



*The* LEWIN GROUP

# **The First Year for Seniors: Medicare Prescription Drug Coverage in North Carolina, 2006**

*Prepared for:*

**North Carolina Health & Wellness Trust Fund (HWTF)**

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## KEY FINDINGS

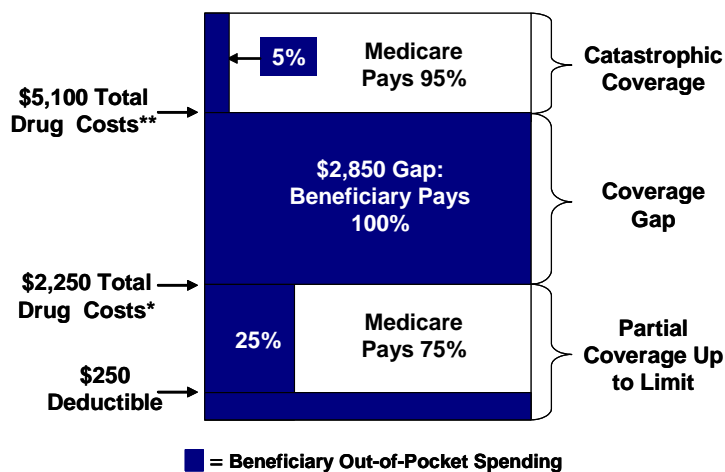
- Of the approximately 1.3 million Medicare beneficiaries in North Carolina, about 716,000 (54%) receive prescription drug benefits through Medicare prescription drug plans (PDPs) or Medicare Advantage prescription drug (MA-PDs) plans.
- About 500,000 (38%) Medicare beneficiaries that did not enroll in a Medicare PDP or MA-PD have prescription drug coverage from other sources, such as through employer-based plans or other government programs.
- About 102,000 Medicare beneficiaries (8%) either do not have prescription drug coverage or the coverage that they do have is not at least comparable to the standard Medicare Part D benefit.
- The Medicare PDP with the highest enrollment in the state is the United AARP MedicareRx Plan; this PDP has 116,700 enrollees, representing about 20% of total PDP enrollment in the state. The United AARP MedicareRx Plan is one of 5 PDPs offered in North Carolina by the same plan sponsor, United-PacifiCare.
- The four plan sponsors with the greatest Part D enrollment account for 66% of PDP enrollment in North Carolina: United-PacifiCare (27%), Humana (21%), Member Health/Community Care Rx (10%), and Blue Cross and Blue Shield of North Carolina (8%).
- The average enrollment-weighted PDP premium in North Carolina is \$31.95, which is slightly higher than that of North Carolina's neighboring states.
- In 2007, Part D participants will have more PDP options in 2007 than are currently available in 2006. Many plans in North Carolina have re-configured benefit packages and premiums and more will include zero deductibles and gap coverage than in 2006.
- If current Part D participants stay in the same PDPs for 2007, their monthly premiums will increase in January 2007 by 7.8%, on average. The monthly premium of the AARP MedicareRx Plan (which has the highest enrollment of any PDP in North Carolina in 2006) is set to increase to \$30.00 per month for 2007, a 6.1% increase over the 2006 premium of \$28.27.
- Medicare Part D includes a low-income subsidy program (LIS) that subsidizes Part D coverage for certain low-income beneficiaries with limited assets. As of July 2006, about 91,600 North Carolina residents were receiving LIS assistance. Another 91,700 North Carolinians are estimated to be eligible for these benefits, but have not enrolled in the LIS program (as of June 2006).

## I. INTRODUCTION

The 2003 Medicare Prescription Drug Improvement and Modernization Act (MMA) made voluntary prescription drug coverage available to all 43 million Medicare beneficiaries. Beginning in January 2006, millions of Medicare beneficiaries, including 1.3 million in North Carolina, began to enroll in a Medicare prescription drug plan (Medicare Part D). Beneficiaries choosing to participate in the program had the option of enrolling in stand-alone prescription drug plans (PDPs) providing drug coverage independent of other Medicare medical benefits. Alternatively, beneficiaries could enroll in Medicare Advantage (Medicare Part C) prescription drug plans that combine medical and drug benefits (MA-PDs).

The private plans available to Medicare beneficiaries can have different benefit designs and cost sharing arrangements, but all must be at least actuarially equivalent to the standard Medicare benefit. In 2006, the standard Medicare benefit includes a \$250 deductible and 75% coverage once the deductible is reached up to \$2,250 annually. The standard benefit also includes catastrophic coverage (95% paid by the plan or Medicare and 5% paid by the beneficiary) that becomes effective once the beneficiary exceeds more than \$3,600 per year in out-of-pocket drug spending. Exhibit 1 provides a graphical depiction of the Part D coverage dynamics.

**Exhibit 1: Medicare Standard Drug Benefit Guidelines, 2006**



*\*Equivalent to \$750 in out-of-pocket spending*

*\*\*Equivalent to \$3,600 in out-of-pocket spending*

An important feature of the standard benefit is the coverage gap that exists between \$2,250 and \$5,100 in total drug spending. Most beneficiaries are responsible for all of their own drug costs within this “doughnut hole.” Some plans offer alternative benefit designs or more comprehensive benefits, such as zero-deductible plans or coverage to fill in some or the entire coverage gap.

Medicare beneficiaries that enrolled in Part D during the initial enrollment period for 2006 (between November 15, 2005 and May 15, 2006) who want to switch to other plans may do so between November 15 and December 31 in 2006.<sup>1</sup> These changes will be effective beginning January 1, 2007. Beneficiaries that are satisfied with their current coverage will not have to take any action for 2007. However, beneficiaries that were eligible for but did not enroll in Medicare Part D in the 2006 enrollment period will face late-enrollment penalties in the form of higher premiums. Those qualifying for both Medicare and Medicaid (dual eligibles) are eligible to enroll or switch plans outside of annual enrollment periods without penalty.

This background report provides an overview of 2006 Medicare enrollment trends in North Carolina. We include information about the benefit structures of prescription drug plans offered within the state, including a preliminary look at 2007 premium and deductible changes. We also describe the provisions included in the MMA that provide “Extra Help” subsidies to beneficiaries with low incomes and limited assets.

Enrollment and plan-level benefit design and formulary information are based on data collected from the Medicare Personal PlanFinder by staff from The Lewin Group. Medicare state and county enrollment data are based on an enrollment report released by the Centers for Medicare and Medicaid Services (CMS) on June 11, 2006. Lewin estimates of employer-sponsored coverage and other creditable coverage are based on data from several sources including CMS, the Current Population Survey, Kaiser State Health Fact Sheets, and the National Conference of State Legislatures.

This report was prepared by Aaron McKethan, Wes Joines, and Christina Koster from The Lewin Group. We gratefully acknowledge the assistance of Stephanie Coplin and Jessica Dorrance (University of North Carolina at Chapel Hill), who helped prepare this report.

## II. PART D PLANS

### How many Part D plans are available in North Carolina?

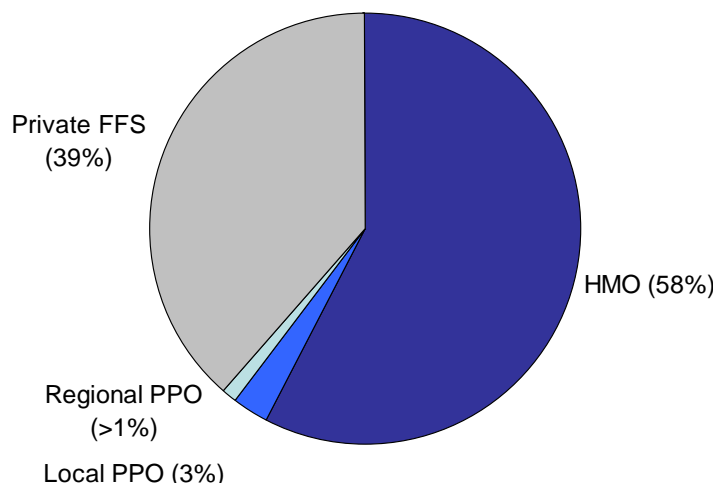
In the 2006 enrollment period, North Carolina Medicare beneficiaries had the option of selecting from among 38 PDPs and 16 MA-PDs. Despite the many options available, a large proportion of beneficiaries receiving drug benefits tended to select from a small number of plan options available (discussed in greater detail below).

MA-PDs are distributed among several plan types: traditional health maintenance organizations (HMOs), local or regional preferred provider organizations (PPOs), and private fee-for-service (FFS) plans. The distribution of MA-PD plan types in North Carolina is consistent with national trends. The majority of beneficiaries (58%) enrolled in an MA-PD are enrolled in an HMO. Exhibit 2 displays the distribution of MA-PDs plan types in North Carolina, by percent of beneficiaries.

