Policy Points
DGA **"Paying for Prescription Drugs"** Panel
Kiawah Island, SC
10:30 – 11:45

Issue Summary:

- In 1970, outpatient prescription drug spending was approximately $5.5 billion in the United States. By 1997, it had increased to $78.9 billion.
- Since 1994, we have seen prescription medications cost rise, as a per capita expense, at an alarming rate from 5% to more than 14% in 1998.
- Among the reasons cited for increased use are the aging population, changes in protocols and approaches to medical care, direct–to-consumer advertising, and the movement of consumers into managed care plans.
- Prescription drugs are particularly important for the senior population. While seniors make up only 12%of the United States population, they consume almost 35%of all prescription drugs.
- The average senior fills 18 prescriptions a year.
- Medicare itself does not cover outpatient prescription drugs. And, currently, 35 percent of fee-for-service Medicare beneficiaries lack any kind of prescription drug coverage. (Medicare covers out-patient prescription drugs only for those beneficiaries enrolled in optional managed care plans.)
- The already high – and constantly increasing – costs of these prescription drugs have become a serious problem for all Americans. For American seniors, most of them retired, living on fixed incomes, and lacking access to affordable, comprehensive drug coverage, the problem is acute and chronic.

In Mississippi:

- In 1999, we doubled the number of monthly prescriptions covered under the Medicaid program, but we are committed to do more for our working poor and chronically ill.
- We are examining our Medicaid program and reviewing the need for a pharmacy benefits manager (bulk purchasing) and the potential for a Medicaid waiver to offer some coverage for our working poor.
- In this process, we will examine our senior population and review pharmacy benefit gaps and financing opportunities a state program.

Federal Proposals:

- This week, Medicare celebrates its 35th anniversary (enacted on Sept. 11, 1965). If the pharmaceutical industry had been where it is today, there would be little doubt that the federal government would be covering prescription drugs today.
- With the federal government already spending 7 dollars on retirees for every dollar spent on the needs of children, we must eventually begin to ask questions about the cost and fairness of retirement programs even if we can theoretically balance the books by devoting an ever-greater portion of national wealth to Medicare and Social Security. (DLC/PPI).

President Clinton's Proposal

- Most comprehensive of the three major proposals before Congress.
  - Catastrophic coverage at $4,000;
  - Sliding scale premiums for 135-150% Federal Poverty Level individuals subsidized through Medicaid;
  - 5-year cost: $98 billion.

House GOP Proposal

- Not as favorable as the President's plan because of shifting burden to states;
  - Catastrophic coverage at $6,000;
  - Sliding scale premiums for 135-150% Federal Poverty Level individuals subsidized through Medicaid;
  - 5- year cost: $40 billion.

Roth (Senate) Version

- Block grant proposal with state's bearing the burden of costs. (According to the DLC/PPI, some observers think the real goal of Congressional Republicans is to set up this state program now and never have to deal with the tougher, broader issue of Medicare reform or a Medicare-based prescription drug benefit.)
  - Catastrophic benefit offered at the state's expense;

- Federal subsidy for non-Medicaid individuals from 100-135% Federal Poverty Level;
- 5-year cost: $20 billion.

State Actions:

California

- In California, Governor Davis instituted the Drug Discount Program for Medicare beneficiaries (2000).
    - Beneficiaries pay for the prescription drugs at the state health insurance rate (15% savings) plus a $0.15 fee.
    - Covers 1.3 million
    - Annual cost: $1.7 million

Delaware

- Beneficiaries pay $5 of 25% of the prescription, if the manufacturer agrees to participate;
- Maximum coverage of $2,500 per individual annually;
- Covers 1,200 recipients up $2,500 per individual annually;
- Annual cost: $5.6 million (tobacco settlement).

Indiana

- In Indiana, Governor O'Bannon established the Indiana Prescription Drug Fund.
    - Details forthcoming from O'Bannon;
    - $20 million appropriated this year.

Maryland

- Maryland's Pharmacy Assistance Program (1979) is one of the oldest state pharmacy programs.
    - Provides coverage for chronic maintenance drugs, anti-infective drugs, and insulin;
    - $5 co-pay;
    - Covers 33,800 qualified recipients (income less than $9,650 annually);
    - Annual Cost: $37.8 million (general funds).

Missouri

- Pharmaceutical Tax Credit, 2000
    - 262,000 beneficiaries receiving a maximum tax credit of $200;
    - Eligibility requirements: 65 or older and annual income less than $25,000;
    - Annual cost $52.4 million.

New Hampshire

- Senior Prescription Drug Discount Pilot, 2000
  - 2-year pilot program;
  - Beneficiary must be 65 (no income limits);
  - Discount varies depending on medication.

North Carolina

- Prescription Drug Assistance Program, 2000
  - Provides coverage for cardiovascular disease and diabetes;
  - Co-pay $6
  - Annual budget $500,000

South Carolina

- Senior's Prescription Program, 2000
  - Covers participants who are not Medicaid eligible to 200% Federal Poverty Level;
  - Sliding scales for co-pay and deductibles;

Vermont

- Health Access Program
  - Covers 11,125 beneficiaries through a Medicaid waiver;
  - Eligibility requirements: 65 and older, and disabled;
  - Covers all Medicaid drugs;
  - Annual cost: $13.9 million.
- Vscript
  - Covers 1,350 beneficiaries through state general funds;
  - Maintenance drugs only (i.e., hypertension)
  - Annual cost $2.9 million (general funds)

National Governors' Association:

- Policy HR-39 positions the governors in opposition to Congress shifting the burden and avoid creating disincentives, such as unreasonable maintenance of effort requirements.
- Policy HR-16 points out that the Medicaid prescription drug benefit is responsible for preventing hospitalizations for the elderly, thereby saving the Medicare program from additional costs. Therefore, the federal government should assume full financial responsibility for all low-income Medicare beneficiaries who are not otherwise Medicaid-eligible.

"Paying for Prescription Drugs" Panel Information

Speakers:

- Governor Tom Vilsack, Moderator
- Governor Jim Hodges
- Governor Ronnie Musgrove
- John Coster, Vice President of Federal & State Program, National Ass. Of Chain Drug Stores
- Kay Holcomb, Executive Vice President, Policy Directions

You will need to make an opening statement of what's going on in Mississippi and your thoughts about the status of prescription benefits on the national level.

This will be open to the press and panelist will take questions from the moderator and audience. Please refer to the attached policy and talking points.