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To: All Providers

**Subject: Notice of Program Change Due to the New Medicare
Prescription Drug Coverage**

*Note: The information in this bulletin is not directed to those providers rendering services in the risk-based managed care (RBMC) delivery system. The information in this bulletin **is directed to the service delivery and billing staff of all fee-for-service and pharmacy providers. Please distribute appropriately.***

Overview

Effective January 1, 2006, the Centers for Medicare and Medicaid Services (CMS) is implementing the new Medicare prescription drug coverage, also known as Medicare Part D. With the implementation of this new coverage, Medicaid can no longer pay for Medicare covered prescription drugs for members who are eligible for Medicare.

Members entitled to receive traditional Medicare, and who receive full Medicaid benefits are eligible for Medicare Part D. People who receive Medicare benefits and full Medicaid benefits were automatically enrolled in Medicare prescription drug coverage in October 2005. These members can choose a PDP on their own beginning November 15, 2005. Medicare will pay for the majority of prescription drugs for these members.

Medicare Part D Requirements for Medicaid Providers

Providers currently enrolled in Indiana Medicaid have minimal requirements with the implementation of the Medicare prescription drug coverage. Providers are not required to enroll in any additional Medicaid programs to accept members with Medicare Part D coverage. Pharmacy providers must enroll with a Medicare prescription drug plan (PDP) to accept members with Medicare Part D coverage and receive payment from the Medicare PDP. Pharmacy providers must also be enrolled as Medicare Part B providers and durable medical equipment regional carrier (DMERC) to receive reimbursement for drugs that are determined a Medicare Part B benefit.

Performance and service criteria for long term care pharmacies are available at www.medicare.gov. A long-term care pharmacy must either by itself or through subcontracts meet all of the stated performance and service criteria. The performance and service criteria must also be met if the long-term care facility is served by the pharmacy and does not need a particular service listed under the criteria. The long-term care facilities and their contracted long-term care pharmacies must determine the specific items or services required by the nursing facility.

Medicare Part D Eligibility and Enrollment for Medicaid Members

Members who are entitled to traditional Medicare or who have traditional Medicare Part A and/or Part B and who also qualify for full Medicaid benefits are eligible for Medicare prescription drug coverage. People who receive Medicare benefits and who also receive full Medicaid benefits are often referred to as dual eligibles.

Dual eligibles are automatically eligible for Medicare Part D coverage and the low-income subsidy and will be automatically enrolled in a Medicare PDP. In addition, dual eligibles do not have to pay the premiums, deductibles, or out-of-pocket expenses during the benefit “gap” period for Medicare Part D coverage.

The initial enrollment period for Medicare Part D coverage runs for six months, from November 15, 2005 through May 15, 2006. Enrollment in Medicare prescription drug coverage is voluntary. However, Medicaid members who receive full Medicaid benefits and who are eligible for Medicare A and B will not have coverage for Medicare Part D-covered drugs unless they join a Medicare PDP. Medicaid will not pay for Medicare Part D-covered drugs for people eligible for Medicare who decline the Medicare Part D coverage or disenroll from the Medicare PDP.

People with both Medicare and Medicaid were randomly enrolled with a Medicare PDP and were notified of their Medicare Part D PDP assignment in October 2005. Medicare’s PDP assignment will be effective January 1, 2006, if the members do not select a PDP on their own by December 31, 2005. People with both Medicare and Medicaid can change PDPs at any time. CMS will update the records the first day of the month following the month in which the change was received.

Members can contact Medicare by phone at 1-800-633-4227 to obtain specific information about their benefits. TTY users can call 1-877-486-2048. Assistance with selecting the coverage that best meets their needs is available from the Senior Health Insurance Information Program (SHIIP). Members can call the SHIIP office in Indiana at 1-800-452-4800 or visit the Web site at www.state.in.us/idoi/shiip.

Long Term Care Resident Enrollment

Many long term care (LTC) facility residents have cognitive conditions such as dementia. The LTC facility or pharmacy cannot require residents to join a particular PDP. Only the member or the person who holds the power of attorney for the member can enroll the member in a PDP. CMS will recognize state laws that authorize certain people under specific circumstances to enroll and disenroll Medicare members in PDPs.

Medicare Part D Coverage and Limitations

This section provides coverage and limitation information for Medicare Part D. Some Medicare-excluded drugs are also excluded from coverage by Medicaid. Certain drugs, including but not limited to over-the-counter drugs excluded by Medicare, may be covered by Medicaid, if the drug is part of the member’s covered Medicaid benefits.

Medicare Part D Coverage

Medicare drug plans will cover brand name and generic drugs as follows:

- Prescription drugs
- Biological products
- Insulin as described in specified paragraphs of *section 1927(K)* of the *Medicare Modernization Act*
- Medical supplies for injection of insulin such as syringes, needles, alcohol swabs, and gauze
- Vaccines licensed under *section 351* of the *Public Health Service Act*. Vaccines not covered by Medicare Part B that are determined to be medically necessary are covered under Medicare Part D.

