

Vermont Medicaid File



Howard Dean, M.D.  
Governor

State of Vermont  
Office of the Governor, 109 State Street  
Montpelier, Vermont 05609  
Phone (802) 828-3333  
Fax (802) 828-5859

John -  
This is  
huge for  
Dean.  
Lube

**To:** Luke Albee **From:** Peter J. Van Vranken

**Fax:** (202) 224-3479 **Pages:** 7 (including cover sheet)

**Phone:** **Date:** 09/29/00

**Re:** Vermont's request for an amendment to **CC:**  
it's 1115 demonstration waiver.

**Comments:**

Luke,

Attached is a short summary of Vermont's request to amend our 1115 demonstration waiver.

In the simplest of terms, we are requesting all seniors (Medicare recipients) be allowed to access the same rebates provided by pharmaceutical manufactures which are available to Medicaid recipients. There is no additional cost to the Federal Government. It would expand the number of people who are eligible for the Medicaid pricing structure. On June 15, PhRMA registered with HCFA their opposition to this request. CRS as well as outside legal council for Vt. has read PhRMA's complaints and disagree with this assertions.

I have also included the letter of support for this request signed by your boss. As well, as a copy of the actual amendment request sent to Tim Westmoreland of HCFA. Give me a ring if you have any questions.

Thanks,

-Peter (802) 828-3333



Vermont is requesting an amendment to our 1115 federal VHAP waiver that will expand the number of Vermonters that can access the 18% subsidy currently available through Medicaid.

Those receiving this benefit include:

- All Vermonters over the age of 65 (Medicare recipients) whom do not currently have a prescription drug coverage.
- Other Vermonters with incomes up to 300% Federal Poverty Level who do not have an insurance program that includes a drug benefit.

This proposal would work as follows:

- 1.) Eligible Vermonters enroll in the program and receive a card.
- 2.) The individual pays the cost of drug at Medicaid's reimbursement rates. (about 18% discount)
- 3.) The pharmacy bills EDS and is paid at the full Medicaid rate. This assures the pharmacy of receiving prompt full reimbursement.
- 4.) Vermont Department of Social Welfare on a quarterly basis bills the drug manufacturer for the rebate due.

# United States Senate

WASHINGTON, DC 20510-4602

July 27, 2000

The Honorable Donna E. Shalala  
Secretary of Health and Human Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Secretary Shalala:

The high cost of prescription drugs and the lack of access to affordable medications are a concern for many Vermonters, especially those who are just trying to make ends meet. In an effort to address this problem, the State of Vermont requested an amendment to its Section 1115 demonstration waiver on March 17 in order to expand the Pharmacy Program of the Vermont Health Access Plan (VHAP). Through this proposed request, thousands of Vermonters would have access to discounts on pharmaceuticals that are similar to those offered by most large purchasers, such as HMOs and large employers. I strongly support Vermont's effort to expand this program for the benefit of its citizens and I urge your prompt consideration and approval of this request.

If approved, Vermont's amended waiver would expand prescription drug coverage to individuals who are covered by the Medicare program with an income above 150 percent of the Federal Poverty Level (FPL) who do not currently have drug coverage. The expanded waiver would also cover all individuals with incomes up to 300 percent of the FPL who do not have a benefit drug program. The State of Vermont created the VHAP program with the goal of improving the overall health of lower income Vermonters by providing access to needed health care. This important program has helped to address the rising costs of prescription drugs -- costs that are becoming prohibitive for many Americans, especially our most vulnerable -- the elderly and the chronically ill.

I recently learned that the Pharmaceutical Research and Manufacturers of America (PhRMA) wrote to Tim Westmoreland, Director of the Center for Medicaid and State Operations for the Health Care Financing Administration, detailing PhRMA's objection to Vermont's waiver request. While I am not surprised by this group's opposition to making prescription drugs more affordable for seniors, I am certainly disappointed. My colleague Senator Jeffords has requested a full legal analysis of Vermont's waiver request. I am hopeful this analysis will provide a concrete foundation upon which Vermont's request will be evaluated and approved.

