



**GAO**  
Accountability Integrity Reliability

# Highlights

Highlights of [GAO-07-272](#), a report to congressional requesters

## Why GAO Did This Study

Since January 1, 2006, all dual-eligible beneficiaries—individuals with both Medicare and Medicaid coverage—must receive their drug benefit through Medicare’s new Part D prescription drug plans (PDP) rather than from state Medicaid programs. GAO analyzed (1) current challenges in identifying and enrolling new dual-eligible beneficiaries in PDPs, (2) the Centers for Medicare & Medicaid Services’ (CMS) efforts to address challenges, and (3) federal and state approaches to assigning dual-eligible beneficiaries to PDPs. GAO reviewed federal law, CMS regulations and guidance and interviewed CMS and PDP officials, among others. GAO also made site visits to six states to learn about the enrollment of dual-eligible beneficiaries from the state perspective.

## What GAO Recommends

GAO made six recommendations to CMS. CMS has taken steps to implement some of them, including notifying beneficiaries of their right to reimbursement and monitoring the number of individuals provided retroactive coverage. However, CMS disagreed with GAO’s other recommendations, including monitoring PDP reimbursements to beneficiaries, mitigating the risks of information system changes, and facilitating states’ access to certain drug-related information. GAO maintains its support for these recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-272](http://www.gao.gov/cgi-bin/getrpt?GAO-07-272).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathleen King at (202) 512-7119 or [kingk@gao.gov](mailto:kingk@gao.gov) or David Powner at (202) 512-9286 or [pownerd@gao.gov](mailto:pownerd@gao.gov).

## MEDICARE PART D

### Challenges in Enrolling New Dual-Eligible Beneficiaries

#### What GAO Found

CMS’s enrollment procedures and implementation of its Part D coverage policy generate challenges for some dual-eligible beneficiaries, pharmacies, and the Medicare program. A majority of new dual-eligible beneficiaries—generally those on Medicare who have not yet signed up for a PDP and who become eligible for Medicaid—may be unable to smoothly access their drug benefit for at least 5 weeks given the time it takes to enroll them in PDPs and communicate information to beneficiaries and pharmacies. Pharmacies also may be affected adversely when key information about a beneficiary’s dual eligibility is not yet processed and available. When dispensing drugs during this interval, pharmacies may have difficulty submitting claims to PDPs and accurately charging copayments. In addition, Medicare pays PDPs to provide these beneficiaries with several months of retroactive coverage but, until March 2007, CMS did not inform beneficiaries of their right to be reimbursed for drug costs incurred during these periods. CMS does not monitor its payments to PDPs for retroactive coverage or the amounts PDPs have reimbursed dual-eligible beneficiaries. Medicare paid PDPs millions of dollars in 2006 for coverage during periods for which dual-eligible beneficiaries may not have sought reimbursement for their drug costs.

CMS has taken steps to address challenges associated with enrolling dual-eligible beneficiaries in PDPs. CMS has implemented a policy to prevent a gap in prescription drug coverage for those new dual-eligible beneficiaries whose Part D eligibility is predictable—Medicaid beneficiaries who subsequently qualify for Medicare. We estimate this group represents about one-third of new dual-eligible beneficiaries. In August 2006, CMS began operating a prospective enrollment process that should allow the agency and its Part D partners time to complete the enrollment processes and notify these beneficiaries before their effective enrollment date. Also, CMS is making changes to improve the efficiency of key information systems involved in the enrollment process. While the agency is performing some information systems testing, it is not planning to perform testing of the interactions of key information systems collectively, which is crucial to mitigating the inherent risks of system changes.

Under federal law, CMS is required to assign dual-eligible beneficiaries to PDPs based on PDP premiums and geographic area. State Medicaid agency officials and others assert that this assignment method often places dual-eligible beneficiaries in PDPs that do not meet their drug needs. With CMS approval, Maine officials considered beneficiary-specific data to reassign nearly half of their dual-eligible beneficiaries to PDPs that better met their drug needs in late 2005. After the reassignment, the number of these dual-eligible beneficiaries whose PDP covered nearly all of their prescription drugs increased significantly. States choosing to make such reassignments in the future would need ready access to key information from PDPs. CMS contends that reassignments are not needed because beneficiaries may switch to drugs of equivalent therapeutic value or change plans at any time.