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

James Verdier, Dominick Esposito, Ann Bagchi, Deo Bencio, Licia Gaber, and Myoung Kim
Mathematica Policy Research, Inc.

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MATHEMATICA
Policy Research, Inc.
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
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](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/](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

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

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

* National Health Expenditure
## 2001 Dual Eligible Rx Drug Use and Reimbursement per Benefit Month*

<table>
<thead>
<tr>
<th>BENEFICIARY CHARACTERISTIC</th>
<th>MEAN Rx $</th>
<th>MEAN NO. OF Rx’s</th>
<th>PERCENT USING MORE THAN 10 Rx’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>$211</td>
<td>3.8</td>
<td>5.6%</td>
</tr>
<tr>
<td>Aged</td>
<td>$179</td>
<td>3.8</td>
<td>5.8%</td>
</tr>
<tr>
<td>Disabled</td>
<td>$250</td>
<td>3.7</td>
<td>5.4%</td>
</tr>
<tr>
<td>NF All Year</td>
<td>$252</td>
<td>5.7</td>
<td>13.8%</td>
</tr>
<tr>
<td>White</td>
<td>$236</td>
<td>4.3</td>
<td>7.6%</td>
</tr>
<tr>
<td>African American</td>
<td>$180</td>
<td>3.3</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

*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

DISABLED DUAL ELIGIBLES
UNDER AGE 65

Percent of Beneficiaries
(Total Benes = 1.9 million)

- 5% $0 to $5,000
- 13% $5,001 to $10,000
- 32% $10,001 and more

Percent of Expenditures
(Total Exp. = $5.4 billion)

- 82% $0 to $5,000
- 32% $5,001 to $10,000
- 13% $10,001 and more

DUAL ELIGIBLES
AGE 65 AND OLDER

Percent of Beneficiaries
(Total Benes = 3.7 million)

- 1% $0 to $5,000
- 7% $5,001 to $10,000
- 25% $10,001 and more

Percent of Expenditures
(Total Exp. = $7.0 billion)

- 69% $0 to $5,000
- 25% $5,001 to $10,000
- 6% $10,001 and more

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
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

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