
Medicare Issues for Stores with Pharmacy Operations

Medicare Approved Drug Discount Cards

Medicare Drug Coverage

May 2, 2004



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Introduction

Goals for this Session:

- Provide an overview of the discount card program that will begin bringing seniors to your stores next month—if it hasn't already.
- Provide a very brief introduction to the basic outlines of the new Medicare drug benefit.
- Discuss some of the implications of these programs for pharmacy operations.



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Background

The Medicare Prescription Drug Improvement and Modernization Act (MMA) became law last year:

- Years of lobbying and policy development produced the first comprehensive outpatient drug benefit under the Medicare program.
- Drug manufacturers finally embraced a drug benefit as the solution to access problems for senior citizens—while staving off price controls.
- Everyone sees room for improvement—but major changes are unlikely before the election.



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Background

FMI had a number of legislative priorities during the debate leading up to enactment of the MMA, including:

- Allowing a variety of entities—in addition to Pharmacy Benefit Managers (PBMs)— to participate in any Medicare program.
- Allowing beneficiaries to fill long-term prescriptions at community pharmacies rather than being forced into mail-order.
- Preventing conflicts-of-interest for plans that own their own mail-order.
- Requiring other protections for beneficiaries.



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Background

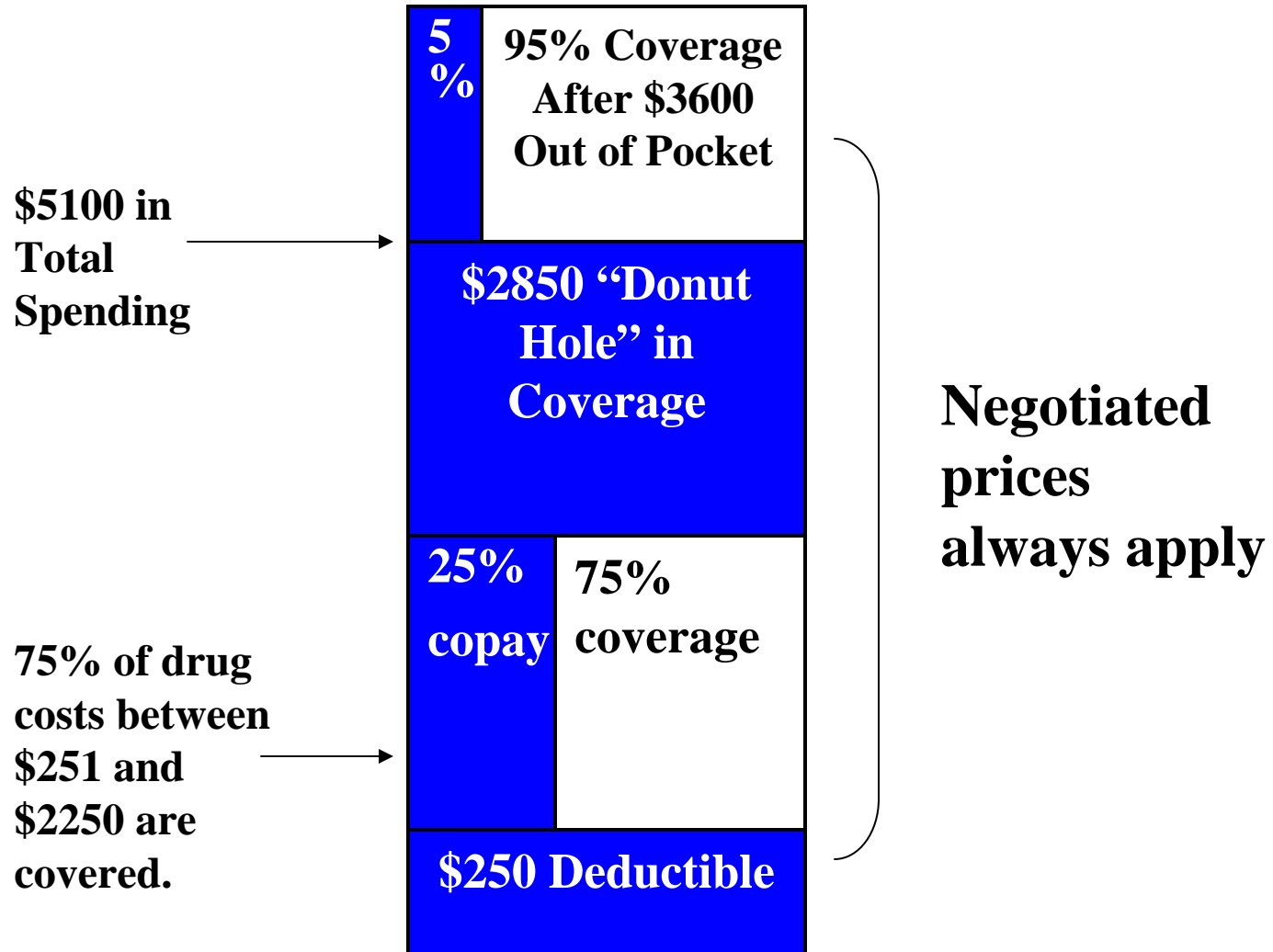
The MMA:

- ✓ Allows multiple entities, including pharmacies and other entities, to offer benefits.
- ✓ Requires plans to offer the option of long-term prescriptions at the community pharmacy.
- ✓ Prohibits plans from requiring pharmacies outside of preferred networks to accept insurance risk.
- ✓ Contains pharmacy network adequacy standards.
- ✓ Calls for an FTC study of conflicts of interest when plans own mail order facilities.
- ✓ Prohibits mail-order only benefits.



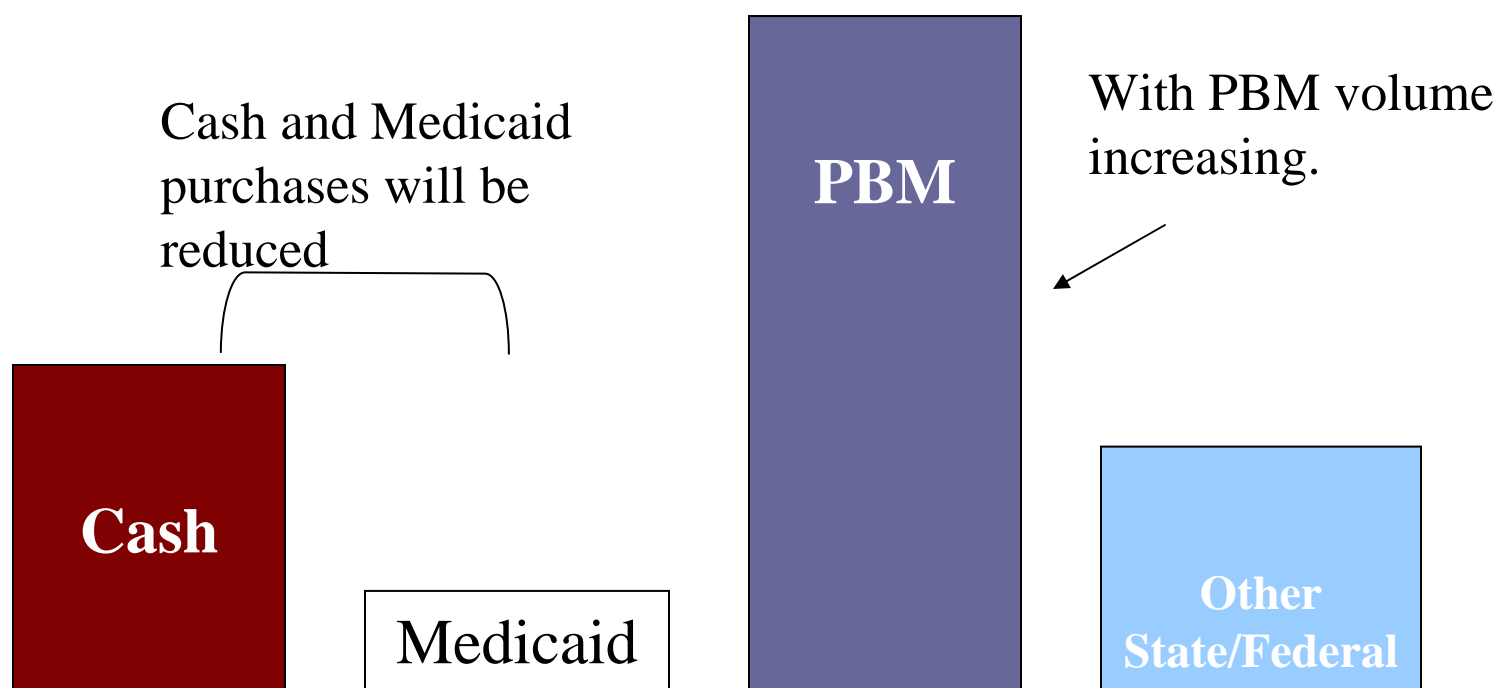
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MMA: The Basic Benefit Package