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<sup>1</sup> This same enrollment period will also be in effect for future years.

## Exhibit 2: MA-PD Enrollment by Type of Plans in North Carolina, 2006



### III. PART D ENROLLMENT

#### What Part D enrollment trends have emerged in North Carolina?

The most recent enrollment estimates provided by the CMS indicate that of the approximately 1,318,800 Medicare beneficiaries in North Carolina, about 716,400 (54%) receive prescription drug benefits through the Medicare program's new Part D coverage.

This figure includes:

- 376,800 beneficiaries (29% of the total North Carolina Medicare population) who enrolled in PDPs
- An additional 230,000 beneficiaries (17%) eligible for both Medicaid and Medicare (dual eligibles) that were automatically enrolled in PDPs
- An additional 109,600 beneficiaries (8%) that are enrolled in MA-PDs<sup>2</sup>

About 500,100 (38%) North Carolina Medicare beneficiaries that did not enroll in a Medicare PDP or MA-PD have creditable<sup>3</sup> prescription drug coverage through other sources. This includes:

- 418,200 Medicare-eligible seniors (32%) whose employer-sponsored retiree coverage includes prescription drug benefits<sup>4</sup> (just over half of these beneficiaries are enrolled in

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<sup>2</sup> This figure includes some dual-eligibles that were previously enrolled in Medicare Advantage/Part C that were automatically enrolled in an MA-PD when Medicare Part D was implemented.

<sup>3</sup> Prescription drug coverage is said to be "creditable" if it is at least actuarially equivalent to the standard Medicare prescription drug plan.

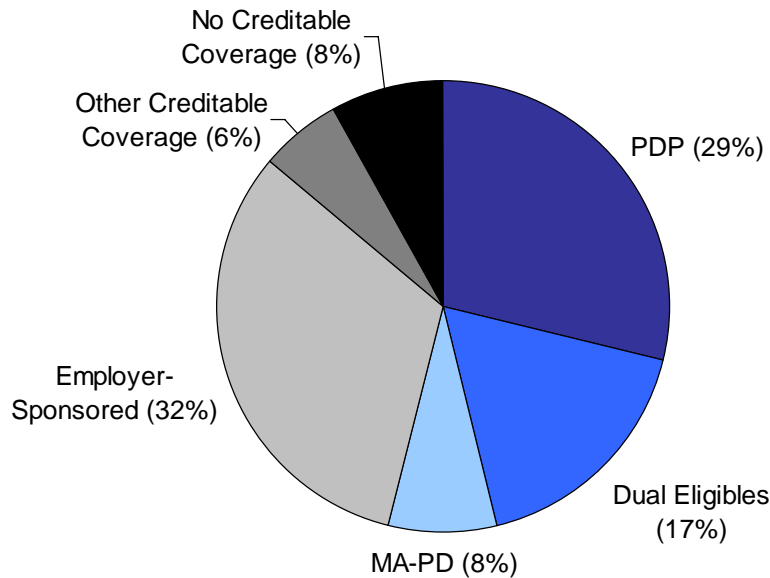
<sup>4</sup> Based on Lewin estimates.

employer-based plans for which Medicare subsidizes coverage through its Retiree Drug Subsidy, RDS)

- Another 81,900 beneficiaries (6%) with other sources of creditable coverage, including coverage through the Department of Veterans Affairs and the Indian Health Service

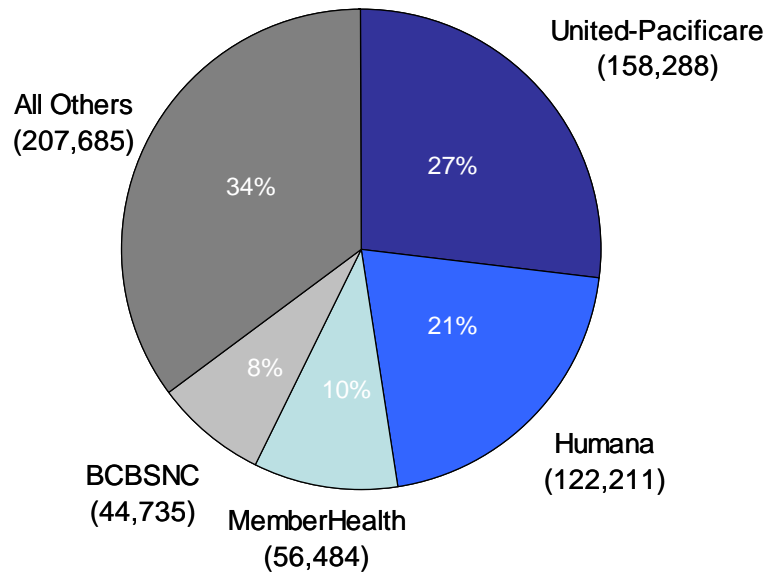
Lewin estimates that about 102,300 North Carolina Medicare beneficiaries (8%) either do not have a source of prescription drug coverage or do not have coverage that is at least comparable to the standard Medicare Part D benefit. See Exhibit 3.

**Exhibit 3: Estimates of Creditable Prescription Drug Coverage among North Carolina Medicare Beneficiaries, 2006**



Consistent with national enrollment patterns, a small number of plan sponsors in North Carolina account for a large share of Part D enrollment. Among the Medicare beneficiaries enrolled in PDPs (including dual-eligibles that were automatically enrolled), about 65% are enrolled in plans offered by one of just four plan sponsors: United-PacifiCare (accounting for 27% of total PDP enrollment), Humana (21%), MemberHealth/Community Care Rx (10%), and Blue Cross and Blue Shield of North Carolina (8%). On the other end of the spectrum, ten of the PDPs offered in North Carolina each have less than 1,000 members enrolled. See Exhibit 4 below.

#### Exhibit 4: PDP Enrollment in North Carolina, 2006



The most popular individual PDP selected in North Carolina is the United AARP MedicareRx Plan. This PDP has 116,700 enrollees, representing about 20% of total PDP enrollment in the state for 2006.

#### How do Medicare Part D enrollment patterns vary across the state?

Enrollment percentages vary considerably across counties. Hoke County has the highest Part D enrollment in the state with nearly three-fourths (74%) of Medicare-eligible individuals enrolled in a PDP or MA-PD. Currituck and Dare Counties have the lowest Part D enrollment, with only 39% of Medicare-eligible individuals enrolled in a PDP or MA-PD. See Appendix A for prescription drug enrollment figures by county.

Medicare prescription drug plan enrollment varies slightly depending on a county's rural or metro status.<sup>5</sup> On average, about 57% of Medicare-eligible individuals in rural counties receive prescription drug benefits through the Medicare program, compared to 52% living in a metropolitan county. Greater variation can be found by comparing enrollment in major metropolitan areas<sup>6</sup> across the state. For example, metropolitan areas with a major military presence (e.g., Jacksonville and Fayetteville) have a lower percentage of Medicare beneficiaries receiving prescription drugs through Medicare than other major metropolitan areas in the state. This may be largely attributable to military retirees and their families receiving prescription drug coverage through other government sources, such as the Department of Veterans Affairs. Similar patterns have emerged in areas with relatively high concentrations of state retirees, such as in Durham and Raleigh. The North Carolina State Teachers' and Retirees' Health Plan

<sup>5</sup> For this analysis, we used the rural-metro county definitions from the North Carolina Rural Center, available online at: [http://www.ncruralcenter.org/databank/rural\\_county\\_map.asp](http://www.ncruralcenter.org/databank/rural_county_map.asp).

<sup>6</sup> We used metropolitan statistical area (MSA) definitions maintained by the U.S. Office of Management and Budget (OMB), available online at: <http://www.census.gov/population/www/estimates/metrodef.html>.

maintains generous retiree prescription drug coverage for eligible seniors; consequently, many vested state retirees do not receive prescription drug benefits through Medicare.

See the appendices for detailed tables and maps depicting enrollment patterns at county (Appendix A and Appendix B), metropolitan area (C and D), and AHEC region (E and F) levels.