Medicare Part D – Assisted Living

Medicare Part D will pay for prescription drugs provided to dually-eligible Medicare and Medicaid members who live in assisted living facilities and adult living facilities. The facility will receive the prescription drugs from a pharmacy contracted with the member's PDP. The pharmacy will provide the member's prescription drugs to the facility to distribute. Members will pay a small co-payment for each drug.

Medicare Part D – Home Health

Infusion drugs not covered by Medicare Part B, or that are provided for conditions other than those covered under Medicare Part B, are covered under Medicare Part D. Supplies, equipment, and services involved in delivering home infusion are not covered under Medicare Part D.

Medicare Part D – Long Term Care

Medicare Part D will pay for prescription drugs provided to dually-eligible Medicare and Medicaid members who live in a nursing facility, long-term care facility (LTC), intermediate care facility for the mentally retarded (ICF/MR), or Community Residential Facility for the Developmentally Disabled (group home). The facility will receive the prescription drugs from a pharmacy contracted with the member's PDP. The pharmacy will provide the member's prescription drugs to the facility to distribute. Members will not pay a Medicare Part D co-payment while in the facility. Hospice member are considered residents of a LTC facility; Medicare Part D LTC facility rules apply.

Medicare Part D Limitations

After December 31, 2005, state Medicaid plans cannot pay for Medicare-covered prescription drugs for people with Medicare and Medicaid, the Medicare PDP deductibles, or co-payments. Medicare Part D coverage excludes the following drugs:

- Drugs for anorexia, weight loss, or weight gain
- Drugs used to promote fertility
- Drugs used for cosmetic purposes or for hair growth
- Drugs from a manufacturer who requires that any associated tests and monitoring services be purchased exclusively from the manufacturer or the manufacturer's designee
- Supplies, equipment, and services involved in delivery home infusion

The following drugs are excluded by Medicare Part D however PDPs may choose to cover these drugs for their members:

- Benzodiazepines
- Barbiturates
- Drugs used for symptomatic relief of cough and colds
- Prescription vitamins and mineral products, except prenatal vitamins and fluoride preparation products

Medicare PDP and Formulary Information

Drug formularies are lists of specific drugs covered by a Medicare PDP. Each PDP will have its own formulary and must cover generic and brand name drugs. Indiana Medicaid will not track individual PDP formularies. Providers can contact the PDP to obtain a formulary or view the formularies at www.medicare.gov. A PDP must provide at least 60 days notice before removing a drug from its formulary. PDPs can also offer enhanced or supplemental coverage and can choose to pay for Medicare

Part D excluded OTC drugs. Pharmacies should bill the appropriate PDP prior to submitting the claims to Indiana Medicaid.

Drug Categories

PDPs must cover all, or substantially all, drugs in the following six categories:

- Antidepressant
- Antipsychotic
- Anticonvulsant
- Anticancer
- Immunosuppressant
- HIV/AIDS

Medicare PDP Exception and Appeal Process

PDPs must have exception and appeal processes for drugs that require higher co-payments and for drugs that are not on the PDP's covered list. If the PDP denies an exception, the member, the member's provider, or the member's appointed representative can appeal the PDP's decision. A non-formulary drug may be covered if the prescribing physician determines that all of the drugs on the formulary would not be as effective as the non-formulary drug or would have adverse effects on the member, or both.

The appeal process follows the Medicare Advantage process, which includes access to independent reviews of PDP decisions. PDPs must provide a plan that allows for a temporary one-time supply fill for long-term care resident during the exception process.

Indiana Participating Medicare PDP Contact Information

CMS announced the approved PDPs in September 2005. PDP information is available on the CMS Web site at www.medicare.gov and on the Indiana Medicaid Web site at www.indianamedicaid.com/ihcp/ProviderServices/medicareD_links.asp.

Providers can contact the Medicare coordination of benefits contractor at 1-800-999-1118 or TDD/TYY at 1-800-318-8782 to determine a member's PDP assignment. Call center representatives are available 8 a.m. to 8 p.m. Monday through Friday, Eastern time, excluding holidays. Contact information for the Medicare PDPs in Indiana is available on the CMS Web site at <http://www.medicare.gov/MPDPF/Public/Include/DataSection/Results/ListPlanByState.asp>

Medicare Part D Premiums and Co-payments for Medicaid Members

Members who receive Medicare benefits and full Medicaid benefits will not have to pay the premiums, deductibles, or for the benefit gap for Medicare Part D coverage. If a member chooses a PDP with a premium greater than that of the standard plan, the member must pay the difference in the premium. Most dual eligible members will pay a \$1 co-payment for generic drugs and a \$3 co-payment for brand name drugs. Members who reside in a long term care facility will not pay a co-payment while in the facility.

Medicare Part D and Medicaid Spenddown

Once a member qualifies for the Medicare low-income subsidy, *Medicare* considers them qualified for the remainder of the calendar year. If the member qualifies for the Medicare low-income subsidy after the first half of the current calendar year, Medicare considers them qualified until the end of the *next* calendar year.