VERMONT OFFICE: COURT HOUSE PLAZA, 100 MAIN STREET, BURLINGTON 05402-1288  
FEDERAL BUILDING, ROOM 212, MONTPELIER 05602-1000  
OR DIAL TOLL FREE 1-800-468-5128  
SENATOR\_LEAHY@LEAHY.SENATE.GOV  
PRINTED ON RECYCLED PAPER

Letter to Secretary Shalala  
July 27, 2000  
Page 2

The state's request to amend its waiver is potentially a groundbreaking step toward providing Vermonters with the access to health care they deserve, including affordable prescription drugs. The innovative ideas laid out in Vermont's plan may help to set an example and provide guidance as leaders throughout the nation work to make needed prescription drugs more affordable and accessible for all Americans.

Thank you for your prompt consideration of Vermont's request and please keep me informed of its status.

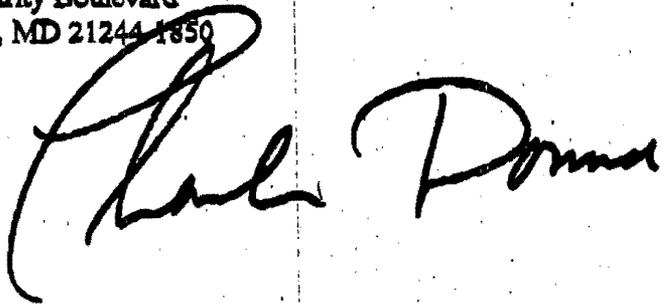
Sincerely,



**PATRICK LEAHY**  
United States Senator

cc: Nancy-Ann Min DaParle, Administrator  
Health Care Financing Administration  
200 Independence Avenue, SW  
Washington, DC 20201

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





# State of Vermont

## AGENCY OF HUMAN SERVICES

DEPARTMENT OF SOCIAL WELFARE  
COMMISSIONER'S OFFICE  
103 South Main Street  
Waterbury, Vermont 05671-1201

Telephone: (802) 241-2852  
Fax: (802) 241-2830

March 17, 2000

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

RE: 11-W-00051/1

Dear Mr. Westmoreland:

Vermont requests an amendment to its 1115 demonstration waiver to include in an expansion of the Pharmacy Program of the Vermont Health Access Plan (VHAP), the following:

- Any Medicare-covered individual with income above 150% of the Federal Poverty Level (FPL) without drug coverage. This would include drugs for acute conditions for those beneficiaries currently eligible for the pharmacy component of our demonstration waiver between 150% and 175% of the FPL who currently receive a benefit only for maintenance drugs.
- All individuals with incomes up to 300% of the FPL who do not have a benefit program that includes drug coverage.

For this purpose, drug coverage is any such coverage other than VHAP Pharmacy regardless of beneficiary cost-sharing for premiums, deductibles, coinsurance, or co-payments.

VHAP was created with the goal of improving the health status and access to needed health care for lower income Vermonters. Since the onset of the demonstration, one of the major areas of concern for all health consumers, in Vermont and nationally, has been the ever rising cost of essential pharmaceuticals.

Vermont proposes to extend the Medicaid payment and rebate structure to the above two groups of people who have not otherwise been eligible for full pharmaceutical coverage under VHAP programs. Beneficiaries would have the ability to purchase drugs at a price that is equivalent to the price that Medicaid pays net of the manufacturers' rebate available to the Medicaid program.

Timothy Westmoreland  
RE: 11-W-00051/1  
March 16, 2000  
Page 2 of 3

We believe that the waiver requiring amendment would be regarding amount, duration, and scope of services. Beneficiaries of this proposal would only receive a pharmacy benefit and then only upon payment of their share of the prescription or refill.

The 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. To illustrate, the current rebate is estimated to be 18% of gross pharmacy expenditures. Thus, 18% will be the subsidy amount.
2. An annual enrollment fee will be set to cover the administrative costs of the program. This will be collected at enrollment and annually thereafter as a condition of ongoing coverage.
3. An individual found eligible for the program will be enrolled and issued an identification card. Individuals eligible for VHAP Pharmacy over 150% of the FPL for maintenance drugs will use their existing cards to access coverage for their non-maintenance drugs.
4. The provider will swipe the card using the Point of Sale (POS) swipe boxes that are provided by Medicaid
5. The provider will identify the script by NDC and indicate units.
6. The Medicaid Management Information System (MMIS) will verify eligibility, price the script at the Medicaid rate on file, and notify the provider of the results.
7. The provider will charge an eligible beneficiary the Medicaid rate less the established program subsidy; for example, with the subsidy set at 18% the beneficiary will be charged 82% 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 manufacturers 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, which have been included in the House Appropriations bill, will be provided to meet the cash flow needs of the program.