#### IV. PREMIUMS, BENEFITS, AND FORMULARIES

##### How do premiums vary by plan and plan type in North Carolina?

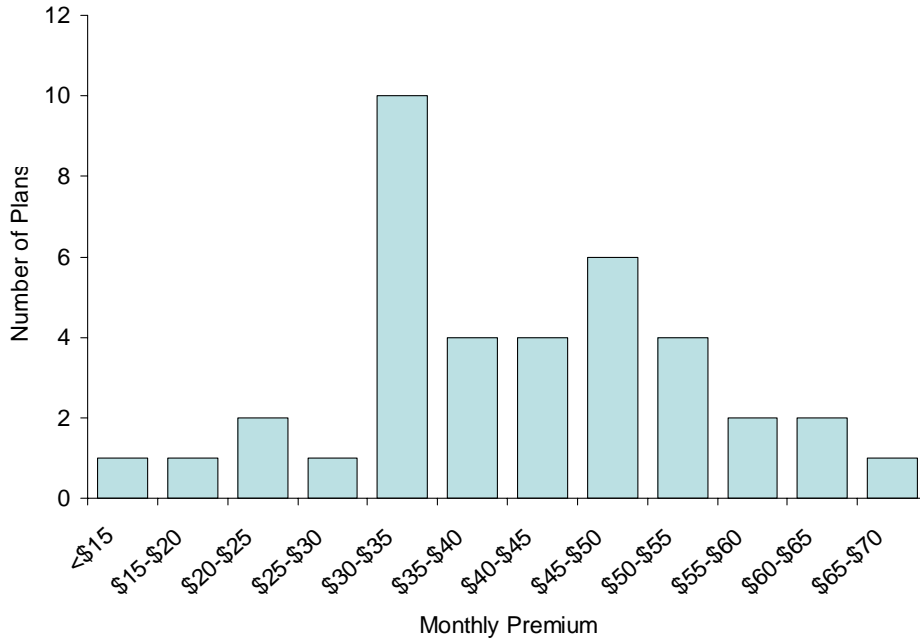
For 2006, Monthly PDP premiums in North Carolina range from \$13.27 to \$65.03, with an average PDP premium charge of \$40.86. Exhibit 5 below displays the range of premiums offered by PDP plans in North Carolina and its neighboring states. Importantly, the far right-hand column displays the average premiums weighted by plan enrollment. This reflects the average premiums that are actually being paid by beneficiaries for 2006, rather than simply those being offered in the marketplace. As would be expected, enrollment is skewed toward plans offering lower premiums. In North Carolina, the average monthly premium being paid (weighted by enrollment) is about \$9 below the average amount being charged.

**Exhibit 5: PDP Premiums in North Carolina and Neighboring States, 2006**

State	Lowest Premium	Highest Premium	Average Premium	Average Premium, Weighted by Enrollment
North Carolina	\$13.27	\$65.03	\$40.86	\$31.95
Georgia	\$17.91	\$73.17	\$37.60	\$29.92
South Carolina	\$16.57	\$69.72	\$39.39	\$30.10
Tennessee	\$14.08	\$69.98	\$40.05	\$27.48
Virginia	\$8.81	\$68.61	\$38.12	\$28.00

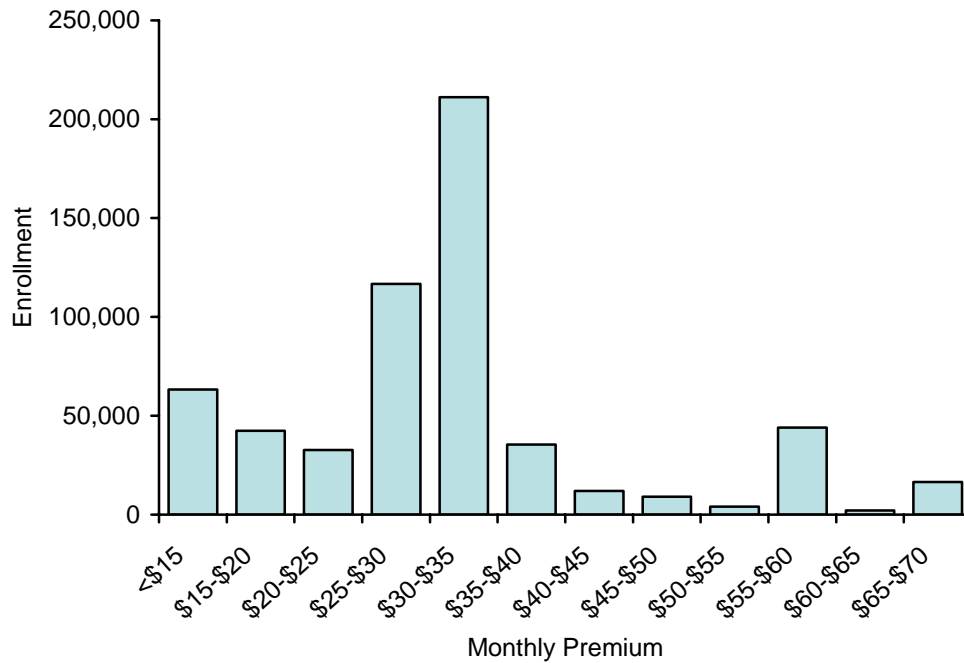
Exhibit 6 displays the distribution of PDP offerings in North Carolina by (unweighted) monthly premium amounts.

**Exhibit 6: Distribution of PDPs by Monthly Premium Amount in North Carolina, 2006**



As noted above, with numerous plan options providing different levels of benefits and cost sharing arrangements, beneficiaries in North Carolina have disproportionately enrolled in PDPs with lower than average premiums. The state’s most popular PDP, the United AARP MedicareRx Plan, includes a monthly premium of \$28.27. Exhibit 7 below displays PDP enrollment by monthly premium level.

**Exhibit 7: PDP Enrollment by Premium Level in North Carolina, 2006**



Generally, MA-PDs can offer lower premiums than PDPs to the extent that they are able to offset the cost of drug coverage with savings from other medical costs. This is evident in North Carolina as the average MA-PD premium in the state is \$20.36 for 2006, compared to the unweighted state average (\$40.86) for all PDPs offered in the state. MA-PD premiums range from \$0 to \$47.29 per month. Like those enrolling in PDPs, beneficiaries selecting MA-PDs tended to enroll in plans with lower than average premiums. The enrollment-weighted average MA-PD premium in North Carolina is \$12.11 per month

**To what degree is “enhanced coverage” available for plans in North Carolina?**

Part D plan sponsors have the flexibility to offer plans that are different than the standard Medicare drug benefit as long as they are at least actuarially equivalent to the standard benefit. This “enhanced coverage” allows plans to design and market drug plans to beneficiaries with different needs or incomes. Enhanced coverage is available to beneficiaries in the form of reduced or zero deductibles or with additional coverage of generic drugs or brand *and* generic drugs in the coverage gap. About 15% of Medicare Part D participants in North Carolina are enrolled in a plan providing some form of gap coverage.

In North Carolina, most Part D participants (56%) are enrolled in PDPs that do not have deductibles. This includes the popular United AARP MedicareRx Plan. Forty-three percent of participants are enrolled in a PDP offering the standard \$250 deductible and approximately 1% of participants are enrolled in a PDP offering a “reduced deductible” (between \$0 and \$250). Among MA-PD beneficiaries, virtually all (99%) are enrolled in plans requiring that

beneficiaries meet the standard \$250 deductible. Only 1% of MA-PD participants have a zero deductible and none have reduced deductibles between \$0 and \$250.

Some PDPs also offer additional coverage in the coverage gap. One plan in North Carolina (Humana Complete, with about 16,500 enrollees statewide) covers both brand and generic drugs through the coverage gap. Six other plans cover only generic drugs in the coverage gap. The remaining 31 plans (including the top-selling United AARP MedicareRx Plan) do not provide any additional coverage in the coverage gap. See Exhibit 8.

**Exhibit 8: PDPs with Enhanced Coverage in the Coverage Gap in North Carolina, 2006**

Coverage in Gap	Number of Plans	Percent of Plans	Percent of Plans in US
None	31	81.6%	84.4%
Generic Only	6	15.8%	13.2%
Brand & Generic	1	2.6%	2.4%

None of the MA-PDs in North Carolina offers additional coverage in the coverage gap.

**How do formularies vary among PDPs in North Carolina in 2006?**

A formulary is a list of prescription drugs that a health plan will cover. When selecting plans, it is important that beneficiaries with specific and non-substitutable medication needs enroll in plans with formularies that include those medications. However, not all formularies are the same; the number of drugs covered on PDP formularies varies from plan to plan. PDPs in North Carolina cover, on average, about 1,700 drugs. Some plans cover as few as 879 and as many as 3,107 drugs.

