

Costs of prescription drugs are skyrocketing. Between 1990 and 2005, U.S. spending on prescription drugs grew from \$40.3 billion to \$200.7 billion. The U.S. Department of Health and Human Services projects that by 2016, spending on prescription drugs will have risen to \$497.5 billion, a 148% increase from 2005. As a response, many insurance companies have removed certain drugs from their coverage, or increased beneficiary payments, increasingly making healthcare less affordable. Consumers have been gradually forced to resort to generic drugs, pill-splitting, or even the forgoing of necessary medicine. Along the same lines, doctors tend to prescribe cheaper drugs or begin handing out office samples, in order to mitigate costs to the consumers (The Henry J. Kaiser Foundation, 2007).

In 2004, the 65 years and older population had the highest healthcare expenditures, making Medicare the largest buyer of prescription drugs. The elderly comprise almost 13 percent of the population, yet they consume nearly one-third of all prescription drugs used in the U.S. (Centers for Medicare and Medicaid Services [CMS], 2004). In Texas, there are currently 2,735,037 Medicare beneficiaries, the fourth highest state enrollment in the nation. 85.5% of these recipients are aged 65 years and over and 14.3% are disabled. Medicare provides coverage for services such as hospital care, nursing home care, and home healthcare. In 2004, Medicare spending in Texas averaged \$8,292 per enrolled individual (The Henry J. Kaiser Foundation, n.d.).

Of the over four million Medicaid enrollees in Texas, over 500,000 of them are aged or

disabled recipients of Supplemental Security Income (SSI). Medicaid spending in Texas for the 2006 fiscal year reached over \$18 billion, or on average about \$4,000 per individual (The Henry J. Kaiser Foundation, n.d.). In 2007, national spending on Medicare and Medicaid, combined, totaled just under \$600,000 million and is projected to reach almost \$650,000 million in 2009 (Office of Management and Budget (OMB), n.d.).

Medicare

Medicare is a government healthcare plan primarily available to seniors over the age of 65. In certain circumstances, those under 65 years qualify for Medicare coverage due to a specific medical problem or disability, such as End-Stage Renal Disease. Medicare offers four types of insurance: Medical, Hospital, Medicare Prescription Drug Coverage, and Medicare Advantage Plans that are a combination of services. Medicare Parts A and B (Medical and Hospital insurance, respectively) do not cover the large majority of prescription drugs (U.S. Department of Health and Human Services [HHS], 2008).

Prescription Drug Coverage

Everyone enrolled with Medicare is eligible to register for prescription drug coverage. There are two possible ways to supplement the Original Medicare Plan with prescription drug coverage. The first is to join a Medicare Prescription Drug Plan (PDP); the second requires enrolling in a Medicare Advantage Plan, for example, an HMO. Both of these services charge an extra premium, apart from the Original Medicare Plan (CMS, 2008b). The primary difference between the two options is

existing Medicare coverage. A PDP enrollment requires existing Part A and/or Part B coverage, whereas an Advantage Plan membership requires Part A *and* B coverage.

Monthly premiums, yearly deductibles, and co-payments vary with service coverage. Medicare programs rank prescription drugs in tiers, with generic brands as the lowest, cheapest option. Most Medicare plans have a “coverage gap” which results in out-of-pocket payments after a specific amount of prescription drug coverage. In some circumstances, Medicare provides catastrophic coverage to reduce the cost of prescriptions after the coverage gap (CMS, 2008e). For those who qualify, extra monetary help through Supplemental Security Income (SSI), sometimes as much as \$3,600 annually, is available by application (CMS, 2008e).

The Medicare prescription drug guide provides an example of how the payment process works: A member pays his or her predetermined yearly deductible. After that amount is paid, for example \$275, the member pays a small co-payment for each prescription. When the total of copayments paid, combined with the deductible, reaches a certain amount, the member begins to pay out-of-pocket for *all* prescription expenses. When the “coverage gap” (or “donut hole”) payments (a combination of the yearly deductible, copayments, and out-of-pocket expenses) total a specific amount, the catastrophic coverage begins. With this coverage, the member will pay a small copayment for each prescription for the remainder of the insurance year (CMS, 2008e).

In the San Antonio Area, Part D (Prescription Drug Plans) enrollment is lower than total eligibility:

Prescription Drug Enrollment, January 2008

	Part D Eligible	Part D Enrolled
Bandera County	3,763	3,084
Bexar County	194,191	171,493
Comal County	17,037	14,647
Kendall County	5,762	4,827

(CMS, 2008a).

Medicaid

Medicaid, established by Title XIX of the Social Security Act, is a health insurance program available to low-income citizens, jointly state and federally funded, and managed by the state government. Since its inception in 1965, Medicaid has become the largest provider of health-related services for America’s poor population (CMS, 2005). Eligibility rules of Medicaid vary by state; in Texas, the eligible recipients fall into three categories, with children being the largest group of beneficiaries:

- Families and children (based on income level, depending on age or pregnancy)
- Cash assistance recipients (Texas Assistance for Needy Families (TANF) or Supplemental Security Income (SSI))
- Aged and disabled (based on income level, age, and physical or mental disability)

(Texas Health and Human Services Commission [HHSC], 2007b).

