

State Medicaid Coverage of AZT and AIDS-Related Policies

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Abstract: Medicaid programs are paying for 23 per cent of the health care costs of AIDS patients nationally, and approximately 40 per cent of all AIDS patients will become dependent on Medicaid to pay for their health care. The state Medicaid programs were surveyed by mail for this research in mid 1987 to determine if the states covered AZT (Retrovir), if limits apply to this coverage, if the states have or are developing AIDS-related policies, and if hospice care is a benefit. Forty-four states cover AZT (two additional states cover AZT only during inpatient hospital care), with most Medicaid

programs placing some limit on coverage or reimbursement. Most states do not have special Medicaid coverage for AIDS care nor are they developing proposals or policies for this care. However, a number of states are developing or implementing AIDS-related policies through their Medicaid programs. These policies can become models for other Medicaid programs to follow if the incidence of AIDS increases in their states (*Am J Public Health* 1988; 78:432-436.)

Introduction

The AIDS epidemic has been widely recognized by American society as having reached crisis proportions. In addition to the human suffering inflicted by the disease, society is becoming aware of the present and future financial costs caused by AIDS. What is less widely recognized is the increasing share of these health-care costs which will be paid by state Medicaid programs. The increasing incidence of AIDS among intravenous drug abusers and their sexual partners has ominous financial implications for the Medicaid programs in the future, particularly in those states with large urban centers. The cost of care for AIDS patients will add to the burdens of the already strained budgets of many state Medicaid programs.

Scitovsky and Rice project that the cost of providing health care services to AIDS patients nationally will increase from \$1.1 billion in 1986 to at least \$8.5 billion in 1991.¹ In addition to these direct medical costs, Scitovsky and Rice also project that the indirect costs of AIDS could increase from \$7.0 billion in 1986 to \$55.6 billion by 1991 for the nation as a whole. These direct and indirect costs of AIDS do not include estimates of the dollar value of volunteer support either for social services provided to AIDS victims or for public health information. In addition, they do not include attempts to value the psychological costs of AIDS to patients or their families in dollar terms, and are only for health care services provided to patients diagnosed with AIDS. Thus they do not include the costs of medically evaluating "healthy" individuals who, although HIV positive, are asymptomatic and have not progressed to the "end stage" definition of AIDS nor do they include the direct and indirect costs of AIDS-related emaciation and dementia. In spite of these qualifiers, the Scitovsky and Rice estimates project a large direct and indirect cost of the AIDS epidemic in the United States.

According to the US Health Care Financing Administration (HCFA), the state Medicaid programs are paying for 23 per cent of the health care costs for AIDS patients nationally.² HCFA also projects the number of AIDS patients receiving Medicaid benefits to increase from 13,000 in 1987 to 44,000 by 1991, with federal/state Medicaid expenditures for AIDS care increasing from \$400 million in 1987 to \$1.76

billion in 1991. It is estimated that approximately 40 per cent of all AIDS patients will eventually spend down their own resources, or be without health insurance, becoming dependent on Medicaid to pay for their health care.³ Impoverished AIDS patients who qualify for Medicaid will have their hospital, physician, and other covered health care expenses reimbursed by their state Medicaid program.

These estimates of Medicaid expenditures do not include the costs of AZT nor do they include the impact AZT will have on other health costs as this drug therapy increases the life expectancy of AIDS patients.

To date, the Food and Drug Administration (FDA) has approved AZT (marketed by Burroughs-Wellcome under the brand name Retrovir) as the only AIDS-specific therapy. The annual cost of AZT treatments is \$8,000-\$10,000 per patient per year. The high cost of this drug, combined with their other health costs, will make many AIDS patients without health insurance eligible for Medicaid coverage.

The Medicaid programs were surveyed by mail for this research to determine if AZT is covered, if any limits apply to this coverage, and if the states have or are developing any AIDS-related policies.

Methods

The questionnaire consisted of eight questions, which are presented in Table 1 along with a summary of the responses. Questionnaires were mailed to the Directors of the state Medicaid programs on March 24, 1987. By June 1, 1987, 49 state Medicaid programs had responded to the survey. Based on the names and addresses collected from these 49 responses, a more specialized mailing list was developed. A preliminary table was prepared summarizing the responses given by each state and this preliminary table was mailed to the state programs on June 4, 1987, using the specialized address list, with a request for any corrections and updates. Based on responses to this preliminary table, a final draft table was prepared and mailed to the state programs on August 5, 1987 requesting additional updates or corrections. By October 15, 1987, all 50 states and the District of Columbia had verified, updated, or corrected this draft table.