Vermont anticipates that 37,550 Medicare covered beneficiaries and an additional 31,350 individuals under 300% of the FPL will be eligible for this expansion. The Department believes that this

Timothy Westmoreland  
RE: 11-W-00051/1  
March 16, 2000  
Page 3 of 3

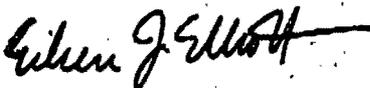
expansion will not impact on the budget neutrality of the demonstration since there will be no benefit cost to the program. As noted above, the Department plans to collect an enrollment fee to offset the cost of administering this program, particularly the additional claims processing costs and staff to process beneficiary enrollment and fee collection. Given the nature of this waiver amendment, 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. Attached is an analysis of our anticipated enrollment.

We 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. The information available through Vermont's MMIS will be invaluable in evaluating options for making medicines accessible to many Americans in need.

Vermont has been working closely with other states, particularly New Hampshire and Maine, on pharmacy cost containment and coverage expansion strategies. It is possible that under our demonstration, these two states might be willing to pilot options that parallel our proposal or join with Vermont as part of this proposal if that were feasible from HCFA's perspective. In that way a greater pool of eligibles would present a greater volume of drug utilization information for HCFA program purposes.

If you or your colleagues have any questions, please contact Ann Rugg, Managed Care Senior Administrator, at 802-241-2766. As always, we appreciate your continued assistance in support of our efforts to improve access, service coordination and quality care to our beneficiaries.

Sincerely,



Eileen I. Elliott  
Commissioner

cc: Howard Dean, M.D., Governor  
M. Jane Kitchel, Secretary, AHS  
Ronald Preston, Ph.D., Associate Regional Administrator, HHS Region I  
Paul Wallace-Brodeur, Director, OVHA

PAUSER\PAUL\WVHAP Waiver amend Rx.doc



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OPTIONAL FORM 88 (7-90)

**FAX TRANSMITTAL**

# of pages ▶ /

To	Bevorah	From	
Dept./Agency		Phone #	
Fax #	202/456-5557	Fax #	
NSN 7540-01-317-7388		5099-101	GENERAL SERVICES ADMINISTRATION

# MEDICAID NEWS

FOR IMMEDIATE RELEASE  
November 3, 2000

Contact: HCFA Press Office  
(202) 690-6145

## HCFA APPROVES VERMONT PLAN TO PROVIDE ACCESS TO PRESCRIPTION DRUG DISCOUNTS

The Health Care Financing Administration today announced an expanded Medicaid demonstration in Vermont that builds on an existing program to provide discounts on prescription drugs for thousands of Medicare beneficiaries and others in that state who lack drug coverage.

The new initiative, known as the Pharmacy Discount Program, will offer Vermont Medicare beneficiaries who lack prescription drug coverage the opportunity to obtain access to discounted prices achieved through the current Medicaid program.

Vermont already has a program for Medicare beneficiaries with incomes below 150 percent of the federal poverty level (FPL). The Pharmacy Discount Program will also expand access to prescription drug discounts to non-elderly adults with incomes at or below 300 percent of FPL who currently lack drug coverage.

Although this new initiative does not provide long-overdue insurance coverage for prescription drugs within Medicare, it does make it possible for participants to benefit from discounts that average 17.5 percent in the demonstration's first year. The state will begin the expansion on Jan. 1, 2001 and estimates that nearly 70,000 state residents who do not have drug coverage would be eligible, including almost 38,000 Medicare beneficiaries. Participants will pay an enrollment fee of up to \$24 per year.

"We applaud the state for its innovative approach to providing seniors and others with access to discounted drug prices enjoyed by Medicaid and other large purchasers of pharmaceuticals," said HCFA Acting Administrator Mike Hash, "particularly since the costs of many drugs can be prohibitive for individuals and their families who lack insurance coverage.

"However, this demonstration is only an interim solution to the real problem: the lack of coverage for prescription drugs for millions of Medicare beneficiaries," Hash said. "We believe it is essential to enact a voluntary, affordable prescription drug benefit for all Medicare beneficiaries in all 50 states."