Because Medicaid is an entitlement program, the number of recipients cannot be limited by either the state or federal governments. However, in 2007, Medicaid enrollment declined for the first time in a decade, likely due partially to increasingly strict enrollment requirements made by the Deficit Reduction Act of 2005.

Medicaid Enrollment, December 2007

	Total	Aged	Disabled
Bandera County	1,551	68	284
Bexar County	217,962	15,892	37,909
Comal County	6,797	543	1,006
Kendall County	1,768	265	225

(Texas HHSC, 2008c).

In July 2008, 2,628,236 Texans were enrolled in Medicaid, including 271,483 aged and 436,813 disabled (Texas HHSC, 2008c).

Prescription Drug Coverage

Nationally, low-income elderly and persons with disabilities constitute close to 80% of Medicaid drug spending (The Henry J. Kaiser Foundation, 2008). However, Medicaid provides limited prescription drug coverage. For most adults, prescriptions are limited to three per month. Those receiving care through a

Medicaid HMO are typically allowed above three prescriptions. In addition, unlimited prescriptions are provided for adults staying in a hospital or nursing home, those enrolled in home or community based waiver programs, and for family planning needs. For children under the age of 21, prescriptions are also unlimited. In some circumstances, prescription drugs may need to be pre-approved by Medicaid. Furthermore, not all pharmacies accept Medicaid insurance (Texas HHSC, 2007a). In Texas, the Vendor Drug Program is responsible for processing prescription drugs for both Medicaid and the Children's Health Insurance Program (CHIP). Medicare-Medicaid dual beneficiaries do not receive drug benefits from Medicaid (Texas HHSC, 2008b).

In 2005, the Deficit Reduction Act amended some of the legislation surrounding prescription drugs and Medicaid. This act revised the federal upper payment limit (FUL), the limit on state government reimbursements to pharmacies for generic drugs, to 250% of the average manufacturer price (AMP) for multiple source drugs and added rebates for certain doctor-administered drugs (CMS, 2008c)

Children's Health Insurance Program (CHIP) Congress enacted the State Children's Health Insurance Program (SCHIP) to protect uninsured children and their families who are just above the Medicaid eligibility threshold. States have the option of using the provided funding as an extension of Medicaid. In Texas, residents that are U.S. citizens and under the age of 19 (and their families) are qualified to apply. Acceptance is based on family size, income, and total assets (Texas HHSC, 2007a). Enrollment in Bexar County reached 32,101 beneficiaries in July of 2008. Bandera County recorded 284, Comal County 1,349, and Kendall County 329 recipients. In Texas, CHIP does include prescription drug coverage for its recipients (Texas HHSC, 2008a).

Dual Eligibility

It is possible to be enrolled, simultaneously, in both Medicare and Medicaid. However, for dual enrollees, prescription drug coverage is only provided by Medicare. In these circumstances, Medicaid funding serves to

offset out-of-pocket costs of Medicare (premiums, copayments, etc.). The four types of Dual Eligible or Medicare Savings Programs are Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB), Qualifying Individual (QI), Qualified Disabled and Working Individual (QDWI). Benefits vary by program, but typically include Medicaid covering the cost of Medicare deductibles or premiums (Firststep, n.d.). Dual Eligibles tend to be unhealthier and poorer, costing Medicare about 60% more than nondual eligibles (MedPAC, 2004). Additionally, the Program of All-Inclusive Care for the Elderly (PACE), provided by Medicare, supplies dual coverage for the disabled elderly, including prescription drug coverage through Medicare Part D. PACE also supplies benefits, like transportation and meals, which are not available through Medicare or Medicaid. Service areas are limited for PACE, however; in Texas, only Amarillo and El Paso have PACE provider organizations (CMS, 2008d).

Prescription Assistance Programs (PAP)

Around the country, private and public Prescription Assistance Programs (PAP) have been established to provide prescription drugs for those who would otherwise have no access to medicine, mostly due to financial obstacles. Major drug companies voluntarily participate in these programs. Though eligibility requirements tend to vary, generally recipients have incomes of \$42,400 or less, for a family of four or \$20,800 for a single individual. Existing Medicare and Medicaid coverage may or may not affect eligibility, depending on the specific program (RxAssist, 2006).

Nationally, the Partnership for Prescription Assistance matches patients with the one of over 475 programs to meet their medicinal needs. In the San Antonio Area, Any Baby Can provides an assistance program that serves to enable families without medical insurance, or the ability to afford the full cost of prescriptions, to apply for financial aid, in order to increase access to prescription drugs (Any Baby Can, 2007).