MMA: Business Implications

The new drug benefit will change the channels in which the elderly and disabled purchase their prescription drugs:



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The Prescription Drug Discount Card

The Discount Card is the first major component of the MMA to be implemented:

- 28 drug card sponsors will offer nearly 50 different drug cards, with discounts beginning next month.
- Information, outreach and enrollments have already begun, with significant educational efforts by the Centers for Medicare and Medicaid Services (CMS).
- This program will be an important part of the implementation process for the new Medicare drug benefit established by the MMA.



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Discount Card: The Basic Framework

The program combines a discount card with immediate assistance for low-income beneficiaries:

- An estimated 10% to 25% off of retail prices, beginning June 1.
- Medicare will also provide \$600 annually in 2004 and 2005 to low-income beneficiaries in the form of benefits to be provided by approved discount cards.
- Beneficiaries will be able to enroll in only 1 card annually– with a \$30 maximum enrollment fee.



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Discount Card: Pharmacy-related Issues

Most requirements for pharmacies have been imposed by network contracts, but the CMS final rule on the card program contains some requirements for pharmacy:

- Pharmacies will have to offer the lower of card negotiated prices or usual and customary prices.
- Pharmacies must tell beneficiaries if a product they are dispensing has a lower priced generic equivalent.



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Discount Card: Pharmacy-related Issues

There are also requirements for coinsurance collections under the transitional assistance program—allowing waivers, only if:

- There is no advertisement of waiver;
- Waiver is not routine; and
- Waiver is only made after good faith determination of financial hardship by the beneficiary or reasonable collection efforts.

Waiver is at the pharmacy's discretion.



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Discount Card: Pharmacy Networks

The MMA requires approved cards to have pharmacy networks with fairly convenient access:

- The vast majority of urban and suburban enrollees will be within 5 miles of a pharmacy (2 miles in urban settings).
- 70% of rural beneficiaries must be within 15 miles of a participating pharmacy.



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Discount Card: Formularies

CMS has developed a set of formulary categories reflecting drugs commonly used by senior citizens:

- Card Sponsors will be required to offer discounts on at least one product in each category and must include discounts on generic drugs in a majority of those categories.
- CMS views this list as a “floor” for plans to use— and expects plans to include other products that may be important to seniors.



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Discount Card: Mechanics of the Program

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Negotiated Discounts:

- Card Sponsors will be required to negotiate some rebates and price concessions with manufacturers and share some of those concessions with enrollees in the form of lower prices.
- CMS acknowledges that “some” could mean only 1 rebate contract.
- Card Sponsors will be required to report the percentage of manufacturer price concessions that are passed on to Medicare beneficiaries.



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Discount Card: Transitional Assistance

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Transitional assistance benefits for beneficiaries below 135% of the Federal Poverty Line:

- \$600 will be credited to qualifying beneficiary drug cards in 2004 and 2005.
- Anything left at the end of 2004 can be “rolled over to 2005.”
- Any remaining balance will also be available during the 2006 transition period.
- CMS pays enrollment fee.
- 5% coinsurance required at or below 100% FPL, 10% coinsurance from 100-135% FPL.