Once qualified, Medicare Part D members are able to receive prescription drug coverage on the first day of every month without waiting to meet the monthly Medicaid spenddown.

Medicaid Spend-down

Members must still meet their monthly Indiana Medicaid spend-down requirements. Although members may not meet *Medicaid* spend-down requirements as quickly, other medical expenses, Medicare co-payments, and Medicare excluded drugs covered by *Medicaid* will still count toward *Medicaid* spend-down. Until Medicaid spenddown is met, members will be responsible for the provider's usual and customary charges (UCC) for Medicaid covered drugs other Medicaid covered health services. Providers are not required to dispense Medicaid-covered drugs if the member's spend-down has not been met.

Medicaid Prescription Drug Coverage Changes

Medicaid will continue to pay for other Medicaid covered health services for people with both Medicare and Medicaid. Medicaid will provide coverage for Medicare Part D-excluded drugs that are a covered Medicaid benefit for people with both Medicare and Medicaid. This includes, but is not limited to, coverage for barbiturates, benzodiazepines, and over-the-counter (OTC) drugs that are on the *State of Indiana Over-the-Counter Drug Formulary*. Medicare PDPs may choose to cover Medicare Part D-excluded drugs, therefore pharmacy providers should attempt to bill Medicare prior to submitting claims to Medicaid.

Medicaid will not pay for a three-day emergency supply of a Medicare Part D-covered drug for members who decline Medicare prescription drug coverage. Per 42 USC 1396r-8(d)(5), the three-day emergency supply provision only applies to covered drugs. People who are eligible for Medicare and receive full Medicaid benefits and who decline or disenroll from Medicare prescription drug coverage will not have prescription drug coverage through Medicaid.

Medicaid Claims Processing

Pharmacy claims for dual eligibles are paid or denied based on the covered benefits determined by Indiana Medicaid. Covered benefits represent drugs excluded by Medicare, but covered by Indiana Medicaid and are stored in the covered benefit table. Claims for members who are eligible for Medicare Part D are subject to new edits as described in this section. PDPs will have a formulary of all Medicare covered drugs. Indiana Medicaid will not track specific PDP formularies. Medicaid will not pay for a drug just because it is excluded by a PDP formulary; it must be *excluded by Medicare*. The system only maintains and edits against the primary Medicare Part D-excluded and the Medicaid-covered services. Medicaid pharmacy claims will process according to the member's Medicaid benefits. Important claims processing information is as follows:

- Pharmacy claims for Medicare Part D-covered drugs for dual-eligible members are cost avoided for Medicare coverage. The pharmacy must bill Medicare prior to billing Medicaid.
- There will be no crossover pharmacy claims for Medicare Part D
- One new edit message will notify pharmacy providers about Medicare eligible members. Pharmacy claims for members who are eligible for Medicare Part D and also have full Medicaid benefits are subject to this new edit. The new Medicare Part D edit is described as follows:
 - *Denial Explanation of Benefit Message – EOB 2510*. This message explains the claim was denied because the drug is not a Medicare D excluded drug and therefore could be covered by Medicare Part D and will not be covered by Medicaid.

Over-The-Counter Drug Formulary and Preferred Drug List

Indiana Medicaid will pay for Medicare Part D-excluded drugs only if they are an Indiana Medicaid benefit. Any over-the-counter (OTC) drug covered by Indiana Medicaid must be on the *State of Indiana*

OTC Drug Formulary. Medicare Part D-excluded prescription drugs must be on the preferred drug list (PDL) and all existing PDL limits and requirements are applicable. The OTC formulary and PDL can be viewed at www.indianapbm.com. Pharmacists and prescribing practitioners should contact ACS with any questions related to the PDL by calling 1-866-879-0106.

Questions

Providers should direct questions about this bulletin to EDS Customer Assistance by calling (317) 655-3240 in the Indianapolis local area or 1-800-577-1278. Providers calling about pharmacy related concerns should select *Option 1*. Providers calling about non-pharmacy related concerns should select *Option 2*. The EDS Customer Assistance lines are available from 8 a.m. to 5 p.m. Monday through Friday, excluding State holidays.

Additional Information

Medicare prescription drug coverage is a federal program implemented by CMS. The information in this bulletin meant to address changes to the Indiana Medicaid program as a result of implementation of the Medicare Part D benefit. The following are additional sources of information about Medicare prescription drug coverage:

- *Medicare & You 2006* handbook
- Medicare Web site at www.medicare.gov
- 1-800-MEDICARE (1-800-633-4227) or 1-877-486-2048 for TTY users
- Indiana Senior Health Insurance Information Program (SHIIP) 1-800-452-4800 or visit the Web site at www.state.in.us/idoi/shiip.
- Medicare Part B versus Part D Information at <http://www.cms.hhs.gov/pdps/PartbandPartDdoc-revised7-27-05.pdf>.