

Projections indicate that between the years 2015 through 2025, national health spending will grow at an average rate of 5.8 percent annually and “the health share of GDP is expected to rise from 17.5 percent in 2014 to 20.1 percent by 2025 (Centers for Medicare and Medicaid Services (CMS), 2016d).

Approximately 16.7% of overall personal health spending was for prescription drugs and it is estimated that “expenditures on prescription drugs are rising and are projected to continue to rise faster than overall health spending thereby increasing this sector’s share of health care spending” (U.S. Department of Health and Human Services [HHS], 2016b). “Spending on medicines increased by double digits for a second year in 2015 and reached \$425 billion based on invoice prices” (Institute for Healthcare Informatics, 2016). One-third of branded products had price increases greater than 20% in 2015 and amounted to \$310 billion, up 8.5% over 2014 expenditures. Specialty drug spending on a net price basis reached \$121 billion, up more than 15% from 2014.

In 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. An August 2015 survey found that during the past 12 months, 24% of American adults did not fill a prescription, and 19% cut pills in half or skipped doses of medicine, because of cost (Henry J. Kaiser Family Foundation [KFF], 2015).

Several government and other assistance programs exist to help ensure prescription drugs will be distributed to those who need them, particularly to senior citizens, to those with low incomes, and to children.

#### **MEDICARE**

Medicare is a federal health insurance program that extends health care coverage to persons age 65 or older regardless of income. This also applies to persons, 1) under age 65 who receive Social Security Disability Insurance (SSDI) for a period of 24 months due to a severe disability, 2) have begun to receive SSDI due to Alzheimer’s/Lou Gehrig’s Disease or, 3) have End-Stage Renal Disease (Medicare Interactive, 2016).

Medicare offers four types of insurance (A & B are considered Original Medicare):

- Hospital (A) – Covers inpatient/hospice and some health care.
- Medical (B) – Covers outpatient/preventative services and medical supplies.
- Advantage Plans (C) – Health plans offered by private companies that contract with Medicare to provide benefits. Most advantage plans offer prescription drug coverage.
- Prescription drug coverage (D) – Provided only through private insurance companies. (CMS, 2016c)

Medicare spending represented 20% of the total national healthcare expenditures in 2014 and is projected to increase an average of 5.8% per year through 2025. 2014 national Medicare expenditure was \$618.7 billion (CMS, 2016d). In

2014, Medicare spending in Texas averaged \$10,549 per enrolled individual (CMS, 2016a).

“In FY 2016, the Office of the Actuary has estimated that gross current law spending on Medicare benefits will total \$672.6 billion. Medicare will provide health insurance to 57 million individuals who are 65 or older, disabled, or have end-stage renal disease” (U.S. Department of Health and Human Services [HHS], 2016a).

*Prescription Drug Coverage*

Everyone enrolled in Medicare is eligible to register for prescription drug coverage. There are two possible ways to supplement the basic 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, separate from the Original Medicare Plan (CMS, 2016f).

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, least expensive option. Most Medicare plans have a “coverage gap” which results in out-of-pocket payments after a specific amount of prescription drug coverage.

For 2016 the coverage gap begins once a person has spent \$3,310 on covered prescription drugs. While in the gap a person pays 45% of the plan’s cost for covered name-brand drugs and 58% of the plan’s cost for covered generic drugs. The coverage gap ends once \$4,850 out-of-pocket has been spent. Out-of-pocket spending calculations include both the amount the person pays *and* the discount paid by the drug company. Once out of the gap, only a copayment is required for each covered drug until the end of the year (CMS, 2016c).

In 2014, “more than 5 million beneficiaries reached the coverage gap and saved more than \$4.7 billion on their medications. These savings averaged about \$941 per person” (HHS, 2016a).

Cost-sharing in the coverage gap will gradually decrease each year until 2020 when it is expected that typical payment for drugs will be no more than 25% at any point during the year (post-deductible) (HHS, 2016a).

