The Big three: Understanding Medicare, Medicaid, and Marketplace Coverage

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Objectives

1. Differentiate the structure, eligibility requirements, and funding mechanisms of Medicare, Medicaid, and Marketplace coverage
2. Explain how federal and state oversight impacts coverage, formularies, and reimbursement models
3. Identify key enrollment periods and patient eligibility pathways

Background

Why this matters for pharmacist?

- Over **160 million Americans** are enrolled in Medicare, Medicaid, or Marketplace plans
- Pharmacists are often the **first point of contact** for coverage and benefits questions
- Insurance type directly impacts:
    - Formulary access
    - Patient cost-sharing and copays
    - Prior authorization and step therapy requirements
    - Reimbursement rates for the pharmacy
- Misunderstanding coverage = **medication non-adherence and care gaps**

Coverage overview

The big three: at a glance

Coverage overview

Feature	Medicare	Medicaid	Marketplace
Established	1965	1965	2010 (ACA)
Primary Population	65+, disabled	Low-income	Uninsured/self-employed
Administered By	Federal (CMS)	State + Federal	Federal/State Exchange
Funded By	Federal taxes	Federal + State	Premiums + subsidies
Pharmacy Benefit	Part D	Varies by state	Varies by plan

Part 1

Medicare Overview

Overview

- Established in **1965** under the Social Security Act
- Administered by the **Centers for Medicare & Medicaid Services (CMS)**
- Serves approximately **65 million Americans**
- Primarily funded through:
  - **Payroll taxes** (Medicare tax: 1.45% employee + 1.45% employer)
  - **Premiums** paid by beneficiaries
  - **General federal revenue**

Medicare: the 4 parts

Part a	Part b	Part c	Part d
Hospital Insurance • Covers- inpatient, SNF, hospice, home health	**Medical Insurance** • Covers-outpatient, physician visits, DME, some drugs	**Medicare Advantage** • Covers- private plans covering A+B (often includes D)	**Prescription drug coverage** • Covers- outpatient prescription drugs

Part D: Deep Dive

- Enacted by the **Medicare Modernization Act (MMA) of 2003**
- Administered through **private Prescription Drug Plans (PDPs)** or **Medicare Advantage Prescription Drug Plans (MA-PDPs)**
- Key features:
  - Each plan has its own **formulary** (list of covered drugs)
  - Plans organized into **tiers** (Tier 1 = preferred generic → Tier 5 = specialty)
  - **Cost-sharing** varies by tier and plan
  - **Coverage gap ("donut hole")** — now closed due to the Inflation Reduction Act (IRA) of 2022
  - **Catastrophic coverage** kicks in after out-of-pocket threshold is me

Eligibility

Automatic Eligibility:

- Age **65 or older** and a U.S. citizen or permanent legal resident (5+ years)
- Receiving **Social Security or Railroad Retirement Board benefits**

Under 65 — Eligible if:

- Received **Social Security Disability Insurance (SSDI)** for 24 months
- Diagnosed with **End-Stage Renal Disease (ESRD)**
- Diagnosed with **Amyotrophic Lateral Sclerosis (ALS)** — eligible immediately upon SSDI

Part A Premium-Free if:

- Worked at least **40 quarters (10 years)** of Medicare-covered employment

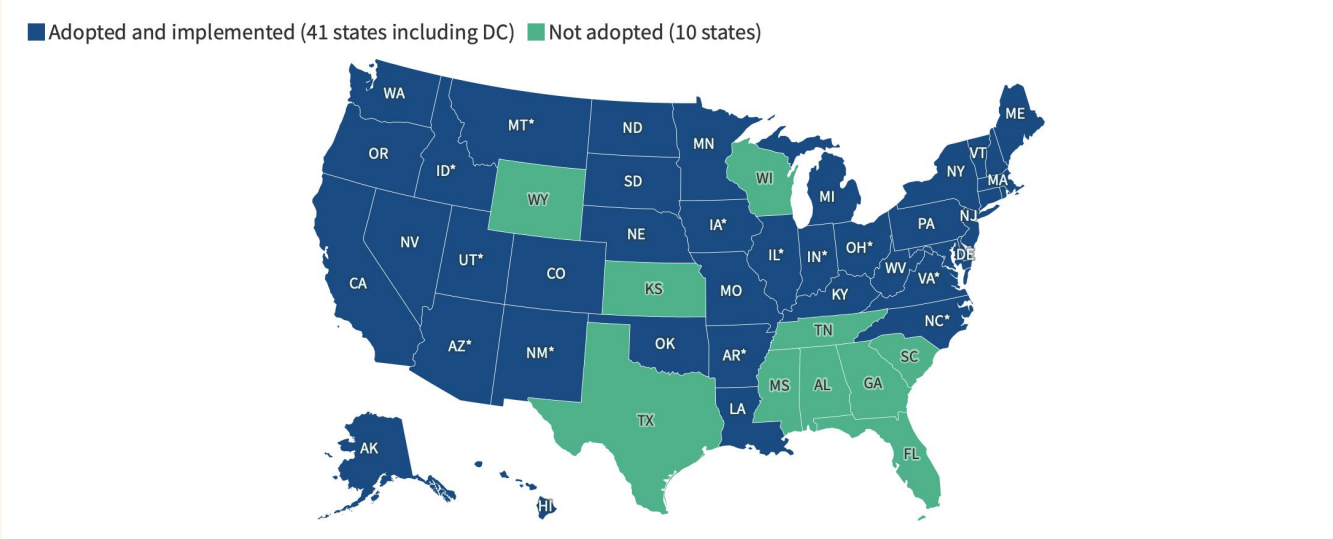
Part 2

Medicaid Overview

- Established in **1965** alongside Medicare
- Joint federal-state program — **states administer**, federal government sets minimum standards
- Serves over **90 million Americans** (largest health insurance program by enrollment)
- Covers:
    - Low-income adults and children
    - Pregnant women
    - Elderly and individuals with disabilities
    - (In expansion states) Adults up to **138% of the Federal Poverty Level (FPL)**