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Discount Card: Price Reporting

The Price reporting system may result in some confusion:

- Card sponsors will submit one or more “pricing files” for their programs.
- Within each file, dispensing fees may vary but only 1 “maximum price” will be reported.
- Card sponsors can submit multiple files by region, by pharmacy chain or whatever level of detail they prefer.
- Pharmacy prices can vary in each pricing file— but not the maximum price a beneficiary would pay.

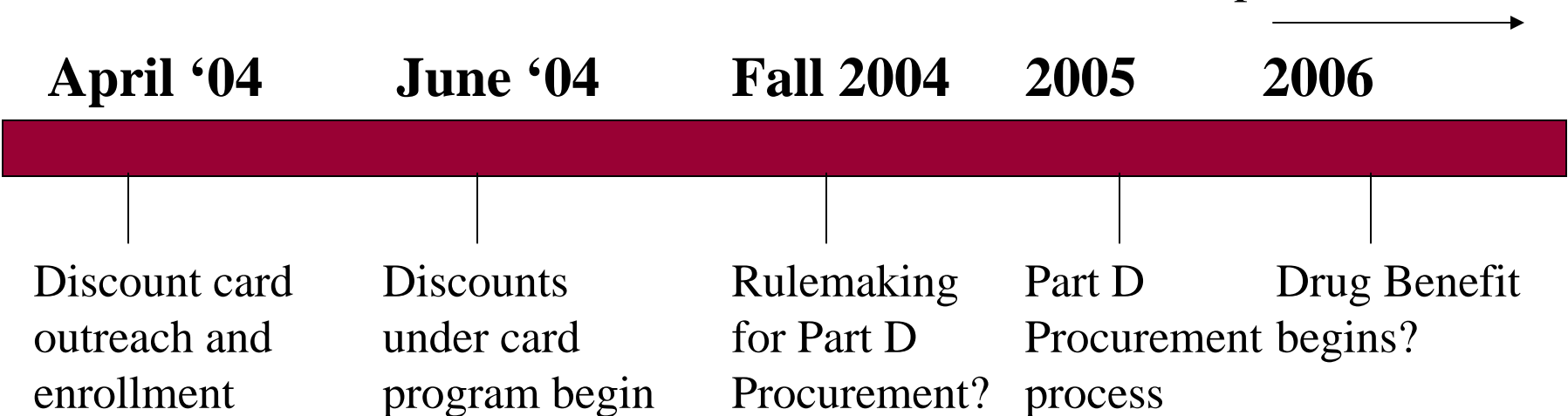


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MMA: Moving Toward Part D Drug Benefit ¹⁷

Timeline:

Drug card continues during any “transition period”



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MMA: Moving Toward Part D Drug Benefit ¹⁸

Many of the operational issues facing pharmacies will be similar under the MMA to issues they are facing under the discount card:

- Reporting information on the lowest-price generic equivalent will be required in Part D also.
- Pharmacy networks will have to meet the same geographic access standards.
- CMS may seek to use formulary standards similar to those being established for the drug card.



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MMA: Other Pharmacy Responsibilities

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The MMA adds a Medication Therapy Management Program for Part D plans:

- Targeted to beneficiaries with multiple chronic diseases and heavy users of Part D drugs, this program “may be furnished by a pharmacist.”
- These plans are designed to promote appropriate use of medications and to reduce the risk of adverse events.
- Plans must consult pharmacists when developing management programs and take into account time and resources devoted to these programs when establishing pharmacy fees.



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MMA: Other Pharmacy Responsibilities

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Other Issues:

- Plans must also have cost and utilization management programs in place—probably similar to current switching programs.
- The Secretary is directed to establish standards for electronic prescriptions under Part D.
 - This will include providing pharmacists with information about lower cost alternatives, and other information about plan formularies.
 - The law also envisions transmission of individual medical history information.