Results

The final results of the AIDS Medicaid survey are presented in Table 2.

Prescription Drug Coverage and Limits

Federal regulations allow the state Medicaid programs the option of covering prescription drugs, but coverage is not mandatory. All state Medicaid programs, with the exception

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TABLE 1—The Medicaid AIDS Survey, 1987

1. Does the Medicaid program in your state cover and reimburse prescription drugs?
 yes = 49 programs
 no = 2 programs
2. Are there limits to the coverage and reimbursement of prescription drugs by the Medicaid program in your state?
 yes = 45 programs
 no = 4 programs
 not applicable = 2 programs
3. Is the drug AZT covered and reimbursed by the Medicaid program in your state?
 yes = 44 programs*
 no = 2 programs
 under review = 3 programs
 inpatient hospital care only = 2 programs
4. If AZT is covered, are there limits to the coverage and reimbursement by the Medicaid program in your state?
 yes = 31 programs
 no = 14 programs*
 under review = 4 programs
 AZT not covered by Medicaid = 2 programs
5. If the Medicaid program in your state does not cover and reimburse prescription drugs, but does reimburse AZT, please describe how?
 Alaska: through the state-funded General Relief Medical Assistance Program.
 Wyoming: covered only for inpatient hospital care.
6. Does the Medicaid program in your state have special provisions to cover and reimburse the care provided to AIDS patients?
 yes = 9 program
 no = 42 programs
7. Is the Medicaid program in your state developing any proposals to cover and reimburse drugs and other care for AIDS patients?
 yes = 18 programs
 no = 30 programs
 under review/in development/in study = 3 programs
8. Does the Medicaid program in your state cover and reimburse hospice care?
 yes = 13 programs
 no = 30 programs
 Proposed/In Development/In Study = 7 programs
 Enabling legislation passed = 1 program

*Includes Alaska which covers AZT through the state-funded General Relief Medical Assistance Program.

of Alaska and Wyoming, cover and reimburse prescription drugs. As Tables 1 and 2 illustrate, most states placed limits on the Medicaid prescription drug benefit. The states often had a restricted formula or a list of drugs reimbursable by Medicaid. Colorado, for example, "develops and maintains a formula of drugs routinely covered by Medicaid. Exceptions are reviewed as they are requested." The states also can limit the reimbursement to the pharmacist for prescription drugs provided to Medicaid patients. For example, the Medicaid program in Hawaii limits payment to the lower of the pharmacy's usual charge or the state's Estimated Acquisition Cost plus a dispensing fee of \$3.22. In addition, the state programs can limit the prescription drug benefit to Medicaid recipients. The Medicaid programs in Arkansas and Mississippi limit Medicaid recipients to four prescriptions per month. In Pennsylvania all prescriptions are limited to the greater of a 34-day or 100-unit supply. In addition, prescriptions may be refilled up to five times within a six-month period, if authorized by the prescriber.

AZT Coverage and Limits

Only the Medicaid program in Arkansas and Florida indicated that AZT was not covered and reimbursed. The Florida Medicaid program reported in the June 4 follow-up survey that the state legislature "specifically prohibited use of [Medicaid] funds to pay for AZT," except for \$300,000 to

continue an estimated 30 patients who were participating in a study. However, Florida reported that it is providing AZT to indigent patients under a separate, non-Medicaid program with eligibility standards similar to Medicaid. The Alabama, Colorado, and Texas programs responded that coverage of AZT was under review. The Medicaid program in Wyoming, which does not cover prescription drugs, replied in the survey that AZT is covered during an inpatient hospital stay. In Louisiana, AZT is also covered only for inpatient hospital care and is under review for coverage on an outpatient basis. Many Medicaid programs placed limits on AZT coverage in their states. The Arizona program reported that currently there are no limits to AZT coverage, but the program is reviewing the possibility of future limits if the FDA expands use of the drug beyond its current indications."

Special AIDS Coverage

Many states responded that AIDS patients are not treated differently from other Medicaid recipients. Hawaii, for example, responded "all patients are treated equally." The Medicaid program in Alabama explained that AIDS patients are "covered under normal Medicaid program benefits as applied to all Medicaid eligible recipients. Patients that meet eligibility criteria are receiving physician and hospital services without benefit limitations.

