

January 5, 2001

Timothy Westmoreland, Director  
Center for Medicaid and State Operations  
Health Care Financing Administration  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850

Dear Mr. Westmoreland:

The Maine Department of Human Services (DHS) is pleased to submit a proposal for a demonstration project to expand Medicaid eligibility for prescription drugs to all individuals up to 300% of the Federal Poverty Level (FPL) without Medicaid or other third party prescription drug coverage benefits. To implement this demonstration, the Maine DHS will require waivers under certain statutory and regulatory requirements of the Medicaid program, including comparability, income limits, and eligibility standards, as discussed below. The project would also provide important information on health status and utilization patterns of beneficiaries, as well as contribute to state public policy and planning. These objectives are discussed in more detail below. In addition, this demonstration would greatly contribute to the knowledge base of other states undertaking similar endeavors. Most importantly, the proposed waiver would greatly assist Maine in its efforts to make prescription medications affordable to its citizens.

Maine proposes to extend the Medicaid payment and rebate structure to the above group of people who have not otherwise been eligible for prescription medication coverage under Medicare or other third party plans. Beneficiaries would purchase prescription drugs at a price that is equivalent to the price that Medicaid pays net the average manufacturers' rebate available to the Medicaid program. Beneficiaries of this proposal would only receive a prescription drug benefit and then only upon payment of their share of the prescription or refill.

**Waivers:**

In order for Maine DHS to implement this program, it must be granted waivers from certain statutory and regulatory requirements of the Medicaid program. Since this project seeks only to offer only a partial prescription drug benefit to enrolled beneficiaries, Maine would require a waiver of Section 1902(a)(B) and 42 C.F.R. Sections 440.230-250 requiring that the amount, duration, and scope of services be equally available to all recipients. Maine DHS also requests a waiver of Section 1902(a) (34) of the Act and 42 CFR 435.914 requiring retroactive eligibility for demonstration recipients. Maine DHS proposes to make the effective date of eligibility the date of enrollment, rather than the three months prior to the application.

Maine DHS also requests waiver under Section 1115(a)(2) of the Act. Specifically, Maine DHS asks that the following expenditures made by the State under the demonstration for the items identified below (which are otherwise not included as expenditures under section 1903) shall for the demonstration period, be regarded as expenditures under the State's Medicaid plan: 1) expenditures for extending pharmacy-only supplemental benefits to individuals with income up to 300 percent of FPL, and 2) administrative expenditures for demonstration purposes.

In addition, Maine would require waiver of Sections 1902(a)(17), 1902(a)(10)(A)(ii)(I) and (11) and 42 C.F.R. Part 435, Subparts G, H, and I establishing standards for measuring income and assets. Maine's program would not subject applicants to asset limits.

**Objectives and Collaborative Efforts:**

Beyond providing essential prescription coverage to its citizens, the objectives of this demonstration are primarily to gather essential data for purposes of better understanding the healthcare needs of its citizens and addressing public policy decisions accordingly. The waiver will test a new approach of providing more affordable prescription medications to a population often experiencing financial difficulties in this area. The project will gather detailed information on health status and utilization patterns of beneficiaries upon enrollment and annually thereafter. The primary research questions are: 1) What impact does the demonstration have on the health status of the waiver participants, 2) What are the healthcare and prescription medication utilization patterns of the beneficiaries, and 3) Does the program suggest need for policy and planning changes in other areas?

Maine will gather data for this project through various methods. Utilization data will be available through use of existing data systems including the Maine Medicaid Decision Support System (MMDSS) and Maine Point of Purchase System (MePOPS). Health status and satisfaction data will be obtained through enrollment surveys, focus groups, disenrollment surveys, and annual consumer satisfaction surveys. Through this process, not only will Maine better understand the health care needs of its citizens, but it will also obtain important program performance measures through consumer satisfaction surveys to assist in on-going quality improvement. This crucial information will better inform public policy and planning in Maine as well as nationally.

Maine hopes to collaborate with other states in these endeavors. Maine has been closely following Vermont's expansion of their Vermont Health Access Plan. Maine has also been working with Vermont and New Hampshire on various other strategies to improve access and affordability of prescription medications for its citizens. We believe these collaborative efforts will greatly enhance current projects as well as contribute toward the success of others.

**Operation of the Program:**

The Maine program will work as follows:

1. For each year, an amount will be established to reflect the expected return to the state under the rebate provisions of the Omnibus Budget Reconciliation Act of 1990. This amount will be set as a percentage of total drug expenditures and will be the program subsidy. Given the estimated current average rebate of 18% of gross pharmacy expenditures, the subsidy is expected to be approximately 15%.
2. A set annual enrollment fee will need to be approximately twenty-five (25) dollars to cover the administrative costs of the program.

3. An individual found eligible for the program will be enrolled and issued an identification card. There will be no assets test applied as a criterion to determine eligibility, however Medicaid rules for income verification may be applied.
4. The pharmacy provider will submit the claim using the Maine Point of Purchase System (MePOPS) which will perform all required edits and audits, as well as price and adjudicate the claim. MePOPS was installed in 1996 in all state pharmacies, and the system handles over three million claims per year. MePOPS checks client eligibility, reviews the prescription for duplication/early refill, reviews for contraindications to health, and process transactions for payment.
5. The pharmacy provider will identify the prescription by using the National Drug Code (NDC) and specifying the number of units dispensed. All of this information is stored in MePOPS.
6. MePOPS will verify eligibility, price the prescription per the Maine Medical Assistance Manual (MMAM), Chapter II Section 80 rule s, and then notify the provider of the results.
7. The provider will charge an eligible beneficiary the Medicaid rate less the established program subsidy (which will include a dispensing fee). For example, with the subsidy at 15% the beneficiary will be charged 85% of the Medicaid rate.
8. Upon payment, the provider will dispense the drug and submit a claim showing the beneficiary payment.
9. The provider will be reimbursed for the subsidy amount.
10. The State will bill the drug manufacturer to collect the rebate quarterly.

Rebates collected from manufacturers will be deposited into a revolving fund and used to pay the subsidy. Initially, State funds will be provided to meet the cash flow needs of the program.

**Budget Neutrality:**

The Maine DHS believes that this expansion will not impact on budget neutrality since there will be no benefit cost to the program. In addition, enrollment fees will cover administration costs of the program. The number of expected beneficiaries is discussed in the attached application. As noted above, the Department plans to collect an enrollment fee to offset the costs of administering this program, particularly the additional claims processing costs and staff to process beneficiary enrollment and fee collection. This enrollment fee would be set at approximately \$25 annually. Given the nature of this waiver, we request an approval that will allow the state to retain 100% of the fees collected from beneficiaries. This will enable us to keep that amount low and encourage participation.

Some beneficiaries will also have access to the state-funded Drugs for the Elderly and Disabled Program. This program provides 80% coverage for generic drugs, all drugs related to certain conditions and catastrophic expenditures now defined as expenditures in excess of \$1000 per year. This waiver would provide for “wraparound” discounts for non-covered drugs.

In summary, we also believe this is an opportunity for the Health Care Financing Administration to assess the drug utilization patterns of consumers, especially the Medicare population, using existing Medicaid service delivery systems and administrative structures. Data from the

MePOPS and Maine Medicaid Decision Support System (MMDSS), will greatly support program, administrative, research, and policy questions. The project will provide invaluable information for evaluating various options for making prescription drugs medicines accessible and affordable.

Sincerely,

Kevin Concannon  
Commissioner