

Committee on Finance
Committee Report
S. 1

The Prescription Drug and Medicare Improvement Act of 2003

**** Section Specifically Related to Low-Income Beneficiaries ****

Section 104. Medicaid and Other Amendments Related to Low-Income Beneficiaries

Current Law

States make eligibility determinations for their Medicaid populations as well as for the QMB/SLMB/QI-1 populations. Federal matching payments generally equal 50% of administrative costs.

Qualifying Individuals (QI-1s) are persons who meet the QMB criteria, except that their income is between 120% and 135% of poverty. Expenditures under the QI-1 program are paid 100% by the federal government (from the Part B trust fund) up to the state's allocation level. A state is only required to cover the number of persons which would bring its spending on these population groups in a year up to its allocation level. This temporary program, originally slated to end September 30, 2002, has been extended through September 30, 2003, by P.L.108-7.

Current Medicaid law requires manufacturers to pay state Medicaid programs a basic rebate for single source and innovator multiple source drugs. Basic rebates are calculated by comparing the average manufacturer price for a drug (the average price paid by wholesalers) to the "best price," which is the lowest price offered by the manufacturer in the same period to any wholesaler, retailer, nonprofit, or public agency. For purposes of determining Medicaid rebates, prices paid by a number of Federal and state entities are excluded from the definition of "best price."

Explanation of Provision

The provision would require states to make low-income eligibility determinations for low income subsidies. States would be required, for purposes of the transitional prescription drug card assistance program, to establish eligibility standards consistent with that program; establish procedures for providing presumptive eligibility determinations (similar to that which currently apply for low-income pregnant women and children); make eligibility determinations for the card program; and communicate to the Secretary information on eligibility determinations or discontinuations. For purposes of the low-income subsidies for the new Part D program, states would be required, beginning November 2005, to make eligibility determinations; establish procedures for providing presumptive eligibility determinations; inform the Administrator of cases where eligibility was established, and otherwise provide the Administrator with any information required to carry out Part D. States would be required to enter agreements with the Commissioner of Social Security to use all Social Security field offices in the state as information and enrollment sites for making eligibility determinations.

The federal government would pay an enhanced matching rate for administrative costs associated with making eligibility determinations. The rate would be 75% for the period January 1, 2004 - September 30, 2005, 70% for fiscal year 2006, 65% for FY 2007, and 60% beginning in FY 2008. Beginning November 1, 2005, the rate would be 100% for purposes of making eligibility determinations for subsidy eligible individuals.

In addition, states would be entitled to enhanced matching for the costs associated with designing, developing, acquiring and installing improved eligibility determination systems, including hardware and software, for low-income subsidy programs. The enhanced rate would be 90% for fiscal years 2004, 2005, and 2006. The systems would be required to comply with any standards established by the Secretary for improved eligibility systems. Further, the systems would have to be compatible with the standards established under the administrative simplification provisions of Title XI of the Social Security Act.

Medicaid beneficiaries who were eligible for full medical and drug benefits under their state Medicaid program would remain in Medicaid. Beginning January 1, 2006, States agreeing to provide a drug benefit to their dual eligible population that was at least equivalent to minimum standards would be relieved of their responsibility to pay Medicare Part B premiums for Medicaid and QMB eligibles between 74% and 100% of the federal poverty level. The minimum standards would be defined as follows. A state would be required to meet all current law coverage standards for dual eligibles under Medicaid, including nominal cost-sharing requirements. States would have to provide beneficiary protections equivalent to those provided under Part D. States could not place a limit on the number of prescriptions.

If, on the date of enactment, state provided medical assistance to aged and disabled persons up to 100% of the federal poverty level, it would be entitled to have the federal government assume the costs for Medicare Part A cost-sharing for that population. The federal government's assumption of Part A cost-sharing for these states would begin at 74% of the federal poverty level and would parallel the state's aged and disabled coverage level up to 100% of the federal poverty level. The Part A costs would be assumed so long as the state maintained the expanded coverage. The provision would apply effective January 1, 2006.

Residents of Puerto Rico and the territories would not be eligible for low-income subsidies under Part D. Instead, if they chose to provide drug coverage assistance to their low-income residents they would receive an increase in amounts otherwise paid to them under Medicaid. The aggregate amount available would be \$22.5 million for the last 3 quarters of FY2006, and \$30 million for FY2007. In subsequent fiscal years, the aggregate amount would be the amount available the previous year, increased by the percentage increase in prescription drug spending.

The provision would extend the QI-1 program through December 2008 with total annual allocations of \$400 million through fiscal year 2008 and \$100 million for the first quarter of fiscal 2009.

The provision would expand outreach requirements for the Commissioner of Social Security to include outreach activities for low-income subsidy individuals. By January 1, 2005, the Secretary would submit a report to Congress to recommend a voluntary option for dual eligibles to enroll in Part D drug plans.

The provision would exempt negotiated prices by any qualified plan offering Medicare drug coverage from the calculation of Medicaid "best price."

Effective Date

Enactment.