The formularies offered by PDPs in North Carolina cover more drugs, on average, than those in neighboring states (i.e., Virginia, Tennessee, South Carolina, and Georgia), where the average number of drugs covered ranges from 1,609 to 1,635. Because many of the PDPs offered in North Carolina are national plans, and therefore are also offered in other states, many of the same formularies are offered in North Carolina and its neighboring states. For example, each of North Carolina’s neighboring states offers a PDP that has 3,107 drugs covered on formulary. PDPs that are only offered in specific states account for the variation across states. For example, while the minimum amount of drugs covered by a North Carolina PDP is 879, PDPs in Georgia and South Carolina cover as few as 592.

A large formulary does not necessarily equate to a “good” plan. Formularies may cover many drugs but may also exclude drugs that are commonly used by beneficiaries. Thus, as noted above, an important part of the plan selection process is to ensure that plans selected do cover needed medications. Since beneficiaries can not always anticipate future prescription needs, this process can be particularly challenging. See Appendix H for plan-specific formulary information.

## What types of utilization management efforts are used by PDPs in North Carolina?

In addition to formularies, PDPs may differ by the types of utilization management efforts that are used, including the following:

- Prior authorization (a procedure requiring the physician to obtain authorization from the insurer before prescribing a drug)
- Step therapy (a prescription regimen that requires beneficiaries to first try certain less-expensive drugs before moving to other more-expensive alternatives)
- Quantity limits (a limitation by plans of the number of doses of a particular drug that beneficiaries may receive in a given time period)

The average PDP in North Carolina imposes prior authorization on 120 drugs and step therapy restrictions on 27 drugs. PDPs in North Carolina use these utilization management tools somewhat less frequently than PDPs in neighboring states, as can be seen in Exhibit 9. The average PDP in North Carolina applies prior authorization on 120 drugs, but the maximum number of drugs subject to prior authorization by a North Carolina PDP is 361, significantly lower than some other states.

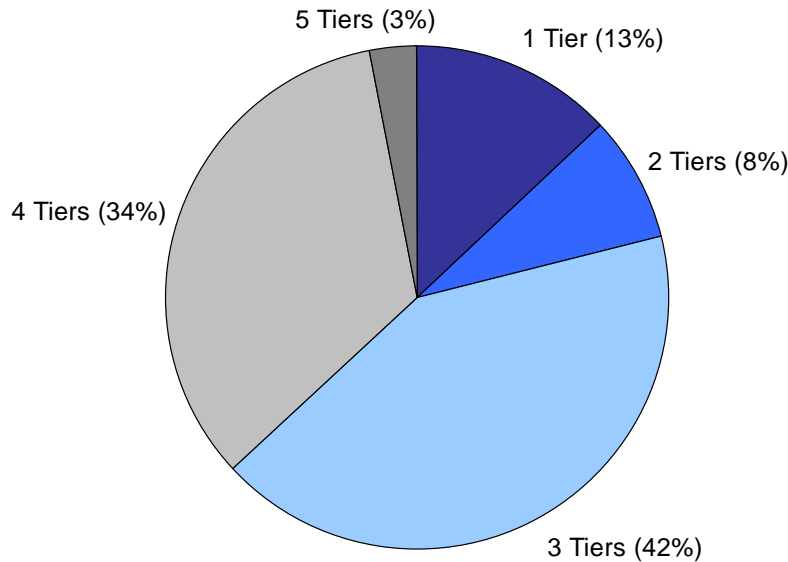
**Exhibit 9: Utilization Management in PDPs in North Carolina and Neighboring States**

State	Prior Authorization (PA)		Step Therapy (ST)	
	Average # of drugs subject to PA	Maximum # of drugs subject to PA	Average # of drugs subject to ST	Maximum # of drugs subject to ST
North Carolina	120	361	27	107
Georgia	119	361	33	272
South Carolina	128	692	33	272
Tennessee	137	692	29	107
Virginia	129	692	27	107

## What types of tier structures are offered by North Carolina PDPs?

In a formulary, drugs are often placed in different tiers to determine the cost-sharing responsibilities of the beneficiary for each drug on the formulary. Tier structures are generally designed to encourage beneficiaries to choose lower-priced drugs when more expensive options are available. For example, in a common three-tier formulary, generic drugs are usually placed on tier 1, preferred brand drugs are placed on tier 2, and non-preferred brand drugs are placed on tier 3. Preferred brand drugs are offered at lower co-payments than non-preferred brand drugs. Three-tier PDPs are currently the most common tier structure among PDPs offered in North Carolina. See Exhibit 10.

**Exhibit 10: North Carolina PDPs, by Number of Tiers**



Most PDPs in North Carolina use a co-payment structure for tiers 1-3, which means that beneficiaries pay fixed dollar amounts when purchasing prescription medications on each of these tiers. If the plan has more than three tiers, coinsurance is usually in effect for tiers four and above, meaning that the beneficiary pays a percentage of the total cost of the prescription. The United AARP MedicareRx Plan includes four tiers, with a co-pay of \$5 on tier 1, \$28 on tier 2, \$55 on tier 3, and 25% coinsurance on tier 4. Exhibit 11 displays the range of different co-payment amounts for tiers 1-3 and the range of coinsurance options for tiers 4 and 5 for PDPs in the state.

**Exhibit 11: Range of Cost-Sharing Arrangements by Tier for PDPs in North Carolina**

Tier	Lowest Co-Pay/Coinsurance	Highest Co-Pay/Coinsurance
1	\$0	\$12
2	\$15	\$67
3	\$40	\$67
4	25%	33%
5	30%	30%

## How will Part D plans and premiums change in 2007?

The federal government recently released information about the Part D plans that will be available effective January 1, 2007.<sup>7</sup> Part D participants will have more PDP options in 2007 (51 PDPs) than were available in 2006 (38 PDPs). More PDPs will include zero deductibles and coverage in the gap than were offered in 2006. These changes in North Carolina are consistent with national trends for 2007.

If current Part D participants stay in the same PDPs for 2007, their monthly premiums will increase in January 2007 by 7.8%, on average.<sup>8</sup> The monthly premium of the AARP MedicareRx Plan (which has the highest enrollment of any PDP in North Carolina in 2006) is set to increase to \$30.00 per month for 2007, a 6.1% increase over the 2006 premium of \$28.27.

In 2006, about 40% of all PDP participants were enrolled in plans offering the standard \$250 deductible for 2006. About 90% of these beneficiaries will continue to have the standard deductible for 2007 (\$265) if they remain in the same plans.<sup>9</sup> The remaining 10% will have lower deductibles for 2007 than the standard deductible if they remain in the same plan. In 2006, 56% of PDP participants are enrolled in plans with a zero deductible. Virtually all (99%) of these beneficiaries will continue to have a zero deductible for 2007 if they remain in the same plan.

Another change in PDP design from 2006 to 2007 is that more PDPs are offering coverage in the gap. Six new plans will offer some form of gap coverage in 2007, bringing the total number of PDPs offering gap coverage to 15, up from 7 in 2006. Of the 36 plans that are continuing in 2007, three have added gap coverage, one has dropped gap coverage, and one has decreased the level of gap coverage. Appendix I provides details about premium and deductible changes in 2007 for North Carolina PDPs.

To gain a more complete understanding of the Medicare program's overall premium stability in North Carolina, it would be necessary to carefully model current enrollees' 2006 and 2007 premium costs relative to total changes in PDP benefit designs. CMS will be releasing all relevant information in the coming weeks.

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<sup>7</sup> In September 2006, the Centers for Medicare and Medicaid Services (CMS) announced the Medicare Part D standard benefit for 2007. See: <http://www.medicare.gov/medicarerereform/local-plans-2007.asp>

<sup>8</sup> This average is weighted by 2006 PDP enrollment and thus excludes three PDPs that were offered in 2006 but were not offered as the same plans in 2007. Together, these three plans have 5,470 in total enrollment for 2006.

<sup>9</sup> The standard deductible will increase from \$250 for 2006 to \$265 for 2007.

## V. THE LOW-INCOME SUBSIDY PROGRAM

Medicare Part D includes a low-income subsidy program (LIS) (known as “Extra Help”) that pays Part D premium and cost-sharing requirements for certain low-income beneficiaries. Dual-eligible beneficiaries automatically enrolled in Medicare Part D are automatically eligible for the LIS program. Non-dual eligibles that have incomes at or below 135 percent of the Federal Poverty Level (FPL) and have limited assets (described in Exhibit 14 below) are also eligible for “full” LIS benefits. Dual eligibles and non-dual eligibles receiving full LIS benefits pay no monthly premiums or annual deductibles, do not face a coverage gap, and are subject to reduced co-payments.

Beneficiaries with incomes between 135 and 150 percent of FPL and with limited assets can receive partial LIS assistance, although they are expected to pay towards their monthly premiums on a sliding scale basis. See Exhibit 12.

