Kronkosky Charitable Foundation

Research Brief

Prescription Drugs for Low Income Persons

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Projections indicate that between the years 2017 through 2026, national health spending will grow at an average rate of 5.5 percent annually and "the health share of GDP is expected to rise from 17.9 percent in 2016 to 19.7 percent by 2026" (Centers for Medicare and Medicaid Services (CMS), 2019a).

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], 2016, p.1). Spending on medicines was $453 billion in 2017, an increase of 1.4% from 2016. Over the last five years, brand name prescriptions increased by 58%, while final out-of-pocket prescription prices declined by 17% (Institute for Healthcare Informatics, 2018). Brand name drug out-of-pocket cost averaged $30.33 and generic drug out-of-pocket average was $5.76.

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. A survey conducted between December 2016 and February 2017 found that 21% of American adults did not fill a prescription, and 16% cut pills in half or skipped doses of medicine, because of cost (DiJulio, Kirzinger, Wu, and Brodie, 2017).

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 ALS/Lou Gehrig's Disease or, 3) have End-Stage Renal Disease (Medicare Interactive, 2019).

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

- Hospital (A) – Covers inpatient/hospice and home 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.

(Medicare Interactive, 2019).

Medicare spending represented 20% of the total national healthcare expenditures in 2017 and is projected to increase an average of 5.5% per year through 2026. 2017 national Medicare expenditure was $705.9 billion (CMS, 2019a). In 2017, Medicare spending in Texas was $111.1 million (Henry J. Kaiser Family Foundation [KFF], 2019).

"In FY 2019, the Office of the Actuary has estimated that gross current law spending on Medicare benefits will total $768.6 billion. Medicare will provide health insurance to 61 million individuals who are 65 or older, disabled, or have end-stage renal disease" (HHS, 2018, p.58).

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, n.d.a).

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 2019 the coverage gap begins once a person has spent $3,820 on covered prescription drugs. While in the gap a person pays 25% of the plan's cost for covered name-brand drugs and 37% of the plan's cost for covered generic drugs. The coverage gap ends once $5,100 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, 2018).

In 2017, "more than 4.6 million beneficiaries reached the coverage gap and saved more than $5.7 billion on their medications due to the prescription drug discount program. These savings averaged about $1,237 per person" (HHS, 2018, p.60).

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) (CMS, n.d.a).

"For 2019, the number of beneficiaries enrolled in Medicare Part D is expected to increase by about 3.5 percent to 47.1 million, including about 13.2 million beneficiaries who receive the low-income subsidy" (HHS, 2018, p.59).

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, January 2019			
	Part D Eligible	**Part D Enrolled**	**Percent**
Bandera County	6,794	2,543	37.43%
Bexar County	300,603	71,230	23.70%
Comal County	34,405	12,844	37.33%
Kendall County	11,323	4,866	42.97%
(CMS, 2019b)			

Extra Help

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

Extra Help includes (CMS, 2019c):

- 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, 2019c).

For people who qualify in 2019, drug costs will be no more than $3.40 for each generic drug and $8.50 for each brand-name drug. Current yearly income requirements (based on 2018 income) include:

- Single person – income less than $18,210 and resources less than $14,100
- Married person living with a spouse and no other dependents – income less than $24,690 and resources less than $28,150

(CMS, 2019c).

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, adults and children with disabilities, and youth formerly in foster care (Texas Health and Human Services [Texas HHS], 2018, p.10).

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 four 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)
- *Former foster care youth* aged 18 or older until their 26th birthday

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)

(Texas HHS, 2018)

Funding for the Texas Medicaid program for FY 2018-2019 is "$61.8 billion in All Funds, including $25.2 billion in General Revenue Funds and General Revenue-Dedicated Funds, a biennial decrease of $2.5 billion in All Funds" (Legislative Budget Board [LBB], 2018, p.157).

Prescription Drug Coverage

"Texas Medicaid and CHIP cover most outpatient prescription drugs either through an MCO [managed care organizations], or for FFS [fee for service] clients, through the Vendor Drug Program (VDP)" (Texas HHS, 2018, p.30).

92% of Texas Medicaid services are provided through a comprehensive managed care framework (Texas HHS, 2018).

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, infants, and TANF clients.

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.

STAR Kids provides managed care to youth and children age 20 or younger who get disability-related Medicaid.

STAR Health is "provided to children who get Medicaid through the Department of Family and Protective Services and young adults previously in foster care" (Texas HHS, 2018, p. 28).

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 (Texas HHS, 2018).

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 Eligible Integrated Care Demonstration Project

provides services for individuals age 21 or older who receive services through the STAR+PLUS Medicare Plan. For now, this project is limited to only six Texas counties, one of which is Bexar County (Texas HHS, 2018, p.51).

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 (Texas HHS, 2018).

Funding for the Texas CHIP program in FY 2018-2019 is "$2.0 billion in All Funds, an increase of $169.3 million" (LBB, 2018, p.157).

"As of October 2018, Texas has enrolled 4,333,994 individuals in Medicaid and CHIP — a net increase of 3.11% 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, n.d.b). 79% of those enrolled in Medicaid/CHIP (3,422,390 individuals) are children (CMS, n.d.c).

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], n.d.a).

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, surgery, 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, n.d.c).

Healthy Texas Women (HTW)

This program provides low-income women with a variety of health and family planning services at no cost. Included are woman's health exams, STD and HIV screening, breast and cervical cancer screening, and birth control.

In Texas, the Vendor Drug Program is responsible for processing prescription drugs for Medicaid, CHIP, CSHCN, HTW, and KHC programs at program contracted pharmacies (Texas HHS, n.d.).

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 (Partnership for Prescription Assistance, 2019). 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 (National Council on Patient Information and Education. (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, 2019).

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, 2018).

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 68,000 name brand and generic drugs to all Texas residents with no restrictions. "Average savings are roughly 30%" (Texas Drug Card, n.d.).

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