

Coordination of Medicare Prescription Drug Coverage With Other Prescription Drug Coverage

How Does Medicare Prescription Drug Coverage Coordinate With...

1. Medicaid (or Medical Assistance)?

- a. Medicaid may no longer cover Medicare Part D-covered drugs for Medicare beneficiaries after December 31, 2005.
- b. State Medicaid programs are allowed to continue to cover non-Medicare Part D-covered drugs for Medicare beneficiaries. Drugs specifically excluded from Medicare Prescription Drug Coverage are:
 - i. Prescription drugs already covered by Medicare Part A or Medicare Part B,
 - ii. Certain drugs excluded from coverage including:
 1. Drugs prescribed for the purpose of weight-loss or weight-gain,
 2. Drugs prescribed for the symptomatic relief of coughs and colds,
 3. Prescription vitamins, with the exception of prenatal vitamins and fluoride,
 4. Over-the-counter drugs, with the exception of insulin,
 5. Drugs to promote hair growth,
 6. Fertility drugs,
 7. Drugs used for cosmetic purposes,
 8. Drugs that must be monitored by testing services that only the manufacturer provides (such as certain anti-psychotic medications),
 9. Barbiturates (drugs used to control seizures or used for sedation or anesthesia such as Phenobarbital or Nembutal®), and
 10. Benzodiazepines (often referred to as minor tranquilizers) used to treat anxiety or insomnia (such as Xanax®, Valium® and Ativan®).
- c. If a State Medicaid program decides to cease covering non-Medicare drugs for Medicare beneficiaries, it must also cease covering these drugs for other Medicaid beneficiaries. State Medicaid programs will continue to receive their federal match for providing coverage for non-Medicare drugs to all Medicaid recipients, including those dually

entitled to Medicare. For more information on this important point, see “Dear State Medicaid Director” letter from CMS, June 3, 2005
<http://www.cms.hhs.gov/states/letters/smd060305.pdf>

2. Employer or retiree health insurance plan?

- a. An employer or union could choose to encourage retirees to join a Medicare Prescription Drug Plan by enhancing the benefits offered by Medicare Prescription Drug Plans to their retirees. By enhancing or supplementing the Medicare Prescription Drug benefits, employers and unions may actually encourage their retirees to enroll in a prescription drug plan (PDP) or a Medicare Advantage prescription drug (MA-PD) plan.
- b. There are several ways employers and unions can enhance the standard Medicare drug benefit for their retirees who enroll in a Medicare Prescription Drug Plan.
 - i. An employer or union may wrap-around or supplement the coverage provided by the Medicare Prescription Drug Plans in which their retirees are enrolled. Examples of how employers and unions may wrap-around the Medicare Prescription Drug benefit include paying the monthly premium, helping the beneficiary with his/her cost-sharing requirements, or providing coverage for drugs that are not covered by the Medicare Prescription Drug Plan.
 - ii. An employer or union may contract with a specific Medicare Prescription Drug Plan to offer enhanced benefits under that Medicare Prescription Drug Plan to *only* that employer’s or union’s retirees.
 - iii. The employer or union can “become” a Medicare Prescription Drug Plan offering enhanced benefits *only* to that employer’s or union’s retirees.
- c. Note that in each of these three options, employers or unions can choose between the stand-alone prescription drug plans (PDPs) or the Medicare Advantage prescription drug (MA-PD) plans. Employers and unions who take this route are not allowed to get the tax-subsidy.
- d. In each of these this situations, the Medicare drug benefit pays first and the retiree coverage pays second.
- e. The formulary of the retiree plan *might* be different – possibly more “open” – than the Medicare Prescription Drug Plan formulary.
- f. Cost-sharing paid by a former employer or a union does *not* count towards TrOOP.
- g. If an individual drops an employer or union plan, it might be difficult or impossible to re-enroll in that plan later.

3. Individual health insurance plan?

- a. The Medicare Prescription Drug Plan pays first and the individual health insurance plan pays second.
- b. The formulary of the individual plan *might* be different – possibly more “open” – than the Medicare Prescription Drug Plan formulary.
- c. Cost-sharing that is paid by an individual health insurance plan does *not* count towards TrOOP.
- d. If an enrollee drops an individual health insurance plan to join a Medicare Prescription Drug Plan, it would likely *not* be possible to get back into an individual plan later.

4. TRICARE or VA?

- a. The Medicare drug benefit pays first and the veteran’s coverage pays second.
- b. The VA or TRICARE formulary of the retiree plan will be more “open” than the Medicare Prescription Drug Plan formulary.
- c. Cost-sharing that is paid by TRICARE or VA does *not* count towards TrOOP.
- d. If an individual drops TRICARE or VA, it might be hard to get back in later.

For more information, see 42 Code of Federal Regulations Section 423.646

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a1915821aefd2dbffae05fc5a273ed6e&rgn=div8&view=text&node=42:2.0.1.2.2.3.14.52.6&idno=42> and 422.108 <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=a1915821aefd2dbffae05fc5a273ed6e&rgn=div8&view=text&node=42:2.0.1.2.2.2.3.51.8&idno=42>.