**Exhibit 12: Summary of Low-Income Subsidy Eligibility and Benefits, 2006**

Low-Income Subsidy Level	Monthly Premium	Annual Deductible	Co-payments	Gap Coverage?
Individuals with Medicaid and Medicare (“dual eligibles”)	\$0	\$0	\$1- \$2/generic; \$3-\$5/brand; no co-pays after total drug spending reaches \$5,100	Yes
Individuals with income <135% of FPL and limited assets (\$6,000/individual; \$9,000 couple)	\$0	\$0	\$2/generic; \$5 brand; no co-pays after total drug spending reaches \$5,100	Yes
Individuals with income 135%-150% of FPL and limited assets (\$10,000/individual; \$20,000 couple)	Sliding scale up to \$32.30*	\$50	15% of total costs up to \$5,100; \$2/generic; \$5 brand thereafter	No

**Note:** Assets do not include \$1,500/individual and \$3,000/couple for funeral or burial expenses. \*\$32.30 is the national monthly Part D base beneficiary premium for 2006.

**Source:** Centers for Medicare and Medicaid Services

Individuals can apply for the LIS at the local Social Security Administration (SSA) office or through their State Medicaid offices. Telephone and Internet-based applications are also accepted through SSA. As of July 2006, the SSA had received about 232,000 applications for LIS assistance from individuals in North Carolina. Of this amount, SSA made eligibility determinations for 183,200 applicants of which 91,600 applicants were accepted for full or

partial LIS assistance. North Carolina's applicant "acceptance" rate of 50% is slightly better than the national average rate of 45.8%.<sup>10</sup>

While many North Carolinians are receiving assistance through LIS, many low-income Medicare beneficiaries do not qualify for these benefits due to assets that exceed the eligibility threshold. A recent study estimated that 2.4 million Medicare beneficiaries with incomes below 150% of FPL would not qualify for LIS assistance in 2006 because their assets exceed the eligibility threshold.<sup>11</sup> The SSA has reported that most (57%) low-income subsidy applicants that were determined to be ineligible would have qualified based on income alone, but were disqualified due to excess assets.<sup>12</sup>

In addition to those who do not qualify for LIS benefits due to the income and/or asset tests, there are many people that are presumed to be eligible but remain unenrolled in the program. Nationally, CMS estimates that 13.2 million individuals are eligible for the LIS, of whom 3.25 million have not yet enrolled.<sup>13</sup> This includes an estimated 91,700 North Carolinians that are eligible but were unenrolled in the LIS program as of June 2006. See Appendix J for county-level estimates of the number of beneficiaries that are presumed eligible but are unenrolled in North Carolina.

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<sup>10</sup> "Status of Medicare Low Income Subsidy Applications Received," Social Security Administration. Data as of July 14, 2006. URL: <http://www.ssa.gov/legislation/statealphasmallfont.html>

<sup>11</sup> Rice, Thomas. "Low-Income Subsidies for the Medicare Prescription Drug Benefit: The Impact of the Asset Test." Kaiser Family Foundation, April 2005.

<sup>12</sup> "Medicare: Low-Income Assistance Under the Medicare Drug Benefit" May 2006. Kaiser Family Foundation. URL: <http://www.kff.org/medicare/upload/7327.pdf>

<sup>13</sup> "Low-Income Subsidy Outreach Targeting Information Number of Unenrolled People who May Be Eligible for the Low-Income Subsidy," CMS. June 29, 2006.

## APPENDICES

### A. Medicare Beneficiaries with Medicare Prescription Drug Benefits by County, 2006

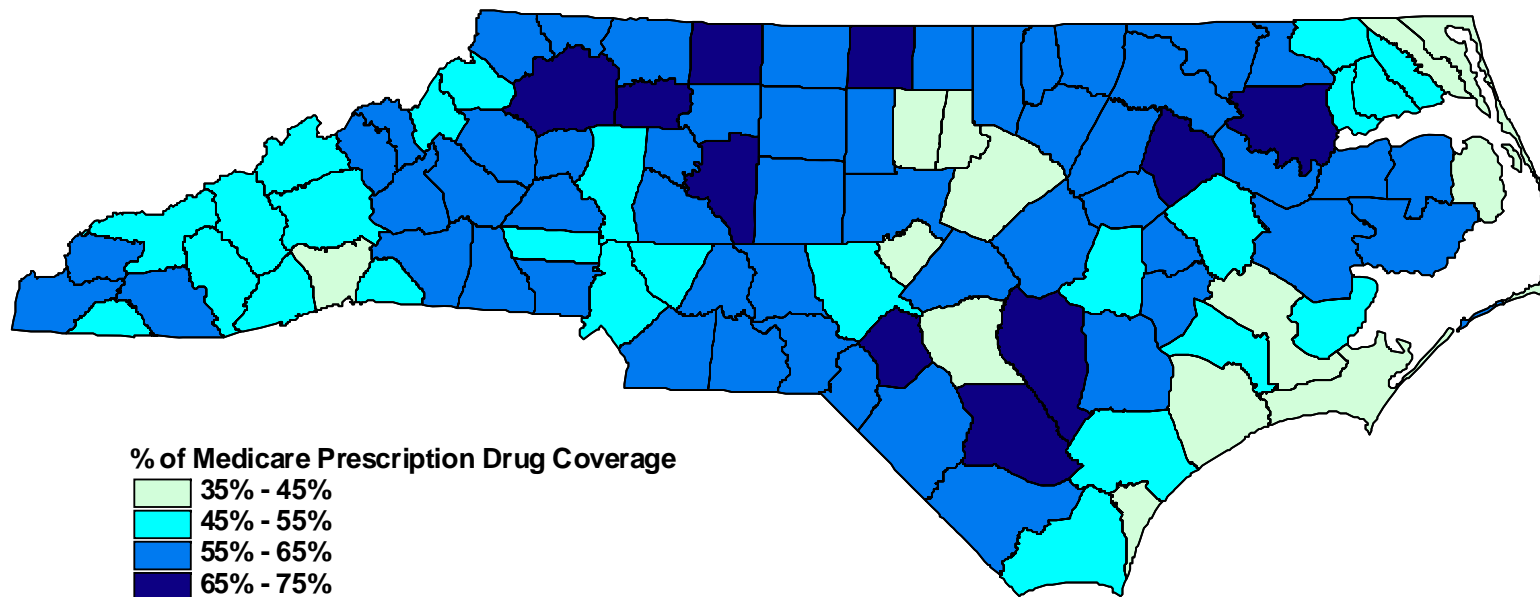
County Name	Stand-Alone PDP	MA-PD	Dual Eligibles*	Total Enrolled in Medicare Part D	% of Medicare-eligibles enrolled in Medicare Part D
Alamance	5,672	4,282	3,639	13,593	56.0%
Alexander	2,096	285	913	3,294	60.1%
Alleghany	747	306	516	1,569	58.2%
Anson	1,495	10	1,191	2,696	59.4%
Ashe	2,049	357	1,150	3,556	63.0%
Avery	1,034	157	635	1,826	47.9%
Beaufort	3,153	165	2,142	5,460	55.3%
Bertie	1,543	39	1,565	3,147	68.2%
Bladen	1,966	47	1,933	3,946	67.4%
Brunswick	5,680	854	2,247	8,781	45.7%
Buncombe	12,163	1,608	6,096	19,867	48.3%
Burke	5,356	257	2,978	8,591	56.4%
Cabarrus	7,160	1,307	2,927	11,394	50.8%
Caldwell	5,797	507	2,546	8,850	63.4%
Camden	313	62	179	554	43.4%
Carteret	3,554	73	1,520	5,147	44.0%
Caswell	1,172	364	1,041	2,577	67.1%
Catawba	9,764	863	3,515	14,142	58.3%
Chatham	3,009	803	1,165	4,977	64.3%
Cherokee	1,956	438	1,246	3,640	55.3%
Chowan	1,042	52	637	1,731	55.0%
Clay	804	99	407	1,310	52.5%
Cleveland	6,806	387	3,601	10,794	57.6%
Columbus	3,783	77	3,305	7,165	62.9%
Craven	4,609	67	2,547	7,223	41.5%
Cumberland	6,521	1,345	6,530	14,396	40.2%
Currituck	800	82	317	1,199	38.6%
Dare	1,497	47	369	1,913	38.6%
Davidson	6,474	5,759	3,491	15,724	70.5%
Davie	1,315	1,748	768	3,831	58.4%
Duplin	2,704	56	2,299	5,059	62.2%
Durham	6,394	1,074	4,546	12,014	42.0%
Edgecombe	3,159	268	2,933	6,360	68.3%
Forsyth	7,590	16,381	5,954	29,925	57.7%
Franklin	1,998	528	1,723	4,249	61.4%
Gaston	10,485	2,677	5,793	18,955	58.5%
Gates	537	106	393	1,036	53.6%
Graham	494	90	479	1,063	59.2%
Granville	1,916	422	2,043	4,381	58.2%
Greene	858	20	718	1,596	64.7%

