

**MEDICAID RX DRUG USE AND
EXPENDITURES AMONG MEDICAID-
MEDICARE DUAL ELIGIBLES IN 2001:
IMPLICATIONS FOR MEDICARE PART D**

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Objectives

- **Provide overview of Centers for Medicare & Medicaid Services (CMS) Medicaid Analytic Extract (MAX) research files**
- **Illustrate how they can be used to illuminate a current policy/implementation issue**
- **Use MAX data for 1999 and 2001 to show trends and patterns in Medicaid Rx drug use and reimbursement for Medicaid-Medicare dual eligibles**
- **Discuss implications for Medicare Part D**

Introduction and Presentation Overview

- **MAX files contain highly detailed state-by-state data on Medicaid Rx drug use**
 - **Mathematica work on MAX Rx files is funded by CMS**
- **Dual eligible drug use is very high overall, but varies substantially by beneficiary characteristics, health conditions, and care settings**
- **Managing dual eligible drug use and costs will present major challenges for Medicare Part D drug plans**
- **MAX files are the only current source of uniform and reasonably complete state-by-state data on Rx drug use by dual eligibles**

Background on MAX Files

- **Medicaid Analytic Extract (MAX) data are prepared by CMS from Medicaid data submitted electronically by all states and DC**
 - MAX files link claims data on all Medicaid services to beneficiary eligibility files, creating a “person summary file” for each beneficiary
 - Can be used for person-level analyses
 - Can also be used for detailed state-by-state analyses and comparisons
- **MAX files are available for 1999-2001; 2002 will be available soon**
 - For details, see:
https://www.cms.hhs.gov/MedicaidDataSourcesGenInfo/07_MAXGeneralInformation.asp#TopOfPage
 - Files can only be used by researchers with CMS data use agreements

MAX State-by-State Rx Data for 1999 and 2001

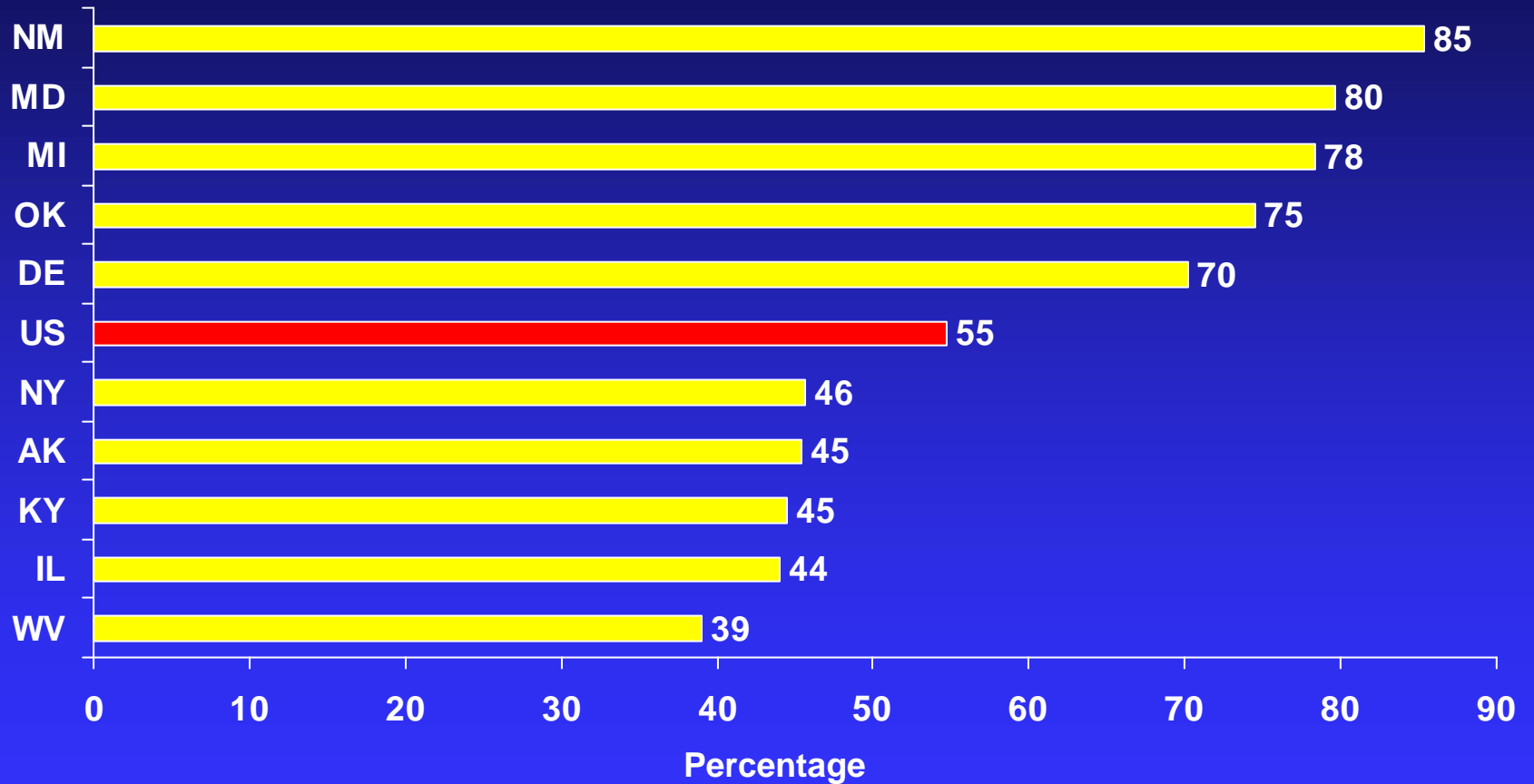
- **State-by-state tables (“Statistical Compendium”) and a chartbook, using 1999 MAX files, are now on the CMS web site; 2001 will be available soon**
 - https://www.cms.hhs.gov/MedicaidDataSourcesGenInfo/08_MedicaidPharmacy.asp#TopOfPage
 - Data cover fee-for-service (FFS) Rx drug use and expenditures; excludes those in capitated managed care
 - Only 10-11 percent of dual eligibles were in capitated managed care in 1999 and 2001
- **Highlights of 1999 dual eligible drug use are in a 2005 Mathematica issue brief**
 - Verdier and Kim, “Medicaid Drug Use Data Show High Costs and Wide Variation for Dual Eligibles” (August 2005)
 - ◆ <http://www.mathematica-mpr.com/>