# # #

**Vermont Pharmacy Rebate Amendment**  
**Draft Q's and A's**  
**Draft 10/31**

**Q: So if states can do this, why do we need a prescription drug program that's run by the federal government?**

A. While we applaud Vermont for its innovative approach to access to current Medicaid prescription drug prices, it remains critical to provide a Medicare drug benefit available to all seniors and disabled Americans. As Governor Dean acknowledges, Medicare beneficiaries should not have to rely on a patchwork system at the state level, with varying eligibility requirements and benefits, that continues to leave many seniors without reliable coverage. All beneficiaries in all states should have access to a voluntary, affordable prescription drug benefit through Medicare. That requires modernizing Medicare to include a prescription drug benefit that is available to all beneficiaries regardless of income.

Vermont's plan creates a unique approach to use its Medicaid purchasing power to help certain seniors obtain drugs at a discount, but it does not represent a long-term solution to provide insurance to all Medicare beneficiaries for a prescription drug benefit. We believe that is best done in the context of updating the Medicare benefit package for all beneficiaries.

**Q: Why are we approving the Vermont request, since the Department has opposed State-based pharmacy programs on the Medicare side?**

A: The Vermont program differs significantly from the state low-income drug assistance programs in several important respects. First, under the PDP the state Medicaid program does not provide insurance for prescription drugs. Instead it allows enrollees to pay the discounted Medicaid price for their prescriptions. Second, the program is not income-limited; all seniors, regardless of income, have access to these price discounts if they lack prescription drug insurance. This recognizes the fact that the lack of prescription drug insurance is not just a low-income problem. Finally, the program does not create a new program; instead, it allows all seniors to benefit from the discounts that Medicaid is provided.

We approved the Vermont request because it is consistent with both our Medicaid waiver policy, which encourages state innovation, and our overall goal of reducing drug prices for seniors and people with disabilities. However, we believe that access to discounted drug prices is only an interim solution, and that we should not rely on these state based approaches with their differing eligibility requirements and drug coverage levels as the basis for a national policy to deliver Medicare drug benefits to all beneficiaries. We believe that it is critical to have a Medicare drug benefit that is available to all Medicare beneficiaries regardless of income.

We oppose state-based insurance approaches for prescription drugs because they would take years to implement, would leave the majority of eligible populations uncovered, and would not ensure a meaningful benefit in all states.

**Q: Could we be providing access to discounts to people with relatively high incomes?**

**A:** The Governor of Vermont, recognizing that exorbitant drug prices do not just strike the low-income, did not restrict access to Medicaid price discounts based on income. An equal proportion of high-income seniors have high drug costs as low-income seniors. Those seniors with very high incomes who already have insurance would be ineligible to participate in this program and, because this is not an insurance benefit, would have no incentive to drop their current coverage in order to access the Medicaid discount.

**Q: Why is the Vermont request being approved when Maine's was not?**

**A:** We are continuing to review Maine's request, which seeks approval to provide a comprehensive prescription drug benefit to disabled adults and elderly with incomes less than 185 percent FPL. Unlike the Vermont proposal, Maine's is a stand-alone request that is not part of an existing demonstration. The main outstanding issue is budget neutrality, which the State has not been able to demonstrate so far. The Vermont proposal, on the other hand, is an amendment to a long-standing section 1115 demonstration (VHAP). Budget neutrality is not an issue, since there is no net Federal benefit cost associated with PDP. Finally, although this is a single benefit program for the PDP population, it is part of a larger demonstration that provides the full range of Medicaid benefits.

**Q: How will the PDP benefit be accessed?**

**A:** The PDP enrollees will take their program ID with the prescription or refill to the Medicaid participating pharmacy. The pharmacist will use the online adjudication process to determine how much to collect from the enrollee and to submit a claim to the State Medicaid agency for the difference between what the enrollee paid and the fee on file. The State will pay the pharmacist, then submit a claim to the manufacturers in order to collect the rebate available under the Medicaid program. The enrollee will not receive a rebate per se. Rather, the amount they pay at the pharmacy is already reduced by the amount that the State estimates it will collect from the manufacturers.

**Q: Will you approve this type of waiver in other / all states?**

**A:** Waivers are by definition experiments to answer questions that can only be determined over time. As a consequence, we would not anticipate that all states

would use this approach to provide discounts for prescription drugs. Moreover, we fully hope that Congress will move early next year to develop a much more efficient and reliable prescription drug benefit through Medicare for all beneficiaries.

**Q: Isn't this proposal "price controls" and the Administration's back-door way to punish the drug industry?**

**A:** No. Because Medicaid is a voluntary program, pharmaceutical companies do not have to provide prescription drugs at the Medicaid prices.