County Name	Stand-Alone PDP	MA-PD	Dual Eligibles*	Total Enrolled in Medicare Part D	% of Medicare-eligibles enrolled in Medicare Part D
Guilford	15,115	13,632	8,705	37,452	57.7%
Halifax	3,565	687	3,894	8,146	65.0%
Harnett	4,104	155	2,807	7,066	62.1%
Haywood	3,272	668	1,998	5,938	45.5%
Henderson	6,710	1,247	2,403	10,360	42.8%
Hertford	1,382	93	1,374	2,849	63.9%
Hoke	994	164	1,158	2,316	74.0%
Hyde	251	5	317	573	59.2%
Iredell	7,579	1,176	3,012	11,767	55.0%
Jackson	1,625	257	930	2,812	50.0%
Johnston	5,261	1,005	3,978	10,244	60.7%
Jones	625	10	478	1,113	54.1%
Lee	2,743	218	1,465	4,426	44.4%
Lenoir	3,938	23	3,148	7,109	57.1%
Lincoln	4,072	189	1,563	5,824	54.2%
McDowell	2,671	684	1,564	4,919	58.4%
Macon	2,791	256	1,049	4,096	49.5%
Madison	1,164	200	1,068	2,432	59.0%
Martin	1,666	63	1,310	3,039	58.2%
Mecklenburg	22,969	6,734	12,173	41,876	50.4%
Mitchell	1,102	303	788	2,193	60.2%
Montgomery	1,364	370	1,058	2,792	61.7%
Moore	6,201	674	2,067	8,942	45.1%
Nash	5,254	466	3,493	9,213	58.1%
New Hanover	8,263	985	3,917	13,165	45.0%
Northampton	1,430	262	1,463	3,155	63.3%
Onslow	3,436	134	2,270	5,840	39.7%
Orange	2,949	941	1,599	5,489	39.6%
Pamlico	901	20	482	1,403	51.8%
Pasquotank	1,508	250	1,169	2,927	47.9%
Pender	2,175	391	1,393	3,959	50.1%
Perquimans	852	93	456	1,401	49.8%
Person	2,023	459	1,368	3,850	64.9%
Pitt	5,596	214	4,503	10,313	53.8%
Polk	1,714	145	499	2,358	48.5%
Randolph	6,476	4,297	3,154	13,927	63.7%
Richmond	3,477	59	2,217	5,753	62.8%
Robeson	5,494	74	6,481	12,049	58.8%
Rockingham	4,711	3,638	3,246	11,595	64.5%
Rowan	6,619	2,481	3,489	12,589	60.4%
Rutherford	4,618	737	2,374	7,729	61.4%
Sampson	3,393	574	2,765	6,732	69.9%
Scotland	2,031	41	1,847	3,919	64.1%
Stanly	4,301	54	1,677	6,032	55.5%

County Name	Stand-Alone PDP	MA-PD	Dual Eligibles*	Total Enrolled in Medicare Part D	% of Medicare-eligibles enrolled in Medicare Part D
Stokes	1,266	2,736	1,153	5,155	72.6%
Surry	3,054	3,461	2,560	9,075	60.0%
Swain	681	124	754	1,559	55.0%
Transylvania	2,711	478	755	3,944	50.2%
Tyrrell	241	19	194	454	61.8%
Union	6,315	222	2,202	8,739	58.0%
Vance	2,183	711	2,189	5,083	62.8%
Wake	16,921	6,595	9,233	32,749	44.0%
Warren	855	316	1,117	2,288	61.1%
Washington	1,039	33	641	1,713	62.0%
Watauga	2,014	208	872	3,094	53.4%
Wayne	4,642	493	4,423	9,558	50.2%
Wilkes	3,554	2,358	2,651	8,563	69.6%
Wilson	4,920	107	3,170	8,197	62.5%
Yadkin	1,226	2,291	1,095	4,612	66.2%
Yancey	1,292	215	866	2,373	56.6%
<b>Total</b>	<b>376,764</b>	<b>109,564</b>	<b>230,041</b>	<b>716,369</b>	<b>54.3%</b>

\* Dual Eligibles were automatically enrolled into a PDP and are counted as “dual eligibles” above. However, beneficiaries that were previously enrolled in a Medicare Advantage plan were automatically enrolled into a MA-PD and are counted in the MA-PD column above.

**B. Map: Percentage of Medicare Beneficiaries with Medicare Prescription Drug Benefits, by County (2006)**

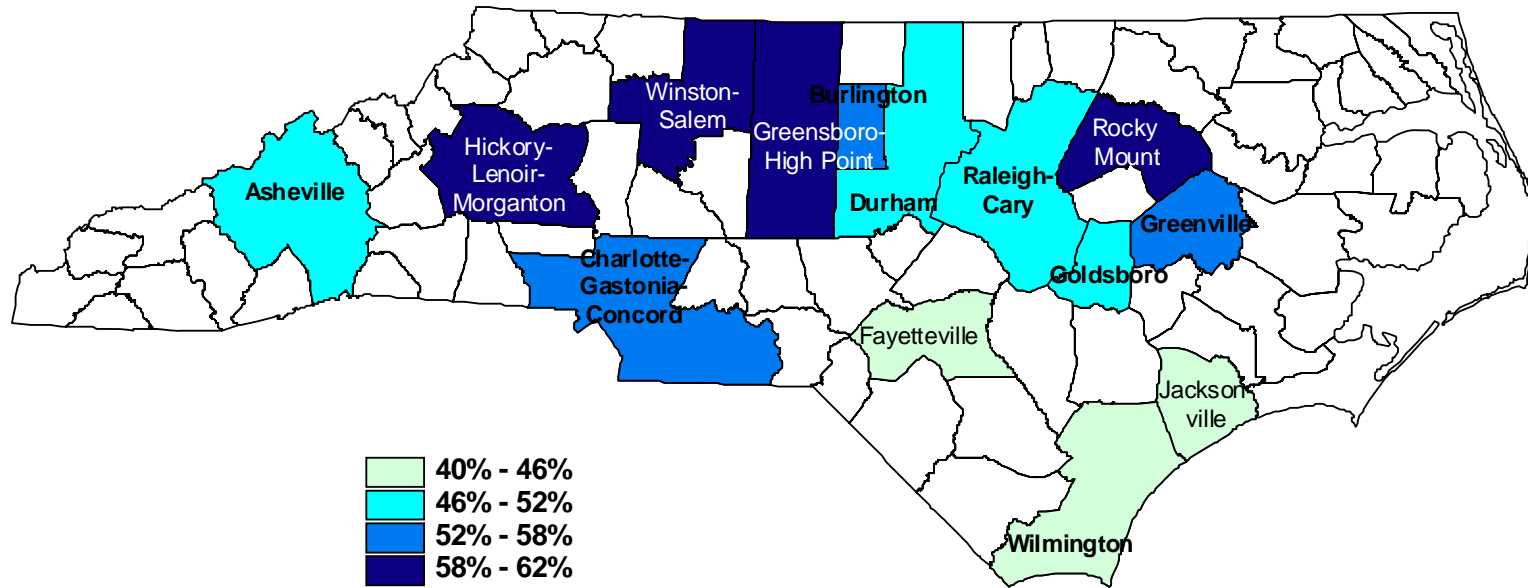


### C. Medicare Beneficiaries with Medicare Prescription Drug Benefits, by MSA (2006)

MSA	Stand-Alone PDP	MA-PD	Dual Eligibles*	Total Enrolled in Medicare Prescription Drug Plans	% of Medicare-eligibles enrolled in Medicare Part D
Asheville	23,309	3,723	11,565	38,597	46.8%
Burlington	5,672	4,282	3,639	13,593	56.0%
Charlotte-Gastonia-Concord	48,424	10,950	24,286	83,660	53.1%
Durham	14,375	3,277	8,678	26,330	46.9%
Fayetteville	7,515	1,509	7,688	16,712	42.9%
Goldsboro	4,642	493	4,423	9,558	50.2%
Greensboro-High Point	26,302	21,567	15,105	62,974	60.1%
Greenville	6,454	234	5,221	11,909	55.1%
Hickory-Lenoir-Morganton	23,013	1,912	9,952	34,877	59.1%
Jacksonville	3,436	134	2,270	5,840	39.7%
Raleigh-Cary	24,180	8,128	14,934	47,242	48.1%
Rocky Mount	8,413	734	6,426	15,573	61.9%
Wilmington	16,118	2,230	7,557	25,905	46.0%
Winston-Salem	11,397	23,156	8,970	43,523	60.1%
Other	153,514	27,235	99,327	280,076	57.4%
<b>Total</b>	<b>376,764</b>	<b>109,564</b>	<b>230,041</b>	<b>716,369</b>	<b>54.3%</b>

\* Dual Eligibles were automatically enrolled into a PDP and are counted as “dual eligibles” above. However, beneficiaries that were previously enrolled in a Medicare Advantage plan were automatically enrolled into a MA-PD and are counted in the MA-PD column above.