Many states have developed special AIDS-related Medicaid provisions. The Medicaid program in Alaska answered "if we could *not* provide a certain medical treatment we would send the patient to the University of Washington where the service or treatment could be provided." Medicaid patients in Arizona are enrolled in prepaid health plans "which coordinate the health care needs of the patient." AIDS patients eligible for Medicaid coverage in Indiana "will be followed through a catastrophic case management approach which will enable quicker and more focused attention to an individual's medical case." Massachusetts "offers a broad array of optional services to all Medicaid recipients," including a variety of home health services "to maintain AIDS patients in the home or other community settings." The Massachusetts Medicaid program will in "the near future" cover hospice care and is currently working on an amendment to the state Medicaid plan to allow reimbursement of case management services targeted to AIDS patients.

The Medicaid program in Wisconsin has developed incentives for hospitals and nursing homes to accept Medicaid patients with AIDS. These providers can receive, with prior Medicaid authorization, additional reimbursement for care provided to AIDS patients "over and above" the payments allowed for other Medicaid patients. The care received by Medicaid patients with AIDS in an inpatient hospital setting "is reimbursed at an acute care of sub-acute care per diem instead of an all inclusive rate per discharge." The care received by Medicaid patients with AIDS in nursing homes "is reimbursed at the facility's usual and customary charge for a private room instead of a [Medicaid] nursing home daily rate. Also exceptional supply needs of AIDS patients may be reimbursed in addition to daily reimbursement."

On March 1, 1987 the New Jersey Medicaid program received a "Section 2176 Home and Community based services waiver to service persons with AIDS and persons with ARC." The waiver from federal Medicaid requirements allows Medicaid-eligible AIDS patients to be offered home and community-based care as an alternative to inpatient care. Medicaid-eligible patients with AIDS or AIDS-related com-

TABLE 2—Medicaid Coverage of Prescription Drugs, AZT, and AIDS Policies, 1987 Survey

State	Prescription Drug Coverage	Limits to Prescription Drug Coverage	AZT Coverage	Limits to AZT Coverage	Special AIDS Coverage	Special AIDS Proposals	Hospice Coverage
Alabama	Yes	1	Under Review	Under Review	No	No	No
Alaska	No***	Prescription Drugs Not Covered***	Yes***	No	No*	No	No
Arizona	Yes	1, 2	Yes	No (Under Review For Future)	Yes	Yes	No*
Arkansas	Yes	1, 3 4Rx/Mo.	No	AZT Not Covered	No	No	No
California	Yes	1*, 3 100 Days/Rx	Yes	AZT listed on Formulary	Yes—Required by Law	Yes	In Development
Colorado	Yes	1*	Under Review	Under Review	No	Under Review	In Development
Connecticut	Yes	3 30 Day Supply 120 Units	Yes	No	Yes	No	Yes
Delaware	Yes	No	Yes	4	No	No	Yes**
District of Columbia	Yes	3 1 Mo. Supply 3 Refills/4 Mo.	Yes	3 1 Mo. Supply 3 Refills/4 Mo.	No	No	No
Florida	Yes	3 \$22/Mo.*	No	AZT Not Covered	No	In Development	Yes
Georgia	Yes	1	Yes	4	No	No	No
Hawaii	Yes	1, 2	Yes	No	No	No	No
Idaho	Yes	3 34 Day Supply	Yes	2	No	No	No
Illinois	Yes	1*, 3 30 Day Supply	Yes	Under Review	No	No	In Development
Indiana	Yes	1	Yes	2	Yes	No	No
Iowa	Yes	1, 2	Yes	2	No	No	No
Kansas	Yes	1, 2	Yes	4	No	No	Yes (Only HCBS)
Kentucky	Yes	4	Yes	4	No	No	Yes
Louisiana	Yes	3 1 Mo. Supply/ 100 Units 5 Refills/6 Mo.	Under Review For Outpatient Care	6	No	Task Force Formed; Proposals for An AIDS LTC Facility Being Accepted	No
Maine	Yes	1	Yes	4	No	No	No
Maryland	Yes	1	Yes	No	No	No	No
Massachusetts	Yes	5	Yes	No	No	Yes	In Development
Michigan	Yes	1	Yes	2	No	No	No
Minnesota	Yes	1, 2	Yes	2	No	Yes	Yes
Mississippi	Yes	1, 3 4Rx/Mo.	Yes**	1, 3, 4 4 Rx/Mo. 400 Units/Rx	No	No	No
Missouri	Yes	1, 3 5Rx/Mo.*	Yes	4	No	No	No
Montana	Yes	3 Greater of 34 Days or 100 Doses per Rx	Yes	No	No	No	No
Nebraska	Yes	2	Yes	2	No	No	No
Nevada	Yes	3 3Rx/Mo. 30 Day or 100 Units	Yes	2	No	No	Yes
New Hampshire	Yes	1	Yes	No	No	Yes	In Study
New Jersey	Yes	3 Greater of 60 Day Supply or 100 Units	Yes	No	Yes	Yes Home Service Waiver Program	In Development
New Mexico	Yes	No	Yes	No	Yes	No	Yes
New York	Yes	1, 2	Yes	No	No	Yes	Yes
North Carolina	Yes	3 6Rx/Mo.*	Yes	5	No	Task Force Formed	Enabling Legislation Passed
North Dakota	Yes	No	Yes	No	No	Task Force Formed	Yes
Ohio	Yes	1*, 2	Yes	1, 2	Yes	Yes	Proposed Under HCBS (1/1/88)