Medicaid Rx Drug Reimbursement for Dual Eligibles in 2001

- Medicaid reimbursement for Rx drugs for dual eligibles in 2001 accounted for 55 percent of total Medicaid Rx drug costs, with wide variation among states (Exhibit 1)
- Average monthly Medicaid reimbursement for dual eligibles in 2001 varied widely by state (Exhibit 2)
- Monthly reimbursement for dual eligibles substantially exceeded that for other Medicaid beneficiaries
 - Aged duals: \$179
 - Disabled duals: \$250
 - All Medicaid beneficiaries: \$83
 - Non-disabled adults: \$28
 - Children: \$16

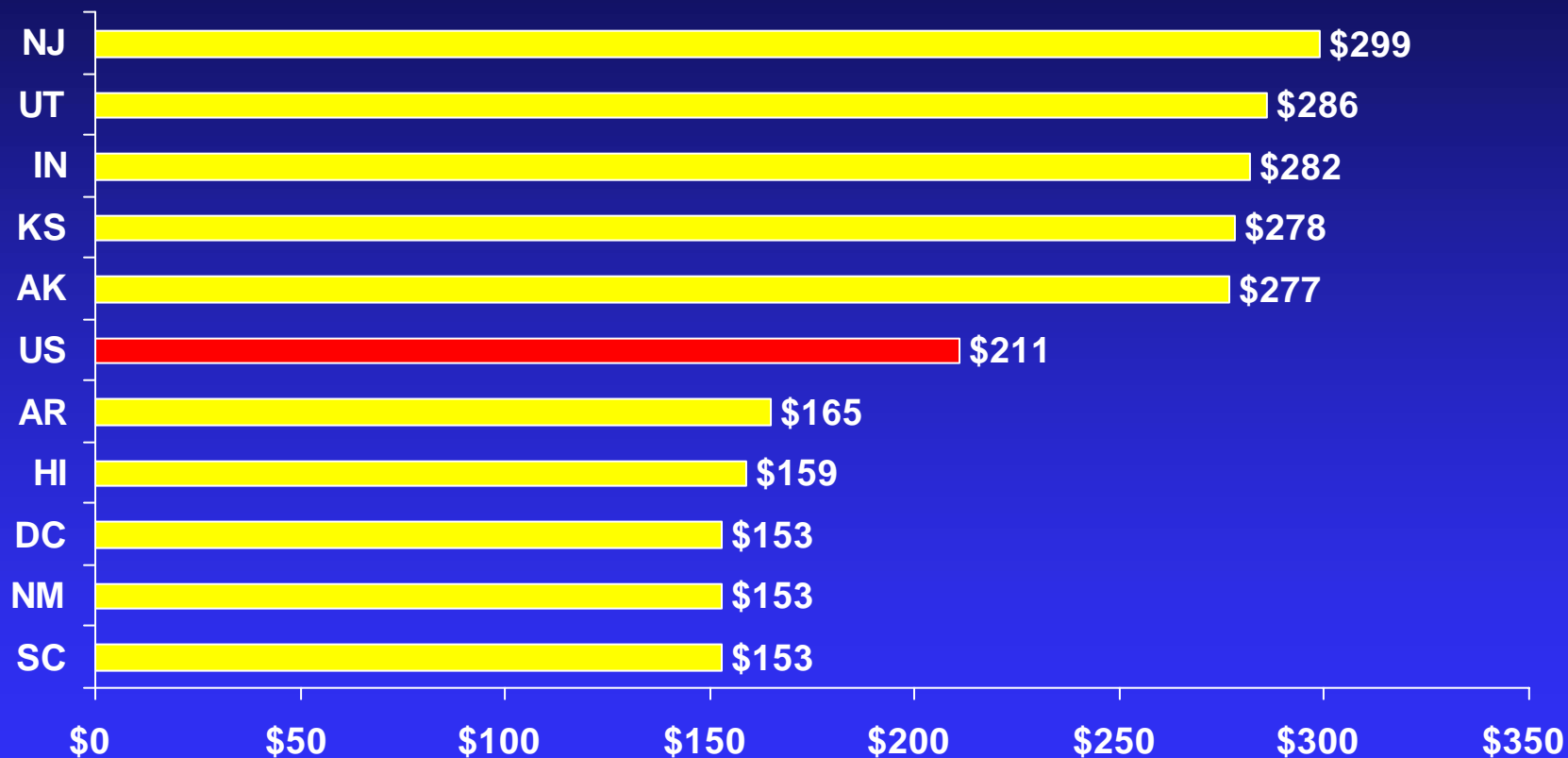
EXHIBIT 1

PHARMACY REIMBURSEMENT FOR DUAL ELIGIBLES AS A PERCENTAGE OF TOTAL MEDICAID PHARMACY REIMBURSEMENT, NATIONAL AVERAGE AND HIGH AND LOW STATES, 2001



Source: Medicaid Analytic Extract, 2001

EXHIBIT 2
AVERAGE MONTHLY MEDICAID PHARMACY REIMBURSEMENT
AMONG DUAL ELIGIBLES, NATIONAL AVERAGE AND HIGH AND LOW STATES, 2001



Source: Medicaid Analytic Extract, 2001.

Increase in Medicaid Rx Expenditures for Dual Eligibles: 1999 to 2001

MEASURE	1999	2001	PERCENT INCREASE
Mean Rx \$ per Dual	\$1,629	\$2,202	35.2%
Mean No. of Rx per Dual	34.8	39.5	13.5%
Mean \$ per Rx	\$47	\$56	19.1%
Mean Rx \$ per Under-65 Disabled Dual	\$2,143	\$2,821	31.6%
Mean Rx \$ per Dual in Nursing Facility All Year	\$2,172	\$3,024	39.2%
Per Capita Rx \$ for All Payers (CMS NHE* Data)	\$368	\$485	31.8%