D. Percentage of Medicare Beneficiaries with Medicare Prescription Drug Benefits, by MSA (2006)

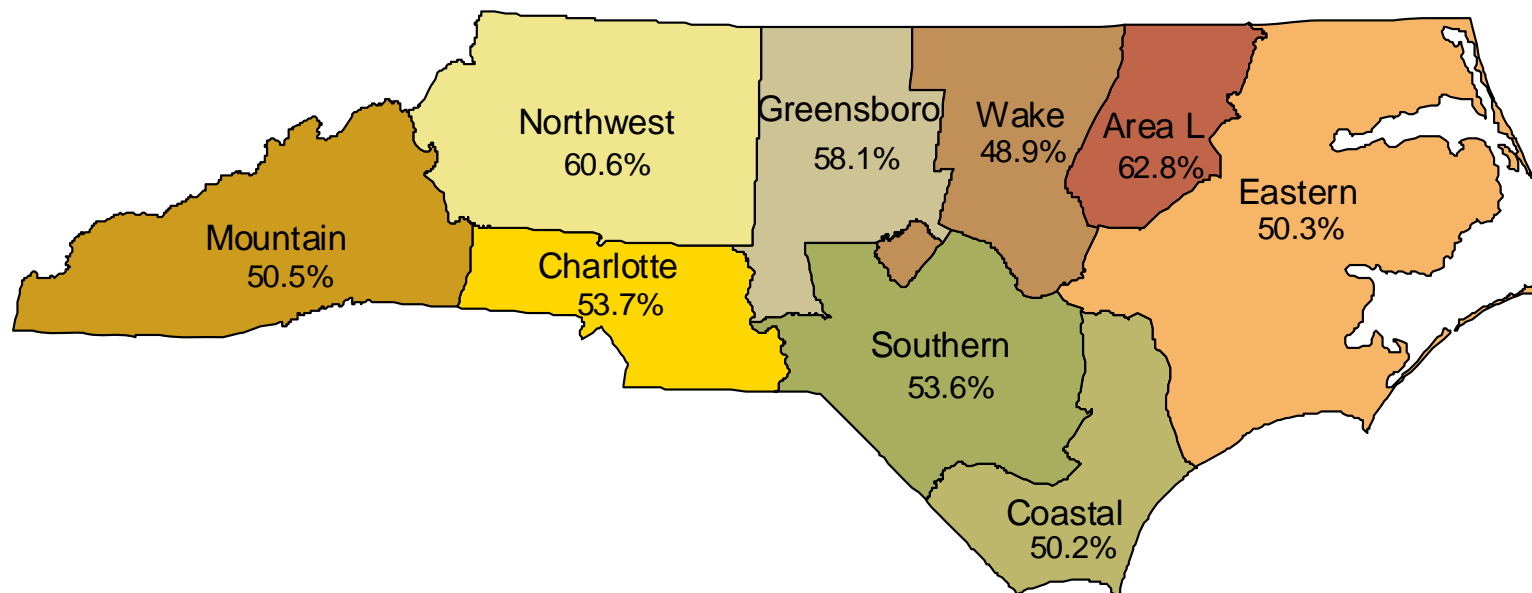


**E. Medicare Beneficiaries with Medicare Prescription Drug Benefits, by AHEC Region (2006)**

<b>AHEC</b>	<b>Stand- Alone PDP</b>	<b>MA-PD</b>	<b>Dual Eligibles*</b>	<b>Total Enrolled in Medicare Prescription Drug Plans</b>	<b>% of Medicare- eligibles enrolled in Medicare Part D</b>
Greensboro	40,468	28,327	23,607	92,402	58.1%
Northwest	67,534	41,331	37,298	146,163	60.6%
Charlotte	63,603	11,580	31,127	106,310	53.7%
Eastern	43,983	2,163	31,152	77,298	50.3%
Southern	34,181	3,133	27,805	65,119	53.6%
Coastal	22,605	2,363	13,161	38,129	50.2%
Mountain	45,768	7,549	23,276	76,593	50.5%
Area L	18,328	1,790	14,953	35,071	62.8%
Wake	40,294	11,328	27,662	79,284	48.9%
<b>Total</b>	<b>376,764</b>	<b>109,564</b>	<b>230,041</b>	<b>716,369</b>	<b>54.3%</b>

\* Dual Eligibles were automatically enrolled into a PDP and are counted as “dual eligibles” above. However, beneficiaries that were previously enrolled in a Medicare Advantage plan were automatically enrolled into a MA-PD and are counted in the MA-PD column above.

F. Map: Percentage of Medicare Beneficiaries with Medicare Prescription Drug Benefits, by AHEC Region (2006)



### G. Enrollment in North Carolina PDPs by Plan Sponsor, 2006

Plan Sponsor	PDP	Enrollment
United HealthCare Insurance Company	AARP MedicareRx Plan	116,654
Humana Inc.	Humana PDP Standard	63,316
Member Health/Community Care Rx	CCRX BASIC	47,041
Blue Cross Blue Shield of North Carolina	Medicare Prescription Drug Plan - Plus	43,854
Humana Inc.	Humana PDP Enhanced	42,384
WellCare	WellCare Signature	29,538
CIGNA HealthCare	Plan 00308	27,049
PacifiCare Life and Health Insurance Company	PacifiCare Saver Plan	25,227
YOURx PLAN	Medco Prescription Savings Plan	22,573
Prescription Pathway	Pennsylvania Life Standard Defined	20,575
Unicare	Medicare RX Rewards	19,309
SilverScript	SilverScript	19,271
RxAmerica	RxAmerica Standard - Open Formulary	17,808
Humana Inc.	Humana PDP Complete	16,511
Coventry AdvantraRx	AdvantraRx Premier	15,599
United HealthCare Insurance Company	United Medicare Rx - B	14,105
RxAmerica	RxAmerica \$2.00 Generic Co-pay	9,598
United American Insurance Company	UA Medicare Part D Prescription Drug Cov	7,019
Coventry AdvantraRx	AdvantraRx Premier Plus	5,536
Member Health/Community Care Rx	CCRX GOLD	5,043
Community Care Rx	CCRX CHOICE	4,400
Coventry AdvantraRx	AdvantraRx Value	3,127
CIGNA HealthCare	Plan 00508	2,233
Aetna Life Insurance Company	Aetna Medicare Prescription Premier Plan	2,068
PacifiCare Life and Health Insurance Company	PacifiCare Comprehensive Plan	1,544
Other		8,021

## H. Number of Drugs Covered on Formularies of North Carolina PDPs

Plan Sponsor	PDP Name	Number of Drugs on Formulary
RxAmerica	RxAmerica \$2.00 Generic Co-pay	3,107
RxAmerica	RxAmerica Standard - Open Formulary	3,107
Blue Cross Blue Shield of North Carolina	Medicare Prescription Drug Plan - Plus	2,887
Humana Inc.	Humana PDP Standard	2,785
Humana Inc.	Humana PDP Complete	2,785
Humana Inc.	Humana PDP Enhanced	2,785
Aetna Life Insurance Company	Aetna Medicare Prescription Premier Plan	2,344
Unicare	Medicare RX Rewards Premier	2,218
CIGNA HealthCare	Plan 00508	2,091
CIGNA HealthCare	Plan 00608	2,091
CIGNA HealthCare	Plan 00308	2,091
Blue Cross Blue Shield of North Carolina	Medicare Prescription Drug Plan - Standard	2,071
United HealthCare Insurance Company	United Medicare Rx - B	1,900
United HealthCare Insurance Company	AARP MedicareRx Plan	1,900
Coventry AdvantraRx	AdvantraRx Premier Plus	1,715
Coventry AdvantraRx	AdvantraRx Premier	1,715
United American Insurance Company	UA Medicare Part D Prescription Drug Cov	1,617
YOURx PLAN	Medco Prescription Savings Plan	1,605
Member Health/Community Care Rx	CCRX BASIC	1,426
Member Health/Community Care Rx	CCRX CHOICE	1,426
Member Health/Community Care Rx	CCRX GOLD	1,426
Prescription Pathway	Pennsylvania Life Act. Equ. Standard	1,376
Prescription Pathway	Pennsylvania Life Enhanced #1	1,376
Prescription Pathway	Pennsylvania Life Standard Defined	1,376
Aetna Life Insurance Company	Aetna Medicare Prescription Basic Plan	1,278
Aetna Life Insurance Company	Aetna Medicare Prescription Standard Plan	1,278
SilverScript	SilverScript Plus	1,244
Unicare	Medicare RX Rewards Plus	1,239
Unicare	Medicare RX Rewards	1,239
Sterling Prescription Drug Plan	Sterling Prescription Drug Plan	1,207
Coventry AdvantraRx	AdvantraRx Value	1,159
SilverScript	SilverScript	1,141
PacifiCare Life and Health Insurance Company	PacifiCare Saver Plan	955
PacifiCare Life and Health Insurance Company	PacifiCare Select Plan	955
PacifiCare Life and Health Insurance Company	PacifiCare Comprehensive Plan	955
WellCare	WellCare Complete	879
WellCare	WellCare Premier	879
WellCare	WellCare Signature	879