Funding

- **Federal Medical Assistance Percentage (FMAP):** Federal share ranges from **50% to 83%** depending on state per capita income
- States fund the remaining share



Expansion

- The **Affordable Care Act (ACA) of 2010** expanded Medicaid eligibility to adults up to **138% FPL**
- **NFIB v. Sebelius (2012):** Supreme Court ruled expansion optional for states
- As of 2024:
  - **40 states + DC** have adopted expansion
  - **10 states** have not expanded (primarily in the South)

Impact on Pharmacy:

- Expansion states = more patients with Medicaid coverage at the pharmacy counter
- Non-expansion states = coverage gap — patients too poor for Marketplace subsidies, not qualifying for traditional Medicaid

Pharmacy benefit

- Pharmacy is a **mandatory benefit** in Medicaid for children; **optional but universally offered** for adults
- States must cover drugs from manufacturers who sign a **Medicaid Drug Rebate Agreement**
- **Federal Upper Limit (FUL):** CMS sets maximum reimbursement for multiple-source drugs
- **State Maximum Allowable Cost (SMAC):** States set their own MAC lists for generics

Managed Care vs. Fee-for-Service:

- Most states use **Managed Care Organizations (MCOs)** for Medicaid
- MCOs can have their **own formularies** within state guidelines
- Creates variability in drug coverage even within the same state

Part 3

Marketplace Overview

- Created by the **Affordable Care Act (2010)**
- Launched in **2014**
- Operated through:
  - **HealthCare.gov** (Federal exchange — used by 32 states)
  - **State-Based Exchanges (SBEs)** — 18 states + DC operate their own
- Serves individuals who are:
  - Not covered by employer insurance
  - Not eligible for Medicare or Medicaid
  - Self-employed, part-time workers, early retirees

Metal tier plans

Tier	Actuarial Value	You Pay (avg)	Insurer Pays (avg)
Bronze	60%	40%	60%
Silver	70%	30%	70%
Gold	80%	20%	80%
Platinum	90%	10%	90%
Catastrophic	<60%	High	Low (under 30 or hardship)

Subsidies & eligibility

Who Can Enroll:

- U.S. citizens and lawfully present immigrants
- Not incarcerated
- Not eligible for "affordable" employer coverage, Medicare, or Medicaid

Subsidy Type	Eligibility (FPL)	Benefit
Premium Tax Credit (PTC)	100–400% FPL (now no cap)	Reduces monthly premium
Cost-Sharing Reductions (CSR)	100–250% FPL	Reduces deductible/copay (Silver only)

American Rescue Plan (2021) + Inflation Reduction Act (2022):

- Expanded PTCs — no income cap through 2025
- Benchmark plan premium capped at **8.5% of household income**

Federal vs. state

Area	Federal Role	State Role
Medicare	Full federal control (CMS)	None (limited waiver authority)
Medicaid	Sets minimum standards, FMAP funding	Administers program, sets formulary, MCO contracts
Marketplace	Sets EHB rules, subsidy structure	Can run own exchange (SBE), add benefit mandates

Impact on formularies

Medicare Part D Formularies:

- CMS requires coverage of drugs in **six protected classes** (anticonvulsants, antidepressants, antineoplastics, antipsychotics, antiretrovirals, immunosuppressants)
- Plans must cover **at least 2 drugs per class** in all other categories
- CMS reviews and approves formularies annually

Medicaid Formularies:

- States must cover all drugs from rebate-participating manufacturers (with some exceptions)
- Preferred Drug Lists (PDLs) used to encourage use of lower-cost agents
- **Prior authorization** and **step therapy** allowed

Marketplace Formularies:

- Plans must cover at least **one drug per USP category and class**
- No federal protected class mandate (unlike Medicare)
- Significant variability between plans and states

Impact on reimbursement

Medicare Part D:

- Reimbursement set by **PDP/MA-PDP contracts** with pharmacy networks
- Based on **ingredient cost + dispensing fee - applicable rebates**
- **DIR Fees (Direct and Indirect Remuneration):** Retroactive fees clawed back from pharmacies based on performance metrics
- **2024 Rule Change:** CMS moved DIR fees to the point of sale (effective 2024)

Medicaid:

- **Actual Acquisition Cost (AAC) + professional dispensing fee** model (CMS recommended)
- States may use **SMAC/FUL** for generics
- Managed care Medicaid: MCO contracts with pharmacies directly

Marketplace:

- No federal reimbursement standard
- Plans negotiate rates with pharmacy networks independently
- Rates vary significantly by insurer and plan tier

enrollment

	MEDICARE	MEDICAID	MARKETPLACE
Open Enrollment	AEP: Oct 15 – Dec 7 (Part D/MA changes)	Year-Round (No annual period)	Nov 1 – Jan 15
Special Enrollment	Triggered by life event (loss of coverage, relocation)	Continuous — apply anytime	60-day window after qualifying life event
Coverage Start	Varies by enrollment period	Often immediate (presumptive eligibility available)	Jan 1 (if enrolled by Dec 15)
Key Date to Remember	Oct 15 – Dec 7 (AEP)	Anytime — no deadline	Nov 1 – Jan 15 (OEP)

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Thanks!

Do you have any questions?

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