In 2016, the number of beneficiaries enrolled in Medicare Part D is expected to increase by about 3.5 percent to 43.7 million, including about 12.6 million beneficiaries who receive the low-income subsidy (HHS, 2016a).

In the San Antonio Area, Part D (Prescription Drug Plans) actual enrollment remains far below the amount of people eligible for services:

Prescription Drug Enrollment, 2016			
	Part D Eligible	Part D Enrolled	Percent
<b>Bandera County</b>	5,597	2,285	40.83%
<b>Bexar County</b>	267,419	65,562	24.52%
<b>Comal County</b>	27,521	11,206	40.72%
<b>Kendall County</b>	9,334	3,923	42.03%
(CMS, 2016e)			

*Extra Help*

This is a low-income subsidy available from Medicare to help qualified individuals pay for prescription drug costs.

*Extra Help* includes (CMS, 2016c):

- Help with paying
  - Drug plan monthly premium
  - Yearly deductible, coinsurance, and copayments
- No coverage gap
- No late enrollment penalty
- Ability to switch plans at any time

Individuals who have Medicare and meet one of the following conditions automatically qualify for *Extra Help*:

- Have full Medicaid coverage
- Get help from state Medicaid program paying Part B premiums

- Receive Supplemental Security Income (SSI) benefits (CMS, 2016c)

For people who qualify in 2016, drug costs will be no more than \$2.95 for each generic drug and \$7.40 for each brand-name drug. Current yearly income requirements (based on 2015 income) include:

- Single person – income less than \$17,655 and resources less than \$13,640
- Married person living with a spouse and no other dependents – income less than \$23,895 and resources less than \$27,250 (CMS, 2016c)

### **MEDICAID**

Medicaid is a health care program, jointly state and federally funded, which serves primarily low-income families, children, related caretakers of dependent children, pregnant women, people age 65 and older, and adults and children with disabilities (Texas Health and Human Services Commission [HHSC], 2015).

Eligibility rules for Medicaid vary by state; in Texas, recipients eligible for full coverage (acute care services, prescription drugs, and long-term services and supports) fall into three categories, with children being the largest group of beneficiaries:

- *Low income families and children* (based on income level, caring for a related Medicaid eligible child or pregnancy)
- *Cash assistance recipients* (Temporary Assistance for Needy Families [TANF] and Supplemental Security Income [(SSI])
- *Seniors (65 and over) and disabled* (based on income level, age, and physical or mental disability)

Texas also has two categories of recipients eligible for limited benefits:

- *Medicare beneficiaries* (based on income level and age)
- *Non-citizens* (legal permanent residents and undocumented person who are not eligible for Medicaid based on citizenship status may receive emergency services) (HHSC, 2015)

Funding for the Texas Medicaid program for FY 2016-2017 is “\$61.2 billion in All Funds, including \$25.1 billion in General Revenue Funds and General Revenue-Dedicated Funds, an increase of \$1.9 billion in General Revenue Funds” (Legislative Budget Board [LBB], 2016, p.163).

### *Prescription Drug Coverage*

“Medicaid is the primary source of medical assistance for millions of low income and disabled Americans, providing health coverage to many of those who would otherwise be unable to obtain health insurance” (HHS, 2016a).

The State of Texas Access Reform (STAR) program administers services through managed care organizations to provide covered services, including pharmacy, to low income pregnant women and children and TANF clients and adults receiving SSI who do not receive Medicare.

STAR+PLUS is a Texas Medicaid managed care program for people who have disabilities or are age 65 or older. People in STAR+PLUS get Medicaid health-care and long-term services and support.

STAR and STAR+PLUS both provide unlimited prescription drug benefits and are available in all four of the Kronkosky counties of interest (HHSC, n.d.a).

TANF adults, people who are age 65 and older, and those with a disability who are enrolled in Medicare fee-for-service programs are limited to three prescriptions per month (HHSC, 2015).

“STAR Kids will be the first Medicaid managed care program specifically serving youth and children who get disability-related Medicaid. Beginning November 1, 2016, children and youth age 20 or younger will receive all of their services, including prescription benefits, through a STAR Kids health plan” (HHSC, 2016c).