### I. Comparison of PDP Premium and Deductible Information (2006-2007), by 2006 PDP Enrollment

Company Name	Plan Name	2006 Enrollment	Premiums		Premium Change (%)	Deductibles	
			2006	2007		2006	2007
UnitedHealthcare	AARP MedicareRx Plan	116,654	\$28.27	\$30.00	6.1%	\$0	\$0
Humana Insurance Company	Humana PDP Standard S5884-066	63,316	\$13.27	\$17.80	34.1%	\$250	\$265
MEMBERHEALTH	Community Care Rx BASIC	47,041	\$32.24	\$33.30	3.3%	\$250	\$265
Blue Cross Blue Shield of North Carolina	BCBSNC Plus Plan	43,854	\$59.60	\$65.00	9.1%	\$0	\$0
Humana Insurance Company	Humana PDP Enhanced S5884-007	42,384	\$18.05	\$26.20	45.2%	\$0	\$0
WellCare	WellCare Signature	29,538	\$24.87	\$27.70	11.4%	\$0	\$0
CIGNA HealthCare	CIGNATURE Rx Value Plan	27,049	\$35.53	\$27.10	-23.7%	\$250	\$265
UnitedHealthcare	UnitedHealth Rx Basic	25,227	\$31.56	\$32.30	2.3%	\$0	\$0
Medco YOURx PLAN	Medco YOURx PLAN	22,573	\$34.32	\$34.30	-0.1%	\$250	\$100
Pennsylvania Life Insurance Company	Prescription Pathway Bronze Plan Reg 8	20,575	\$32.19	\$27.60	-14.3%	\$250	\$265
Unicare	MedicareRx Rewards Value	19,309	\$31.30	\$33.10	5.8%	\$250	\$265
SilverScript	SilverScript	19,271	\$30.90	\$29.90	-3.2%	\$250	\$265
RxAmerica	Advantage Freedom Plan by RxAmerica	17,808	\$34.95	\$33.50	-4.1%	\$250	\$265
Humana Insurance Company	Humana PDP Complete S5884-036	16,511	\$65.03	\$85.90	32.1%	\$0	\$0
Coventry AdvantraRx	AdvantraRx Premier	15,599	\$33.95	\$37.80	11.3%	\$0	\$0
UnitedHealthcare	UnitedHealth Rx Extended	14,105	\$31.53	\$44.70	41.8%	\$0	\$0
RxAmerica	Advantage Star Plan by RxAmerica	9,598	\$32.27	\$28.60	-11.4%	\$250	\$265
United American Insurance Company	UA Medicare Part D Prescription Drug Coverage	7,019	\$38.59	\$41.80	8.3%	\$0	\$0
Coventry AdvantraRx	AdvantraRx Premier Plus	5,536	\$46.62	\$51.00	9.4%	\$0	\$0
MEMBERHEALTH	Community Care Rx CHOICE	4,400	\$40.34	\$41.90	3.9%	\$250	\$0
Coventry AdvantraRx	AdvantraRx Value	3,127	\$23.23	\$26.50	14.1%	\$0	\$0
CIGNA HealthCare	CIGNATURE Rx Plus Plan	2,233	\$40.65	\$36.00	-11.4%	\$0	\$0
Aetna Medicare	Aetna Medicare Rx Premier	2,068	\$64.48	\$73.20	13.5%	\$0	\$0
UnitedHealthcare	AARP MedicareRx Plan - Enhanced	1,544	\$52.68	\$49.10	-6.8%	\$0	\$0
Pennsylvania Life Insurance Company	Prescription Pathway Gold Plan Reg 8	1,234	\$52.54	\$25.30	-51.8%	\$0	\$0

Company Name	Plan Name	2006 Enrollment	Premiums		Premium Change (%)	Deductibles	
			2006	2007		2006	2007
WellCare	WellCare Complete	1,208	\$45.22	\$47.90	5.9%	\$0	\$0
CIGNA HealthCare	CIGNATURE Rx Complete Plan	1,064	\$48.69	\$47.40	-2.6%	\$0	\$0
Blue Cross Blue Shield of North Carolina	BCBSNC Standard Plan	881	\$52.03	\$49.00	-5.8%	\$250	\$265
Unicare	MedicareRx Rewards Plus	879	\$38.73	\$36.10	-6.8%	\$0	\$0
UnitedHealthcare	AARP MedicareRx Plan - Saver	758	\$47.10	\$24.70	-47.6%	\$0	\$265
Aetna Medicare	Aetna Medicare Rx Essentials	529	\$37.24	\$30.20	-18.9%	\$250	\$210
Aetna Medicare	Aetna Medicare Rx Plus	454	\$48.45	\$43.00	-11.2%	\$0	\$0
Unicare	MedicareRx Rewards Premier	402	\$51.67	\$51.00	-1.3%	\$0	\$0
SilverScript	SilverScript Plus	168	\$59.71	\$40.60	-32.0%	\$100	\$0
Sterling Prescription Drug Plan	Sterling Rx	17	\$60.04	\$33.60	-44.0%	\$100	\$100
<b>Average Premiums for 2006 and 2007 and % Change (Weighted by 2006 Enrollment)</b>			<b>\$18,587,084</b>	<b>\$20,034,164</b>	<b>7.8%</b>		

**J. Estimated Number of Unenrolled Individuals That May Be Eligible for the Low-Income Subsidy in North Carolina, by County (As of June 29, 2006)**

<b>County</b>	<b>Estimate of Remaining LIS</b>
Alamance	1,678
Alexander	521
Alleghany	185
Anson	423
Ashe	394
Avery	199
Beaufort	750
Bertie	386
Bladen	526
Brunswick	1,272
Buncombe	2,916
Burke	1,314
Cabarrus	1,626
Caldwell	1,241
Camden	107
Carteret	629
Caswell	350
Catawba	1,918
Chatham	711
Cherokee	541
Chowan	201
Clay	196
Cleveland	1,394
Columbus	940
Craven	778
Cumberland	1,052
Currituck	197
Dare	274
Davidson	1,963
Davie	434
Duplin	624
Durham	2,082
Edgecombe	719
Forsyth	2,855
Franklin	544
Gaston	2,574
Gates	168
Graham	153
Granville	590
Greene	214
Guilford	3,741
Halifax	798
Harnett	1,034

<b>County</b>	<b>Estimate of Remaining LIS</b>
Haywood	823
Henderson	1,326
Hertford	315
Hoke	323
Hyde	65
Iredell	1,897
Jackson	428
Johnston	1,589
Jones	58
Lee	595
Lenoir	774
Lincoln	855
McDowell	663
Macon	600
Madison	378
Martin	350
Mecklenburg	5,463
Mitchell	273
Montgomery	288
Moore	998
Nash	1,118
New Hanover	1,693
Northampton	327
Onslow	594
Orange	782
Pamlico	145
Pasquotank	324
Pender	624
Perquimans	169
Person	544
Pitt	1,495
Polk	299
Randolph	1,747
Richmond	851
Robeson	1,454
Rockingham	1,263
Rowan	1,730
Rutherford	969
Sampson	789
Scotland	625
Stanly	835
Stokes	513
Surry	981

<b>County</b>	<b>Estimate of Remaining LIS</b>
Swain	332
Transylvania	418
Tyrrell	52
Union	1,673
Vance	618
Wake	4,158
Warren	281
Washington	201
Watauga	447
Wayne	1,079
Wilkes	1,148
Wilson	1,310
Yadkin	463
Yancey	362
<b>Total</b>	<b>91,688</b>