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TABLE 2—Medicaid Coverage of Prescription Drugs, AZT, and AIDS Policies, 1987 Survey

State	Prescription Drug Coverage	Limits to Prescription Drug Coverage	AZT Coverage	Limits to AZT Coverage	Special AIDS Coverage	Special AIDS Proposals	Hospice Coverage
Oklahoma	Yes	1, 3 Greater of 34 Day or 100 Units 3Rx/Mo.	Yes	4	No	Task Force Formed	No
Oregon	Yes	2, 3 6Rx/Mo.*	Yes	4	No	Yes	No
Pennsylvania	Yes	2, 3 34 Day/100 Unit 5 Refills/6 Mo.	Yes	2, 3 34 Day/100 Unit 5 Refills/6 Mo.	No	Yes	No
Rhode Island	Yes	4	Yes	4	No	No	No
South Carolina	Yes	1, 3 3 Rx/Mo.	Yes	No	No	No	No
South Dakota	Yes	1	Yes	4	No	No	No
Tennessee	Yes	1, 3 7Rx/Mo.	Yes	4	Yes	No	Yes
Texas	Yes	1, 3 3Rx/Mo.	Under Review	Under Review	No	Yes	No
Utah	Yes	1	Yes	4	No	Yes	No
Vermont	Yes	No	Yes	No	No	Task Force Formed	Yes
Virginia	Yes	1, 2	Yes	2	No	In Study	No
Washington	Yes	1*	Yes	4	No	Yes	No*
West Virginia	Yes	1*	Yes	4	No	No	No
Wisconsin	Yes	1, 2	Yes	2	Yes	No	No
Wyoming	No	Prescription Drugs Not Covered	6	6	No	No	No

*Exceptions Allowed

**Effective July 1, 1987

***Medicaid recipients receive prescription drugs, including AZT, through the state-funded General Relief Medical Assistance Program. Coverage is limited to a 30 day supply per Rx unless prior authorization given. A "\$1.00 copayment is charged on each prescription drug."

Legend

1. Restricted coverage applies to a limited formulary or to selected categories of drugs.
2. The limit applies to the reimbursement rate to the pharmacist or dispenser.
3. The limit applies to the number of prescriptions the Medicaid recipient may receive per month, the number of units, or other limits on the prescription drug benefit to the Medicaid recipient.
4. Prior authorization.
5. Other.
6. Covered only for inpatient hospital care.

plex (ARC) can receive the following services: case management, private duty nursing, medical day care, personal care assistant, narcotic and drug-abuse treatments, and foster care. In addition, the Medicaid program in North Carolina responded it "can cover some AIDS patients under our standard home and community-based waiver program."

Special AIDS Proposals

The Arizona Medicaid program enrolls its patients into prepaid health plans. In relation to AIDS, these prepaid health plans are eligible for catastrophic reinsurance after reaching a certain deductible which is currently \$1,000. The Medicaid program in Massachusetts responded to the survey that AIDS "drugs approved by the FDA for general distribution will be covered." The Medicaid program in Minnesota replied that "we are working towards contracting for case management services for AIDS patients."

In New Hampshire, the Medicaid program is investigating methods to provide home and community-based services to Medicaid recipients afflicted with AIDS or ARC. New Hampshire is also studying the coverage of hospice care for the terminally ill and not specifically for Medicaid patients with AIDS or ARC. In addition, New Hampshire is reviewing eligibility criteria for disability under the Aide to the Permanently and Totally Disabled (APTD). "Clarification of APTD eligibility criteria could mean that AIDS/ARC patients could

be evaluated for services by standards more closely resembling federal standards."