### **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. The Dual Demonstration Project started on April 1, 2015, the “STAR+PLUS Medicare and Medicaid Plan

(MMP) will be responsible for the full array of Medicare and Medicaid-covered services” (HHSC, 2015, p.1-7). For now this project is limited to only six Texas counties, one of which is Bexar County (HHSC, n.d.b).

#### **CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP)**

Congress enacted the State Children’s Health Insurance Program (CHIP) 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 who are U.S. citizens under the age of 19 (and their families) are qualified to apply. Acceptance is based on family size, income, and total assets. CHIP does include prescription drug coverage for its recipients in Texas (HHSC, 2015).

Funding for the Texas CHIP program in FY 2016-2017 is “\$1.8 billion in All Funds, a decrease of \$201.7 million, mostly due to the transition of certain children to Medicaid pursuant to the federal Affordable Care Act” (LBB, 2016, p.163).

“As of June 2016, Texas has enrolled 4,704,441 individuals in Medicaid and CHIP — a net increase of 5.92% since the first Marketplace Open Enrollment Period and related Medicaid program changes in October 2013. Texas has not adopted one or more of the targeted enrollment strategies outlined in guidance CMS issued on May 17, 2013, designed to facilitate enrollment in Medicaid and CHIP” (CMS, 2016b). 74% of those enrolled in Medicaid/CHIP (3,465,620 individuals) are children (KFF, 2016).

#### **CHILDREN WITH SPECIAL HEALTH CARE NEEDS (CSHCN)**

This program provides a variety of benefits, including prescription medications, to children with special medical needs due to a chronic medical condition. To qualify, a child (under 21 years old) must have a long-term condition that, if not treated, may result in limits to one or more major life activities.

CSHCN is also available to anyone who has cystic fibrosis. All other health benefits (commercial health insurance, Medicaid, CHIP)

must be used before using CSHCN (Texas Department of State Health Services [DSHS], 2016a).

#### **KIDNEY HEALTH CARE PROGRAM (KHC)**

Available to individuals with end stage renal disease (ESRD), this program provides payment for covered ESRD related medical services including dialysis, prescription drugs, travel for ESRD related services, and Medicare premium payment. The individual must meet income requirements and can NOT get Medicaid medical, drug, or travel benefits (DSHS, 2016b).

In Texas, the Vendor Drug Program is responsible for processing prescription drugs for Medicaid, CHIP, CSHCN, and KHC programs at almost 5,000 contracted pharmacies. Medicare-Medicaid dual beneficiaries do not receive drug benefits from Medicaid (HHSC, 2016).

#### **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 at or below 200% of the Federal Poverty Level. Existing Medicare and Medicaid coverage may or may not affect eligibility, depending on the specific program (StateRxPlans.us, n.d.). Nationally, the Partnership for Prescription Assistance matches patients with one of more than 475 programs to meet their medicinal needs (Partnership for Prescription Assistance, 2016).

Other PAPs are managed by nonprofit organizations to assist clients with the sometimes cumbersome and exacting paperwork involved in applying for assistance to individual pharmaceutical company programs. For example, in the KCF counties of interest, Any Baby Can San Antonio provides an assistance program that enables families without medical insurance or the ability to afford the full cost of prescriptions to apply for financial aid (Any Baby Can of San Antonio, 2013).

These 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. The doctors write the prescriptions and the PAP organizations complete the process to provide affordable prescription drugs to the patients.

Texas State Pharmacy Assistance Programs exist for two specific populations: HIV/AIDS patients and individuals with end-stage renal disease. For both populations, eligibility requirements include being enrolled in Medicare (Medicare.gov, n.d.).

The Texas Drug Card is a free Statewide PAP that offers discounts of up to 75% on over 20,000 name brand and generic drugs to all Texas residents with no restrictions. “For the year 2012 the average savings was 32% off retail pricing for brand and generic drug prescriptions” (TexasDrugCard, 2016).

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