The PAPs provide the staff and software to process and maintain the required paperwork

and the means to dispense the prescription drugs to the patients. As a result, more doctors are now willing to participate in PAP programs since their staffs are not required to complete the paperwork and dispense the prescription drugs. The doctors write the prescriptions and the PAP organizations complete the process to provide affordable prescription drugs.

References

- Any Baby Can. (2007). *Prescription Drug Assistance Program*. Retrieved July 28, 2008, from http://www.anybabycansa.org/Prescription_Assistance_Program.htm
- Centers for Medicare and Medicaid Services (CMS). (2004). *Total Personal Healthcare Spending*. Retrieved July 28, 2008, from http://www.cms.hhs.gov/NationalHealthExpendData/25_NHE_Fact_Sheet.asp#TopOfPage
- Centers for Medicare and Medicaid Services (CMS). (2005). *Medicaid Program - General Information*. Retrieved July 28, 2008, from <http://www.cms.hhs.gov/MedicaidGenInfo/>
- Centers for Medicare and Medicaid Services (CMS). (2008a). *2008 Enrollment Information*. Retrieved July 28, 2008, from http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/Downloads/EnrollmentRelease_CurrentYear.zip
- Centers for Medicare and Medicaid Services (CMS). (2008b). *Medicare and You: 2008*. Retrieved July 28, 2008, from <http://www.medicare.gov/Publications/Pubs/pdf/10050.pdf>
- Centers for Medicare and Medicaid Services (CMS). (2008c). *Medicaid Prescription Drugs*. Retrieved July 28, 2008, from http://www.cms.hhs.gov/DeficitReductionAct/39_MedicaidPrescriptionDrugs.asp
- Centers for Medicare and Medicaid Services (CMS). (2008d). *Quick Facts about Programs of All-Inclusive Care for the Elderly (PACE)*. Retrieved July 28, 2008, from <http://www.cms.hhs.gov/PACE/Downloads/externalfactsheet.pdf>
- Centers for Medicare and Medicaid Services (CMS). (2008e). *Your Guide to Medicare Prescription Drug Coverage*. Retrieved July 28, 2008, from <http://www.medicare.gov/Publications/Pubs/pdf/11109.pdf>
- Firststep. (n.d.). *Medicare and Medicaid Dual-Eligibility Information*. Retrieved July 28, 2008, from http://www.cms.hhs.gov/apps/firststep/content/medicare_dualelig.html
- The Henry J. Kaiser Foundation. (2007). *Prescription Drug Trends*. Retrieved July 28, 2008, from http://www.kff.org/rxdrugs/upload/3057_06.pdf
- The Henry J. Kaiser Foundation. (2008). *Medicaid/SCHIP: Prescription Drugs*. Retrieved July 28, 2008, from <http://www.kff.org/medicaid/rxdrugs.cfm>
- The Henry J. Kaiser Foundation. (n.d.). *50 State Comparisons*. Retrieved July 28, 2008, from <http://www.statehealthfacts.org/compare.jsp>
- MedPAC. (2004). *Dual Eligible Beneficiaries: An Overview*. Retrieved July 28, 2008, from http://www.medpac.gov/publications/congressional_reports/June04_ch3.pdf
- Office of Management and Budget (OMB). (n.d.). *Budget FY 2009*. Retrieved July 28, 2008, from <http://www.whitehouse.gov/omb/budget/fy2009/hhs.html>
- RxAssist. (2006). *Frequently Asked Questions*. Retrieved July 28, 2008, from <http://www.rxassist.org/faqs/default.cfm#1>
- Texas Health and Human Services Commission (HHSC). (2007a). *A Consumer Guide to Better Healthcare*. Retrieved July 28, 2008, from <http://www.hhsc.state.tx.us/Help/ConsumerGuideEnglish.pdf>
- Texas Health and Human Services Commission (HHSC). (2007b). *Texas Medicaid in Perspective: 6th Edition*. Retrieved July 28, 2008, from <http://www.hhsc.state.tx.us/medicaid/reports/PB6/PinkBookTOC.html>
- Texas Health and Human Services Commission (HHSC). (2008a). *CHIP Enrollment Statistics*. Retrieved July 28, 2008, from <http://www.hhsc.state.tx.us/research/CHIP/ChipDataTables.asp>
- Texas Health and Human Services Commission (HHSC). (2008b). *Texas Medicaid/CHIP Vendor Drug Program*. Retrieved July 28, 2008, from <http://www.hhsc.state.tx.us/HCF/vdp/AboutVDP.html>
- Texas Health and Human Services Commission (HHSC). (2008c). *Texas Medicaid Enrollment Statistics*. Retrieved July 28, 2008, from <http://www.hhsc.state.tx.us/research/MedicaidEnrollment/MedicaidEnrollment.asp>
- U.S. Department of Health and Human Services (HHS). (2008). *Medicare: The Official Government Site for People with Medicare*. Retrieved July 28, 2008, from <http://www.medicare.gov>