

MEDICARE

Medicare Prescription Drug Coverage Enrollment Update

January 2006

As of January 1, 2006, all 43 million people on Medicare are eligible to sign up for prescription drug coverage through Part D plans, either stand-alone prescription drug plans (PDPs) or Medicare Advantage prescription drug (MA-PD) plans. For some beneficiaries, Part D represents a new opportunity to gain access to drug coverage in 2006. For others, Part D plans may replace the drug coverage they had under Medicare HMOs, Medigap, or Medicaid.¹ Still others will be able to maintain their existing coverage from creditable employer/union plans, rather than enroll in Part D plans.²

The U.S. Department of Health and Human Services (HHS) projected that 39.1 million Medicare beneficiaries would have prescription drug coverage in 2006. Of this total, HHS projected that 29.3 million beneficiaries would be enrolled in a Part D plan and nearly 10 million beneficiaries would have creditable prescription drug coverage under a qualified plan, such as an employer or union-sponsored plan.³

HHS recently announced that, as of January 13, 2006, 24 million Medicare beneficiaries have prescription drug coverage from a Medicare Part D plan or other source.⁴

PART D ENROLLMENT

The most recent enrollment figures released by HHS indicate that 14.3 million beneficiaries have been enrolled in a Medicare Part D prescription drug plan as of January 13, 2006. This includes:

- 6.2 million beneficiaries dually eligible for Medicare and Medicaid assigned to Part D plans
- 4.5 million beneficiaries enrolled in Medicare Advantage plans with Part D coverage (excluding dual eligibles)
- 3.6 million beneficiaries signed up for stand-alone Medicare PDPs

= 14.3 million beneficiaries in Medicare Part D plans

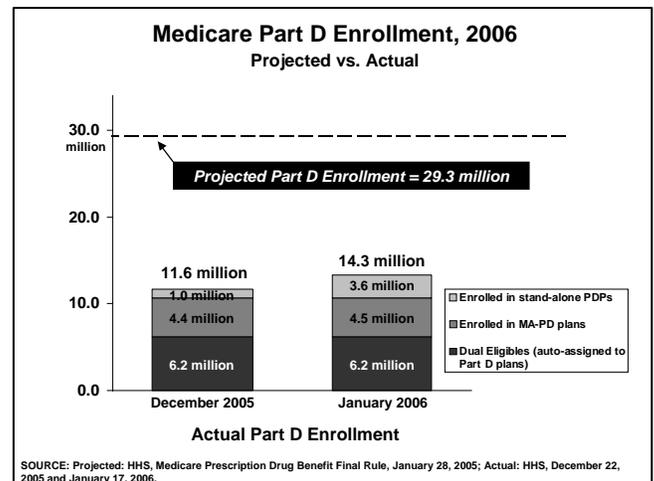
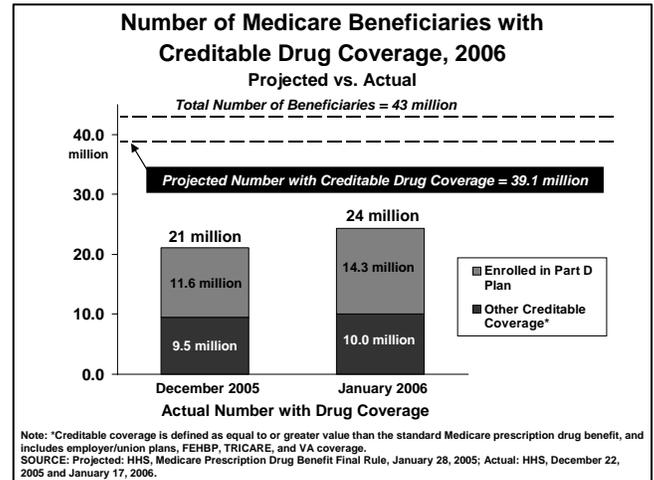
With Part D plan enrollment now at 14.3 million, another 15 million beneficiaries would need to sign up for either a stand-alone prescription drug plan or Medicare Advantage prescription drug plan in order to reach the HHS Part D enrollment target of 29.3 million in 2006.

OTHER CREDITABLE PRESCRIPTION DRUG COVERAGE

HHS reported that another 10 million beneficiaries have creditable prescription drug coverage from an employer or union plan in 2006. This includes:

- 6.4 million beneficiaries in retiree-subsidy plans (not Part D)
- 0.5 million beneficiaries in creditable employer plan (employer does not get subsidy)
- 3.1 million beneficiaries in FEHBP or TRICARE

= 10.0 million beneficiaries with creditable drug coverage under employer/union plans



¹ Beneficiaries who had Medicaid drug coverage in 2005 (known as "dual eligibles") were automatically switched to Part D plans for 2006.

² Creditable coverage is defined as prescription drug coverage that is equal to or greater than the coverage provided under the standard Medicare Part D benefit. Employers offering creditable coverage in 2006 could apply to the federal government to receive tax-free subsidies equal to 28 percent of allowable drug costs between \$250 and \$5,000 per retiree.