2001 Dual Eligible Rx Drug Use and Reimbursement per Benefit Month*

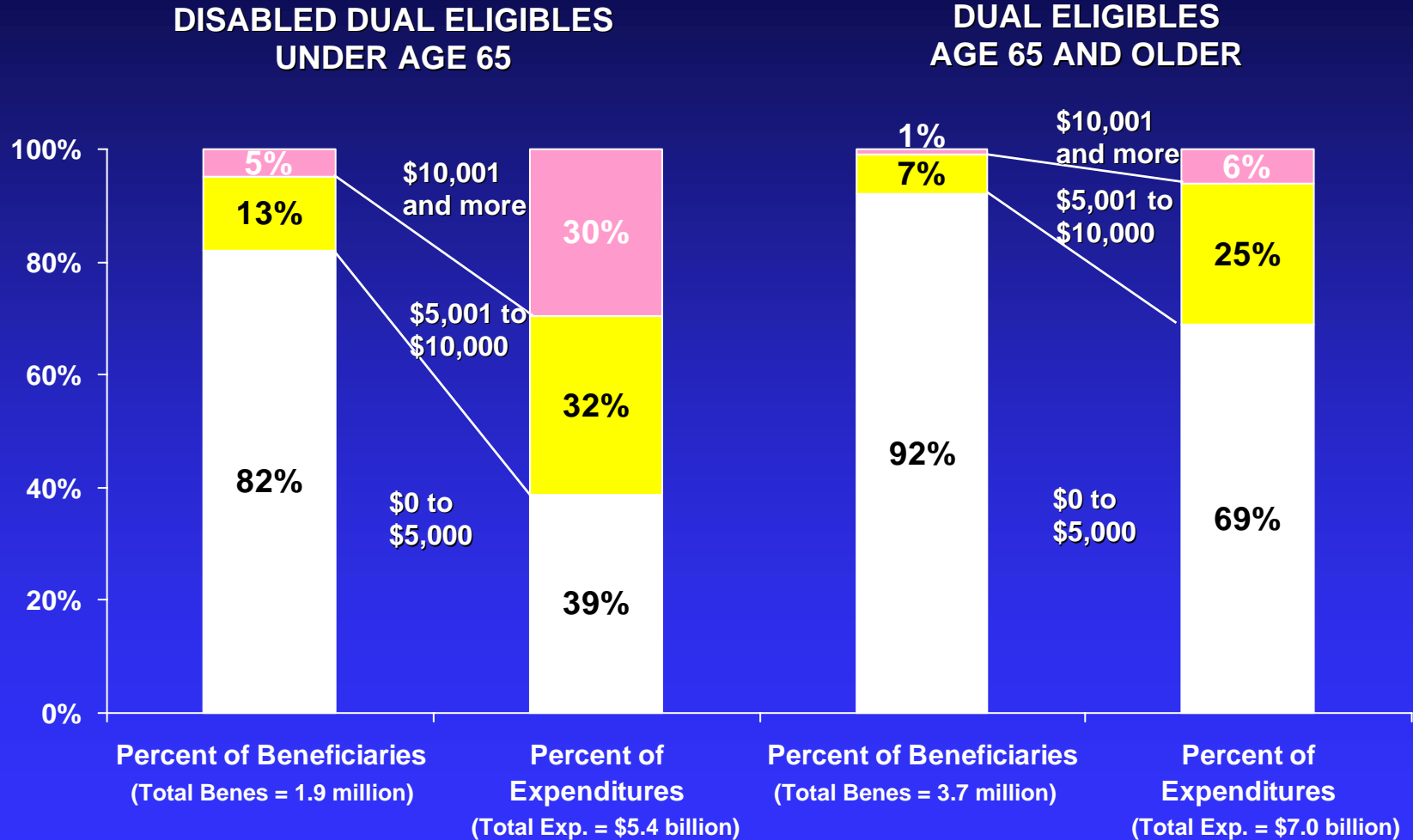
BENEFICIARY CHARACTERISTIC	MEAN Rx \$	MEAN NO. OF Rx's	PERCENT USING MORE THAN 10 Rx's
All	\$211	3.8	5.6%
Aged	\$179	3.8	5.8%
Disabled	\$250	3.7	5.4%
NF All Year	\$252	5.7	13.8%
White	\$236	4.3	7.6%
African American	\$180	3.3	3.1%

*Benefit months are defined as those months in 2001 during which beneficiaries had full Medicaid coverage for fee-for-service pharmacy benefits, whether or not beneficiaries actually used the benefit.

