

# TESTIMONY OF DONALD N. MUSE, Ph.D. BEFORE THE BUDGET COMMITTEE ON HUMAN SERVICES

DECEMBER 14, 2005

Good Morning. My name is Donald Muse, and I am President of Muse & Associates, a health care policy consulting firm in Washington, DC. As Ms. Maggie Anderson has described, we are under contract to the Department of Human Services (DHS) to assist with the preparation for implementation of Medicare Part D (prescription drug benefit), specifically focused on the transition of nearly 10,500 dual eligible beneficiaries. Any opinions that I express in the testimony, or in response to questions, are not necessarily those of the Department.

I have been asked to address the following three areas:

1. The “Clawback” payment to the federal government;
2. DHS efforts to implement Medicare Part D for dual eligible beneficiaries; and
3. Possible obstacles for dual eligible beneficiaries.

## **“Clawback” Payments**

The “clawback” payment is the amount that the State of North Dakota will pay the Federal government for assuming responsibility for prescription drug payments for dual eligibles beginning January 1, 2006. Based on the Centers for Medicare & Medicaid Services (CMS) calculations, the monthly per capita payment for North Dakota dual eligibles is \$76.43 between January – September 2006 and \$78.96 between October and December 2006.

Based on past trend data (Calendar Year (CY) 1999 - present), North Dakota would have spent approximately \$110 million on prescription drugs for dual eligible beneficiaries between CY 2006- CY 2015 prior to Medicare Part D. Under Medicare

Part D, North Dakota's drug payments plus the "clawback" payment will total approximately \$123 million over the same time period (see Attachment 1). This equates to a \$13 million loss to the State over 10 years. It is also important to note that the estimate does not include increased administrative costs or increased dual eligible enrollment.

DHS and I have reviewed the calculation with CMS staff. At this time, CMS has not adjusted the "clawback" payment for North Dakota or any other State.

### **DHS Implementation Plan**

Over the past 8 months, DHS and Muse & Associates have met to create a comprehensive implementation plan that assists dual eligible beneficiaries' transition to Medicare Part D drug coverage. It is my belief that DHS has done an exemplary job of anticipating enrollment, processing, and access problems and finding the best solutions for the State and dual eligible beneficiaries. However, a large amount of confusion exists about enrollment, formularies, and Prescription Drug Plans (PDPs) that cannot be resolved solely by the Department. DHS has worked with community groups, providers, suppliers and the federal government to help dual eligible beneficiaries with the transition.

### **Possible Obstacles**

One obstacle dual eligible beneficiaries might encounter as they begin to enroll in Medicare Part D is the lack of PDPs available to them. In a survey of North Dakota pharmacies in October 2005, we found that many pharmacies had only contracted with one or two PDPs and were still in negotiations with others. Pharmacies expressed concern with the reimbursement offered to them by the PDPs and many did not plan to expand coverage. This could create an access problem for dual eligible beneficiaries living in rural areas.

Maggie Anderson and I will be happy to address any questions that you may have.

# Attachment 1