³ U.S. Department of Health and Human Services, Medicare Prescription Drug Benefit Final Rule, January 28, 2005.

⁴ U.S. Department of Health and Human Services, January 17, 2006. Enrollment numbers are as of January 13, 2006.

This figure is comparable to early projections by HHS of 9.8 million beneficiaries with coverage under a qualified employer plan in 2006.

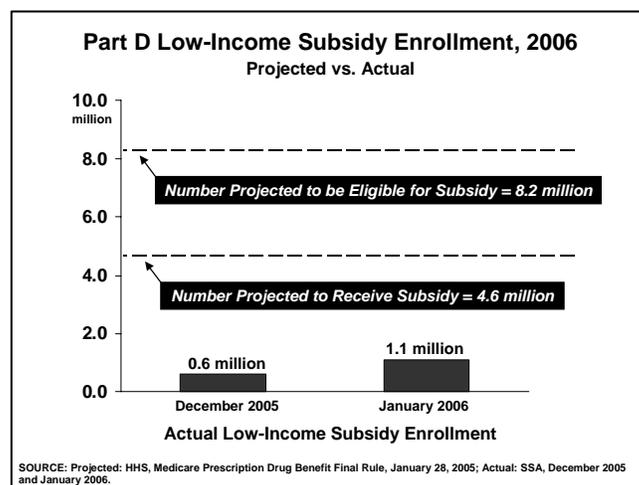
In addition, HHS indicates that another 1 million beneficiaries are in employer plans that expect to wrap around the Part D benefit.⁵ Under this arrangement, employers would supplement coverage for individuals who voluntarily enroll in a Part D plan.

LOW-INCOME SUBSIDIES

The Medicare prescription drug benefit includes substantial premium and cost-sharing subsidies for individuals with low incomes (less than approximately \$15,000 for individuals) and modest assets (less than \$11,500 for individuals). In general, individuals must apply through the Social Security Administration or state Medicaid programs to receive this additional assistance.⁶

HHS projected that 8.2 million beneficiaries would be eligible for the low-income subsidy, excluding those dually eligible for Medicare and Medicaid. Of that total, HHS estimated that 4.6 million would receive the low-income subsidy in 2006 (MMA Final Rule, 2005).

As of December 30, 2005, SSA had received 4.1 million applications and processed 3.6 million. Of the 3.6 million reviewed applications, SSA determined that 1.1 million Medicare beneficiaries are eligible for low-income subsidies for the new drug benefit. Of the 2.5 million applicants determined to be ineligible, SSA reported that 57% had excess resources, 32% had excess income, and 11% had excess income and resources.



DISCUSSION

At the start of the Medicare drug benefit in January 2006, more than 14 million Medicare beneficiaries are enrolled in a Medicare Part D prescription drug plan and another 10 million beneficiaries are reported to have creditable drug coverage through employer plans, including FEHBP and TRICARE. Most of these 24 million Medicare beneficiaries had drug coverage in 2005, either through Medicaid (in the case of dual eligibles), Medicare Advantage plans, or employer plans. Among the 3.6 million individuals who enrolled in PDPs for 2006, it is unclear how many had drug coverage prior to signing up for a Part D plan or are newly covered.

The Administration projected that 29.3 million Medicare beneficiaries would be enrolled in a Medicare Part D plan in 2006. With Part D enrollment at 14.3 million beneficiaries as of mid-January, an additional 15 million beneficiaries would need to sign up for a Medicare drug plan – either a stand-alone PDP or Medicare Advantage plan – in order to reach this target in 2006.

Enrollment in Part D plans is important to monitor because Part D is the primary means of providing prescription drug coverage to more than 11 million Medicare beneficiaries who lacked drug coverage prior to 2006 and to millions more who had coverage that is less generous than the standard Medicare drug benefit.⁷ Maximizing Part D participation is also important because the overall number of enrollees has the potential to affect the amount that beneficiaries pay in monthly premiums over time – particularly if enrollment in the early years is skewed toward higher-cost beneficiaries.⁸ Lower than expected enrollment in Part D plans could also have a significant impact on plan stability over time, and on the overall cost of the program.

State-by-state Medicare drug plan enrollment data are available through the Foundation's [statehealthfacts.org](http://www.statehealthfacts.org) website at <http://www.statehealthfacts.org/medicare>.

⁵ It is unclear whether these individuals are included in the 3.6 million beneficiaries who have already signed up for a Part D plan.

⁶ Individuals dually eligible for Medicare and Medicaid, those who receive premium and/or cost-sharing assistance from Medicaid through the Medicare Savings Programs (QMB, SLMB, QI), and those eligible for cash assistance (SSI) are deemed eligible for low-income subsidies, meaning they do not have to apply for this assistance.

⁷ See *Estimates of Out-of-Pocket Spending Under the MMA*, prepared by Actuarial Research Corporation and the Kaiser Family Foundation, November 2004.

⁸ See *The Impact of Enrollment in the Medicare Prescription Drug Benefit on Premiums*, prepared by Avalere Health LLC for the Kaiser Family Foundation, October 2005.