Rx Drug Use by Under-65 Disabled Duals Is Very High

- 43% of duals in 2001 were under 65 and disabled
- 18% of under-65 disabled duals had annual Medicaid Rx reimbursement of over \$5,000 in 2001 (Exhibit 3)
 - Only 8% of 65+ duals had costs this high
- Duals with annual Rx reimbursement of over \$5,000 accounted for a large share of total Rx expenditures in both age categories
 - Under 65: 62%
 - 65+: 31%

**EXHIBIT 3
DISTRIBUTION OF ANNUAL PER-BENEFICIARY PHARMACY REIMBURSEMENT
FOR DUAL ELIGIBLES, 2001**



Rx Drug Use by Dual Eligibles in Nursing Facilities Is Also High

- 23% of duals were in nursing facilities (NFs) in 2001
 - 35% of aged duals
 - 7% of disabled duals
- Monthly Rx reimbursement in 2001
 - NF entire year: \$252
 - NF part year: \$241
 - No NF use: \$201
- Duals in NFs accounted for over 26 percent of all Medicaid Rx drug expenditures for dual eligibles in 2001

Dual Eligibles Rely Heavily on Mental Health Drugs

- Antipsychotics and antidepressants accounted for over 19% of total Medicaid Rx reimbursement for duals in 2001
 - \$2.4 billion out of \$12.5 billion (Exhibit 4)
- A much higher percentage of under-65 disabled duals used antipsychotics than aged duals
 - Under 65: 34.5%
 - 65+: 16.9%
- Dual eligibles in NFs are heavy users of central nervous system (CNS) drugs
 - 28% of total Medicaid Rx reimbursement for NF residents vs. 22% for all duals combined

**EXHIBIT 4
TOTAL MEDICAID REIMBURSEMENT FOR TOP 10 DRUG GROUPS
AMONG DUAL ELIGIBLES, 2001**

The top 10 drug groups (out of over 90 total drug groups) accounted for 60 percent of total Medicaid FFS pharmacy reimbursement for dual eligibles in 2001.



Source: Medicaid Analytic Extract, 2001

Enrollment of Dual Eligibles in Part D Plans

- Over 90% of 6.4 million full duals have been auto-enrolled in stand-alone prescription drug plans (PDPs)
 - PDPs are not responsible for any other Medicare services
 - ◆ Limits their ability/incentives to coordinate care
- About 500,000 full duals are in Medicare Advantage managed care plans (MA-PDs), including Special Needs Plans (SNPs)
 - MA-PDs are responsible for all Medicare services, but not for Medicaid services unless they contract separately with the state to cover them
 - ◆ Can coordinate Medicare services, but generally not Medicaid
 - ◆ Most long-term-care services remain in Medicaid

Dual Eligibles Have Complex Care Needs and Limited Resources

- **May need more help navigating the Medicare-Medicaid “system” than most Part D plans can provide**
- **Some characteristics of dual eligibles**
 - **38 percent have mental or cognitive limitations**
 - **Over 20 percent say their health is poor**
 - **One-third have 3+ ADL limits**
 - **62% never graduated from high school**
 - **Over half live alone (31%) or in a nursing facility (23%)**
 - **62% have incomes below poverty**

SOURCE: MedPAC Report to the Congress, June 2004, pp. 76-77, based on Medicare Current Beneficiary Survey for 1999-2001

Dual Eligibles in Nursing Facilities Under Part D

- Medicare coverage of non-Rx NF services is limited
 - Medicare covers only short-term NF stays (up to 100 days) after hospital stay of at least three days
- But Part D plans must now cover all NF drugs for duals, even after Medicare NF coverage ends
 - Medicaid continues to pay non-Rx costs for long-term dual eligible NF stays
 - ◆ May result in care coordination challenges
- SNPs can specialize in serving Medicare beneficiaries in NFs
 - 37 of 276 approved SNPs in 2006 are institutional SNPs

Dual Eligibles with Mental Illness Under Part D

- Part D drug plan formularies must include “all or substantially all” antidepressants and antipsychotics
 - As noted earlier, these two drug groups accounted for over 19 percent of Medicaid Rx expenditures for duals in 2001
- Part D statute excludes barbiturates and benzodiazepines from coverage
 - Some states may continue to cover them for duals
 - May develop agreements with Part D plans to assist with coverage
- State-by-state MAX Rx tables for 2001 will show extent of barbiturate and benzodiazepine use by dual eligibles (in production)

Conclusion

- **Part D represents a major shift in responsibility for dual eligibles from Medicaid to Medicare**
- **Most Part D plans have limited experience in dealing with dual eligibles and their complex Rx drug and health care needs**
 - **MAX Rx data can point to areas where drug use among duals is especially high or low and help plans focus resources**
- **MAX files are the only currently available source of data on Rx drug use by dual eligibles that allow consistent national and state-by-state comparisons as well as person-level analyses**
 - **Part D plans are required to report Rx drug data to CMS on a monthly basis, but availability of the data for comparative analyses remains uncertain**