a fully operational Medicare Part D program. As of January 31st, the Commonwealth has paid for 408,714 prescriptions for approximately 100,000 dually eligible individuals totaling \$16,112,481. These expenditures equal approximately 80% of what the Commonwealth would have expected to pay for dually eligible members prior to the implementation of Part D. In addition, as of January 30th, the Commonwealth has been the primary payer for 34,094 prescriptions for 15,627 SPAP members totaling \$1,433,837 that should have been covered first by Part D plans. Our SPAP only planned to be a secondary payer for members eligible for the Medicare Part D program.

Over the past three weeks, the Medicare Part D situation has improved in the Commonwealth. Last week, the Office of Medicaid took steps to test the improvements in the Medicare Part D transition by requiring pharmacists to first submit all claims to the Medicare Part D insurers prior to billing the state's Medicaid program. The average cost per claim has dropped from approximately \$45 on January 7, 2006 to \$37 on January 15, 2006 to \$12 for the period January 26 through January 31, 2006. According to the Pharmacy Advisory Council, the changes made last week are proceeding as expected as pharmacists are climbing the learning curve. The pharmacists report that adequate safety measures are in place to ensure that pharmacies can fill otherwise valid prescriptions for dually eligible members. In addition, customer service lines for Part D plans seem to be improving and the Wellpoint transition system appears to be operating more successfully. Despite these improvements, there continues to be significant data issues that result in the failure of Part D plans to recognize some dually eligible individuals as members of a plan or as being eligible for the low-income subsidy.

I think it is important to recognize that Health and Human Services Secretary Michael Leavitt and the Centers for Medicare and Medicaid Services Administrator Dr. Mark B. McClellan have listened to our concerns and have presented solutions for states that have dealt with these transitional issues. Secretary Leavitt visited Governor Romney in

Boston on January 25th to discuss the challenges of the new program and outlined a demonstration project to ensure that states are reimbursed for the unanticipated expenditures caused by the transition to Medicare Part D.

The Commonwealth is prepared to work with the Department of Health and Human Services and the Centers for Medicare and Medicaid Services to make this demonstration project work and for Medicare Part D to be a success. In fact we have been working very actively and closely with our CMS Regional Office on a daily basis to address individual cases and to resolve problems. We look forward to continuing to work with the Centers for Medicare and Medicaid Services on specific issues such as the timeline and process for receiving reimbursement, the rate of reimbursement for administrative costs incurred, the proposed February 15 end date for state programs, and what steps states may take for SPAP reimbursement.

In closing, Medicare Part D has the potential to provide our senior and disabled citizens with an important healthcare benefit and better health outcomes. We are working through the challenges of this massive new program. Governor Romney took affirmative action to ensure that the residents of Massachusetts were protected through this transition period. We are pleased that our efforts, and those of other states, have been recognized by the Federal government and that the Commonwealth, along with other states, will be reimbursed in full for our expenditures. We look forward to continuing our collaborative relationship with the Department of Health and Human Services and the Centers for Medicare and Medicaid Services as we address these challenges.

I thank the Committee for the opportunity to discuss this important issue.