Budget Proposal for Elimination of VPharm Programs

The Proposal

The proposal would eliminate Vermont funded coverage under VPharm 1, 2, and 3 that is supplemental to Medicare Part D drug coverage.

These programs pay for:

1. Medicare Part D beneficiary cost-sharing (i.e., costs that are not paid for by the Part D Prescription Drug Plans (PDPs)). Referred to as the "Wrap," this includes deductibles, coinsurance/copayments, and coverage in the "donut hole" (the period in a calendar year when there may be a gap in Part D before the catastrophic coverage applies).

   Cost sharing limited to the following drugs:
   a) VPharm1: All drugs covered by the federal Medicaid program.
   b) VPharm2: All maintenance drugs covered by the federal Medicaid program.
   c) VPharm3: All maintenance drugs covered by Vermont's VScript Expanded program where manufacturers pay rebates to Vermont for the coverage of their drugs.

2. Certain drugs not covered by Medicare Part D. These are:

   - barbiturates (used to treat seizure disorders or pain syndromes);
   - benzodiazepines (used to treat depression);
   - drugs used for anorexia, weight loss, or weight gain; fertility drugs; drugs used for cosmetic purposes or hair growth;
   - prescription vitamins and mineral products; and
   - over-the-counter drugs (e.g., cough and cold medicines, aspirin, etc.).

VPharm program participation is based on income level and premium payments:

	Enrollees (SFY09)	Income Level	Monthly Premium
VPharm1	7,423	</= 150% FPL	$17 per person
VPharm2	2,547	> 150% and </= 175% FPL	$23 per person
VPharm3	2,558	> 175% and </= 225% FPL	$50 per person

With the elimination of the VPharm programs, the State will no longer make premium payments and beneficiaries will pay their premiums directly to their PDPs for the Medicare Part D coverage.

Background

- In 1989, the state-funded VScript program was created to assist low-income elderly and disabled individuals up to 175 percent of the FPL in the purchase of maintenance drugs.
- In 1995, authorization was obtained under Act 14 approved by the Vermont General Assembly and through an 1115 waiver to Title XIX of the Social Security Act from the Health Care Financing Administration (HCFA) for the creation of the Vermont Health Access Plan (VHAP). This proposed to expand medical coverage to certain previously uninsured Vermonters (VHAP) up to 150 percent of the FPL. For low-income, elderly or disabled Vermonters covered by Medicare, medical coverage was not necessary but the Act created a pharmacy program to provide pharmacy assistance not available from Medicare (VHAP Pharmacy).
- In 1996, VHAP and VHAP Pharmacy were implemented for qualified individuals up to 100 percent of the FPL in January, and then up to 150 percent of the FPL in November.
- In 1999, the existing state-funded VScript program for coverage of maintenance drugs was incorporated into the VHAP Pharmacy program by increasing the VHAP Pharmacy income test to 175 percent of the FPL.
- In 2000, an expansion to the state-funded VScript program for coverage of maintenance drugs was implemented by increasing the income test to 225 percent of the FPL.
- In 2006, a comprehensive Medicare drug benefit was implemented under Part D. Initially Medicare and its contracted Prescription Drug Plans (PDPs) had significant problems in providing coverage to beneficiaries. Vermont and other states provided transition coverage.
- Since 2006, Medicare and its PDPs have addressed the Part D start up problems and Medicare Part D is fully functional.

The Rationale for VPharm Elimination

- State supported pharmacy coverage was primarily intended to provide a benefit to Medicare beneficiaries who did not have pharmacy coverage under Medicare.
- The implementation of Medicare Part D provided a comprehensive pharmacy benefit.
- The State fully supported the transition to Part D. All operational systems have now demonstrated the ability to handle the drug coverage of Medicare beneficiaries.
- Since the implementation of Part D, the average VPharm monthly caseload has decreased from a high of 13,556 to 12,528 in December 2008, a decrease of 7.6%. This would indicate that some beneficiaries have found that the Part D coverage alone is sufficient to meet their needs.
- The Kaiser Family Foundation reports that, on average, Medicare Part D pays 74.5% of standard drug coverage.
- While VPharm premiums range from $17 to $50 per month for Medicare Part D premiums and wrap coverage, a significant benefit is available to Vermont beneficiaries from Medicare alone paying comparative Medicare Part D premiums. Monthly premium payments for Medicare Part D nationally range from $10.30 to $136.80 but the premiums for the top five plans in terms of enrollment range from $28.69 to $40.83.

Options for VPharm Beneficiaries

- With the elimination of VPharm, beneficiaries will be allowed an opportunity to change their Medicare Prescription Drug Plan if it is advantageous to them. Medicare eligibles have a limited number of such opportunities but an additional one is made available when the beneficiary is no longer eligible for such a State Pharmacy Assistance Program (SPAP).
- All Medicare Part D beneficiaries can control their personal out-of-pocket costs by utilizing generics and their PDPs' lower cost preferred brands.
- With a change in the rules for the Healthy Vermonters' Program (HVP), Vermonters will be able to further control their costs. HVP makes drugs available at a price no greater than the Vermont Medicaid rate. Beneficiaries' costs would be no more than the lesser of the Medicaid rate after the Medicare payment or the Medicare patient share after the Medicare payment.
- Federal Low Income Subsidies (LIS) are available for people under 150 percent of the FPL to assist in the full (up to 135% FPL) or partial payment of monthly premiums, yearly deductibles, prescription coinsurance and copayments, and coverage in the donut hole. Some Vermonters may not yet have taken full advantage of LIS, which is obtained by applying through Medicare. LIS eligibles pay copayments of only $1.05 or $2.25 for generic drugs and $3.10 or $5.60 for brand-name drugs, depending on their income.
- Some Vermonters with high drug costs may be eligible for Medicaid for a portion of their drug costs if they have expenses that exceed a Medicaid spend-down.
- State and SHIP staff will support VPharm enrollees as they transition from VPharm programs.

.

Remaining OVHA Pharmacy Coverage for Medicare Part D Beneficiaries

Plan	12/08 Enrollees with Medicare coverage	Benefit	Potential Beneficiaries	Income Limit	Monthly Premium	Beneficiary Copayment/ Coinsurance
Full-Benefit Duals	18,615	Coverage of defined drugs in classes that are excluded from Medicare Part D coverage. (Note: Full-benefit duals do not have a PDP deductible, donut hole or coinsurance.)	Aged or disabled with Medicare D pharmacy and/or credible coverage. Resource limit applies.		None	Copayments of $1.05 through $5.60 apply to Part D plan coverage; Copayments of $1, $2 and $3, depending on cost of drug, apply to Medicare Part D excluded drugs. In addition, beneficiaries through age 20, nursing home residents and pregnant woman are excluded from paying copayments.
Healthy Vermonters with Medicare Part D Coverage	973	Beneficiary pays the state's rate for drugs in classes that are excluded from Medicare Part D coverage.	Aged, disabled with no pharmacy coverage other than Medicare Part D, or coverage with an annual limit that has been met. No resource limit.	Aged or disabled: up to 400% of the FPL	None	Beneficiary pays the state's rate for drugs