

cost per call is reflected in section (d). We estimate that the aggregate program implementation cost across all endorsed sponsors in Year One is between \$23 million and \$47 million in 2004 dollars, with a per endorsed sponsor cost between \$1.6 million and \$3.1 million. This translates into a per discount card enrollee cost between \$3.62 and \$7.23. There are no program implementation costs for Year Two or the Transition Period.

b. Information and Outreach

Under this initiative, there will be costs associated with information and outreach materials for each new discount card enrollee in Year One and costs associated with distribution of program materials to current discount card enrollees as well as to a small percentage of new discount card enrollees and disenrollees choosing to reenroll in Year Two. There are no information and outreach costs for the Transition Period as no new enrollment is allowed after December 31, 2005. We assume that individuals will be notified that the Medicare prescription drug discount card program will end in 2006 through the annual notice of change mailed at the end of 2005.

We develop a range of estimates that reflect the production and mailing of five types of information and outreach materials: a pre-enrollment application kit with the standard enrollment form, a post-enrollment welcome kit with the drug card, an annual notice of change, an eligibility determination, and mailing back incomplete applications that cannot be processed. These estimates do not include costs for information and outreach through mass media as this is not a requirement for endorsement.

Information and outreach is an area where endorsed sponsors can choose to spend an extensive amount of money, depending on their long-term business interests and plans. In their interviews with potential endorsed sponsors and comparable State programs, the consulting firm found large differences in information and outreach expenditures. For example, expenditure for mass media advertising quickly increases costs beyond those discussed here. The decision to invest in mass media advertising is ultimately that of the endorsed sponsor.

CMS intends to assist endorsed sponsor information and outreach efforts by launching an education campaign about the new Medicare prescription drug discount card program. We plan on both television and print advertising. Further, we expect 1-800 MEDICARE to serve as the first source of information about the

program. 1-800 MEDICARE provides interested individuals with decision support, helping them identify the programs that they are eligible to join. 1-800 MEDICARE also will mail interested individuals a booklet describing the Medicare prescription drug discount card program, transitional assistance, and how to enroll. For these reasons, we expect that at least some of the financial burden of generating awareness and educating Medicare beneficiaries about the program will not fall on endorsed sponsors, reducing costs for information and outreach.

For low estimates, we used production costs based on prices from Federal contractors available through the General Services Administration and in-house mail estimates. We priced simple, low-end, serviceable materials with some color and limited design. For the high estimates, we substituted the costs quoted for application kits (overview materials and standard enrollment form) and welcome kits (member handbook and drug card) by organizations interviewed for CMS, for our in-house estimates. We assume these materials to be higher-end commercial products. Both low and high estimates include postage and use our in-house estimates for producing and mailing the other information and outreach materials: mailing eligibility determination notices, mailing back incomplete applications, and an annual notice of program changes for each year.

Low and high estimates for producing and mailing a welcome kit to a new member were \$1.20, the Government's estimate, and \$2.00, which was based on costs reported by organizations interviewed for CMS. Organization estimates for providing a welcome kit ranged from \$0.12 to \$2.70 in 2003 dollars. However, most reported costs hovered between \$1.00 and \$1.50. The \$2.70 cost was for a kit compiled on demand with few economies of scale, an approach we do not expect nor require endorsed sponsors to take. We chose an estimate of \$2.00 because it was higher than most reported commercial costs but low enough to reflect the expected requirements of this program. We also believe that we have reduced the time endorsed sponsors may need to spend drafting marketing materials by providing model information and outreach materials with the solicitation.

We used the same approach in our low and high estimates of application kits. Our government sources reported a cost of \$0.65 to produce and mail an application kit to interested individuals. Commercial and State estimates for providing an application kit to interested individuals ranged from a

low of \$0.45 to \$2.12. We chose a high estimate for the application kit of \$2.00.

We have assumed that the total number of pre-enrollment application kits mailed by endorsed sponsors will be three and one-half times the number of new beneficiaries enrolling in the program each year. This estimate is based on the midpoint of estimates gathered during interviews by the consulting firm. The firm found that card programs mailed applications to between two and five times the number of individuals enrolled in their program. For Year Two, this number is three and one-half times the number of individuals who are newly eligible for Medicare and the individuals reenrolling in Year Two after disenrolling in Year One.

Because the standard enrollment form in the application kit has several required elements and because the Medicare population has lower literacy levels and greater cognitive difficulties than some populations, individuals may not properly complete the form for their first submission. The regulation requires endorsed sponsors to ensure the completeness of submitted applications. We have assumed information and outreach costs also include an estimate for mailing back 30 percent of applications.

We assume that 100 percent of beneficiaries who would actually enroll in each year will receive a post-enrollment welcome kit. And, we assume that 100 percent of enrolled beneficiaries will receive an annual notice of change prior to the Annual Coordinated Election Period in each year. In 2005, this notice will inform discount card enrollees that the program is ending and direct them to information on Part D.

We assume that 30 percent of all individuals will request an eligibility determination for transitional assistance and will not immediately enroll in an endorsed card program because they are not determined eligible for transitional assistance. This regulation requires that endorsed card sponsors not immediately enroll individuals who request transitional assistance at the time of enrollment if they are not determined eligible for such assistance. We chose 30 percent to capture a proportion of individuals ultimately choosing to enroll in the discount card after finding that they are not eligible for transitional assistance and a proportion of those never enrolling in the program who request transitional assistance, but are determined ineligible. In Year Two, we estimate that 30 percent of new discount card enrollees will request an eligibility determination, and we estimate an