The Ohio Medicaid program indicated that it "is currently developing a home and community-based care program for AIDS and ARC patients." The California Medi-Cal program has also developed a Medicaid home and community based services waiver for submission to the Health Care Financing Administration in September 1987 for AIDS patients. The Medicaid program in Pennsylvania replied that "any other drugs which receive approval by the FDA for the treatment of AIDS will be covered through our Program to recipients eligible for prescription coverage." (In Pennsylvania only Medicaid recipients meeting eligibility standards for designation as categorically needy receive the prescription drug benefit; the medically needy do not receive most prescription drug coverage.) The Utah Medicaid program is developing criteria "for AIDS patients to receive Retrovir [AZT] when the current limitations imposed by Burroughs-Wellcome are no longer in place." The Medicaid program in Washington State has submitted an amendment to its Medicaid state plan to use case managers for AIDS patients.

Hospice Coverage

Thirteen state Medicaid programs cover hospice care, as Tables 1 and 2 illustrate. Thirty state programs replied they do not cover hospice care although the State of Washington indicated that exceptions were occasionally made. Arizona

also responded that it did not cover hospice care except that "medical costs may be reimbursed to the prepaid health plan under catastrophic reinsurance." In addition to the 30 states not covering hospice care, seven state Medicaid programs reported that hospice proposals were in development or study. Of these seven states, California replied that hospice coverage will begin in "late summer/early fall of 1987"; Colorado responded that they "are currently developing a reimbursement method for inpatient hospice care"; Massachusetts reported that development of the hospice benefit is "in process—all services except the bereavement counseling are covered on a fee-for-service basis, primarily through home health agencies"; and the Ohio Medicaid program has proposed to cover some hospice services for AIDS patients under the Home and Community Based Services program beginning January 1, 1988. In addition to these seven states developing or studying hospice coverage, North Carolina reported that enabling legislation for Medicaid coverage of hospice care has been passed by the state legislature.

Discussion

No cure for AIDS is visible now, although AZT appears to retard the progression of the disease. In a cruel irony, AZT and other drugs in development which slow the advancement of AIDS, but do not cure, may actually add to the health care costs of these patients by increasing drug costs and the health service needs of AIDS patients.

Almost all the states cover and reimburse AZT. The Medicaid programs in Massachusetts and Pennsylvania reported in the survey that any drug approved by the FDA for general distribution in the treatment of AIDS will be covered by their Medicaid programs. It is often difficult to place AIDS patients in hospitals and nursing homes when institutional care is necessary. The Wisconsin Medicaid program has developed reimbursement incentives to make Medicaid patients with AIDS in need of institutional health services acceptable to hospitals and nursing homes.

The incentives developed by Wisconsin to make Medicaid patients with AIDS needing institutional care financially attractive to these providers, the home and community care waiver in New Jersey and other states, and the catastrophic case management approach developed in Indiana and other states can become models for the other state Medicaid programs to follow and adapt to their states. Hospice care may be a more humane way to provide cost-effective care to Medicaid recipients in the terminal stages of AIDS. A hospice in San Francisco provides residential care to AIDS patients in the terminal stage of illness for \$140 per day and home health care for AIDS patients can cost as little as \$90 per day in that city.⁴ This compares to costs of \$800 per inpatient day to care for an AIDS patient at municipal hospitals in New York City.⁵ Home and community-based care, combined with hospice care, can provide the health services and emotional support needed by AIDS patients at less cost to state Medicaid programs than traditional institutional care.

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AIDS Knowledge and Attitudes: Data from National Health Interview Survey

The National Center for Health Statistics has introduced a special set of supplemental questions on the adult population's knowledge and attitudes about AIDS (acquired immunodeficiency syndrome) in the National Health Interview Survey (NHIS). The AIDS questionnaire included items on self assessment of knowledge about AIDS; sources of information about AIDS; knowledge about risk factors, modes of transmissions, and blood tests; plans to take such a test; recent experience with blood donation; perceived chances of getting AIDS; personal knowledge of people with AIDS or the AIDS virus; and willingness of respondents to take part in a proposed national seroprevalence study.

NHIS is a continuous, cross-sectional household interview survey. Each week, a probability sample of civilian noninstitutionalized population is interviewed by personnel of the US Bureau of the Census. The AIDS knowledge and attitudes questions were asked of randomly chosen adults 18 years of age or over in each household.

The AIDS questionnaire was inaugurated in August 1987; resulting data are being published in *advancedata*, the *NCHS Advance Data from Vital and Health Statistics*. August data were published in *advancedata* no. 146; provisional findings from September appeared in *advancedata* no. 148. The estimates in the September data are based on completed interviews of 3,097 persons, or about 85% of eligible respondents.

To receive *Advance Data from Vital and Health Statistics* regularly, contact NCHS at (301) 436-8500.