



June 18, 2010

Dear Sir/Madame:

Within the past week, the Department of Health and Human Services (HHS) has sent the initial set of one-time, tax-free \$250 rebate checks to eligible Medicare beneficiaries who enter the Medicare Part D coverage gap – also referred to as the “donut hole” – in 2010. The Affordable Care Act (ACA) authorizes these rebate checks to be sent to all beneficiaries enrolled in a Part D plan who reach the donut hole, except those who have their prescription drug expenses covered by the low-income subsidy known as Medicare Extra Help and those enrolled in a qualified retiree prescription drug plan. The \$250 rebate is a critical step to offsetting high prescription drug costs for the estimated 4 million beneficiaries nationwide who will hit the donut hole this year. Consistent with the statute, HHS has determined that all eligible beneficiaries should receive a rebate check irrespective of whether they receive supplemental prescription drug coverage from another source.

The Administration applauds your leadership as an State Pharmaceutical Assistance Program (SPAP) Director in ensuring continuation of your state’s program during trying economic times. However, we understand that some states may be considering collection of the \$250 from beneficiaries in response to the one-time Medicare rebate. If your state is considering such steps, I ask you to reconsider.

Seniors who enter the coverage gap typically have chronic medical conditions or serious illnesses, take several medications, and have limited income. They also have extremely high out-of-pocket costs; for example, their total drug costs this year must exceed \$2,830 to qualify for a rebate check. Most beneficiaries receiving SPAP benefits are still responsible for some or all of the Part D premium and some cost sharing for their prescription drugs, including certain drugs that may not be covered under Part D.

There is no doubt that states are facing significant financial pressure this year. However, Congress intended these rebate checks to be the first step toward phasing out the coverage gap. Over the next several years, states can expect to experience increasing fiscal relief as the

Medicare Coverage Gap Discount Program is fully implemented. Beginning in 2011, Medicare beneficiaries will begin receiving 50 percent discounts on covered brand-name drugs in the coverage gap, and will be responsible for only 93 percent of the cost of generic drugs. Additional reductions in cost-sharing for both brand-name and generic drugs in the coverage gap will be phased in between 2012 and 2019. For those SPAP programs that provide donut hole

coverage to Medicare beneficiaries who do not qualify for Medicare Extra Help, these changes will reduce state costs.

Our most vulnerable beneficiaries are facing significant financial pressure. The 2010 rebate checks are intended to provide relief to these seniors. We must all work together to reduce prescription drug costs for those most in need.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan D. Blum', with a long horizontal flourish extending to the right.

Jonathan D. Blum
Deputy Administrator and Director
Center for Medicare