

Projections indicate that between the years 2019 through 2028, national health spending will grow at an average rate of 5.4 percent annually and “the health share of GDP [Gross Domestic Product] is expected to rise from 17.7 percent in 2018 to 19.7 percent by 2028 (Centers for Medicare and Medicaid Services (CMS), 2020).

Approximately 12% of overall personal health spending was for prescription drugs in 2019 (CMS, 2020, Tables 6 & 16). While the “the cost of medicines after all discounts and rebates have been paid declined 2.9% in 2020...most discounts are offered to wholesalers and pharmacies and do not necessarily result in lower out-of-pocket costs for patients” (IQVIA Institute [IQVIA], 2021, p.35).

In a tracking poll conducted by the Kaiser Family Foundation in May 2021, 53% of those polled were currently taking prescription medication with 23% taking four or more prescription medications. 79% of respondents said that the cost of prescription drugs is unreasonable. The poll revealed that “affordability is a bigger issue for those who are currently taking four or more prescription medicines. Twice as many of those taking four or more prescription drugs say they have difficulty affording their prescriptions (35%), compared to adults who currently take three or fewer prescription medications (17%)” (Hamel, et al., 2021). Additionally, 19% have not filled a prescription, 18% have taken an over-the-counter drug instead, and 12% have cut pills in half due to cost. Despite the cost, 59% said that prescription drugs developed over the past 20 years have made the lives of people in the U.S. better (Hamel, et al., 2021).

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, 2021).

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 (CMS, 2021a)

Medicare spending represented 21% of the total national healthcare expenditures in 2019 and is projected to increase an average of 7.6% per year through 2028. 2019 national Medicare expenditure was \$799.4 billion (CMS, 2020, Table 4). In 2018, Medicare spending in Texas

averaged \$11,627 per enrolled individual (Norris, 2020).

“In Fiscal Year (FY) 2022, the Office of the Actuary estimates that gross current law spending on Medicare benefits will total \$995.7 billion and the program will provide health benefits to 65.0 million beneficiaries” (HHS, 2021, p.80).

*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 (Medicare Interactive, 2021).

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 2021 the coverage gap begins once \$4,130 has been spent on covered prescription drugs (combined plan and out-of-pocket, including deductible). While in the gap a person pays 25% of the plan’s cost for covered name-brand and generic drugs. The coverage gap ends once \$6,550 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 (5% of the cost for covered drugs) is required for each covered drug until the end of the year (CMS, 2021a&b).

In 2022, the number of beneficiaries enrolled in Medicare Part D is expected to increase by

about 2.9 percent to 51 million, including about 13.5 million beneficiaries who receive the low-income subsidy (HHS, 2021).

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, July 2019			
	Part D Eligible	Part D Enrolled	Percent
Bandera County	7,039	2,621	37.24%
Bexar County	304,851	67,955	22.29%
Comal County	37,361	14,063	37.64%
Kendall County	11,326	4,800	42.38%
(CMS, 2021b)			

*Extra Help*

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

*Extra Help* includes (CMS, 2021a):

- 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, 2021a)

For people who qualify in 2021, drug costs will be no more than \$3.70 for each generic drug and \$9.20 for each brand-name drug. Current yearly income requirements (based on 2020 income) include:

- Single person – income less than \$19,140 and resources less than \$14,610
- Married person living with a spouse and no

other dependents – income less than \$25,860 and resources less than \$29,160 (CMS, 2021a)

### **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], 2020).

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 26<sup>th</sup> 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)

(HHSC, 2020)

Funding for the Texas Medicaid program for FY 2020 was \$63.4 billion of which 60% came from Federal and other funds and 40% was funded by State general revenue funds (HHSC, 2020).

### *Prescription Drug Coverage*

“As a condition of participating in Medicaid, the 340B Drug Pricing Program requires drug manufacturers to provide discounts on

outpatient prescription drugs to certain safety net health care providers” (HHS, 2021, p.38).

94% of Texas Medicaid services are provided through a comprehensive managed care framework (HHSC, 2020).

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, children, 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, women with breast or cervical cancer, or are age 65 or older. People in STAR+PLUS get Medicaid healthcare 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.

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, 2020).

### **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 who receive services through the STAR+PLUS Medicare Plan, age 21 or older, and reside in one of the counties providing the program. For now, this project is limited to only six Texas counties, one of which is Bexar County (HHSC, 2020).

### **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, 2020). Funding for the Texas CHIP program in FY 2020 was \$1.9 billion (HHSC, 2020).

“As of March 2021 Texas has enrolled 4,905,239 individuals in Medicaid and CHIP — a net increase of 16.70% 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). 78% of those enrolled in Medicaid/CHIP (3,809,878 individuals) are children (CMS, n.d.a).

**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 (HHSC, 2021a).

**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 (HHSC, 2021b).

In Texas, the Vendor Drug Program is responsible for processing prescription drugs for Medicaid, CHIP, CSHCN, and KHC programs at program contracted pharmacies (HHSC, 2020c).

**AVERAGE OUT-OF-POCKET COSTS**

Spending on prescription drugs (including government and private insurance and patient out-of-pocket costs) was \$540 billion in 2020, an increase of 3.5% from 2019. Patient out-of-pocket costs for retail prescriptions was \$61 billion and non-retail medications (those dispensed at a doctor’s office or in hospital) was \$16 billion in 2020. Over the past five years (2015-2020) prescription drug prices have declined slightly for insured individuals but increased for uninsured individuals paying in cash. Average prescription out-of-pocket (OOP) costs differ according to the type of health coverage available (IQVIA, 2021).

The following table lists the average OOP cost per retail prescription by type and method of payment:

AVERAGE OOP COST PER RETAIL PRESCRIPTION: 2020			
Coverage Type	Drug Type		
	Brand	Generic	All Products
Commercial Ins.	\$20.37	\$5.91	\$8.14
Medicare	\$24.51	\$3.52	\$6.09
Medicaid	\$0.49	\$0.30	\$0.33
Uninsured	\$88.92	\$39.37	\$45.17
<b>All Payers</b>	<b>\$24.20</b>	<b>\$7.49</b>	<b>\$9.81</b>
(IQVIA, 2021, p.48)			

**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 (Pharmaceutical Research and Manufacturers of America (PhRMA), 2021). 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, 2021). Nationally, PhARMA’s online medicine assistance tool matches patients with one or more of over 900 programs to meet their medicinal needs (PhARMA, 2021).

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, 2020).

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 80% prescription medication to all Texas residents with no restrictions. Originally designed to help uninsured and underinsured individuals, the card can also be used by those who have insurance “but are subject to large deductibles, large co-pays, formulary limitations, dosing limitations, gaps, and/or any cash out-of-pocket expenses” (Texas Drug Card, 2021).

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