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MMA: Future Issues

In addition to potential delays in implementation, there are a variety of brewing controversies:

- The drug reimportation debate has erupted again– and could see action this year or next.
- Language prohibiting government “interference” in drug plan negotiations will continue to be subject to attacks from Democrats in Congress.
- Various members of Congress may try to add more funds to the Part D benefit.
- If these issues cause the MMA to be amended in 2005, the discount card may be around beyond 2006.



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Medicare Card

Challenges and Opportunities for Retail Pharmacists



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Retail Pharmacists Already have 23 Significant Challenges.

- The number of Prescriptions is growing at a rate of 5% annually, while over 90% of all prescriptions are covered by some form of third party insurance program.
- Pharmacy Legal Requirements (OBRA, HIPAA, State and Federal Laws and Regulations) are increasing.



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Pharmacists Routinely:

- Interact with Patients.
- Fill Prescriptions.
- Collect Co-pays.
- Coordinate Benefits with Third Party Plans.
- Enforce Plan Formularies.
- Resolve Claim Coverage problems.
- Inform patients that drugs are not covered and/or that co-pays have increased.



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- Now we are planning to layer a Federal prescription program that potentially will add over 10 million people to the already complicated third party insurance base that retail pharmacists deal with daily.



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Medicare Program

- 2004 – Prescription Discount Card covering \$600 of Pharmacy Benefits.
- 2005 – Continuation of Card Program.
- 2006 – Full Benefit Program kicks in.



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Potential Issues

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- So far, there are 28 Drug Card Sponsors with 50 different programs, covering 209 categories of drugs.
 - How will Seniors know which program is best for them?
 - Check with the Pharmacist!
 - How will Seniors know prescription prices, as they potentially could change weekly with manufacturers' price changes?
 - Check with the Pharmacist!



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Potential Issues (Continued)

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- If a Senior has multiple cards, both endorsed and non-endorsed programs, how will they know which card presents the best savings for the prescription they are presenting?
 - Check with the Pharmacist!

Keep in mind that it is estimated that 25% of Seniors have a cognitive impairment.



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Potential Issues (Continued)

- Who will be maintaining the updated eligibility databases that our Pharmacists see daily?
- Educating Seniors about the fact that the Medicare Card is not insurance coverage, but rather a discount.



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Potential Issues (Continued)

- Who will calculate the lower of the “usual and customary” price or the “max” price offered under each card program and explain it to the eligible Medicare Recipient?
- Will there be confusion surrounding a pharmacy’s actual price versus the “max” price posted on a card program’s website?



Potential Issues (Continued)

- How does a pharmacy promote its unique lower prices to attract more business?



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Financial Issues

- Decreased Margins associated with Competitive Bid Participation Process (and co-pay waiver process?).
- Potential Increased Labor Costs associated with increased questions to the pharmacy staff.



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Financial Issues (Continued)

- Medication Therapy Management “may be” provided by the pharmacy. Fees to be determined. Will Pharmacy actually work with the PBM to develop?
- Increased Claim Processing/Inquiry Costs associated with multiple transmittal of prescription claim info, looking for best price for Seniors.



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Opportunities for Retail Pharmacy

- Potentially adding over 10 million people who had little to no prescription coverage, to retail pharmacy's business base.
- Retail Pharmacy now has a chance to participate in 90-day supply (mail-order quantity) programs.



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Opportunities for Retail Pharmacy ³⁵ (Continued)

- May have a decrease in margin, but should be able to offset and exceed margin erosion with increased prescription counts and sales.
- Tie in other departmental sales categories to this population.



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What Should We be Doing?

- Educating our Pharmacy Teams on the Programs.
- Providing Adequate Staffing for our Pharmacies so we can Attract Customers through Service.
- Setting up Consumer Information Tables, Websites, and/or Telephone Help Lines.



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What should We be Doing?

- Advertising our Participation in Programs.
- Using Customer Database Information as a means of Growing our Pharmacies!! (While Respecting HIPAA)



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- America is aging. That means that there will be more individuals relying on these types of programs.
 - The next 2-1/2 years present an Evolving Opportunity to Attract Consumers to our Pharmacies.



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