

additional five percent of those currently enrolled and not receiving transitional assistance will request an eligibility determination because their financial circumstances have changed during the year. For this 30 percent of individuals, this regulation requires endorsed sponsors to mail them a negative eligibility determination, and to inform them of access to the reconsideration process.

We estimate a total information and outreach cost in Year One between \$27 million and \$65 million. We estimate a per endorsed program cost between \$1.8 million and \$4.3 million, and we estimate a per discount card enrollee cost between \$4.19 and \$9.96. These cost ranges are comparable to those estimated by the consulting firm for all marketing activities except mass media, between \$0.84 and \$7.02 per new member.

We estimate a total Year Two cost for information and outreach between \$12.9 and \$22.7 million. We estimate a cost per endorsed sponsor between \$0.86 million and \$1.5 million, and a per discount card enrollee cost between \$1.96 and \$3.45. Reduced costs for information and outreach in Year Two reflect information and outreach to a more limited pool of individuals, those changing plans or becoming eligible for the Medicare program, spread across the entire enrollment of the endorsed program. Information and outreach activities are not required during the Transition Period.

c. Eligibility Determination and Enrollment Processing

Endorsed discount endorsed sponsors will incur costs in administering the eligibility determination and enrollment processes as outlined in this regulation, but CMS has significantly reduced their potential role by assuming much of the burden of these activities. Specifically, we will develop an on-line enrollment and eligibility system against which endorsed sponsors can check the eligibility of individuals and enroll them in their endorsed programs. We also will handle any grievances about eligibility determinations and address requests for reconsideration of eligibility.

As our own eligibility determination process for transitional assistance is means-tested, we believe that means-tested State senior discount card programs are the best source of information about the costs of conducting eligibility determination activities. The interviews of several State programs and their contracted pharmacy benefit management firms gathered actual cost information and/or

labor time to estimate costs of eligibility and enrollment.

To assess the sensitivity of our estimates, the consulting firm interviewed State programs that differed in the amount of documentation they required for an eligibility determination and in the level of verification activity required. Enrollment and eligibility activities for means-tested programs generally require some manual entry of information from an application or manual correction of scanned enrollment forms. Verification occurs either electronically or through manual review of multiple sources of income, family size, State residence, and health insurance. Some States require multiple forms of income documentation and manual review, while others accept the applicant's verbal certification that they meet income requirements. Sometimes States conduct these activities, and sometimes this activity is delegated to a private contractor providing pharmacy benefit management services.

Endorsed sponsor responsibilities will include reviewing applications, ensuring that applications are complete, screening initial applications for transitional assistance, entering eligibility information into a database, electronically requesting a determination on eligibility and enrollment for an individual through CMS systems, maintaining an enrollment database, and issuing eligibility determination notices that refer individuals to the reconsideration process as appropriate. We assume that endorsed sponsors will ensure that submitted applications are complete, either by recontacting individuals submitting incomplete applications, or by mailing incomplete applications back to the applicant. We have accounted for these mailing and telephone costs under estimates for information and outreach, and for customer service.

For those individuals applying for transitional assistance, we will require endorsed sponsors to first review applications for an individual's prescription drug coverage and the income level that the individual has certified as accurate, and identify individuals that need to be checked against CMS' eligibility and enrollment databases. The endorsed sponsor then will submit batch jobs of eligibility and enrollment requests through a telecommunications data connection with CMS, update their enrollment database with the results, and issue notices of eligibility determination and enrollment. The costs of mailing these notices are included in marketing estimates.

We assume that endorsed sponsors will process a total of 8.34 million applications in Year One. This application pool reflects 100 percent of program enrollment (6.4 million), plus an estimated additional 30 percent of enrollment to capture costs for processing reapplications to enroll in the discount card after receiving a negative eligibility determination for transitional assistance. We use the same 30 percent assumption when we estimate the number of eligibility determination notices that endorsed sponsors will mail. We chose 30 percent to capture a proportion of individuals ultimately choosing to enroll in the discount card program 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. We assume that endorsed sponsors will process a total 1.6 million applications in Year Two. This application pool consists of 100 percent of individuals choosing to disenroll in Year One and all newly eligible enrollees in Year Two, plus an additional 30 percent of this total for reapplications and individuals choosing not to enroll. We also assume an additional 5 percent of discount card enrollees who are not receiving transitional assistance will request an eligibility determination because their financial status changed during the previous year.

From their interviews with State programs, the independent consulting firm estimates the cost of eligibility processing costs for a new application ranges from \$3.87 to \$16.68 in 2003 dollars. The low cost is from a State program that has self-certification of income and age, does not require review of any documentation for eligibility, and requires reporting of limited data elements on its enrollment form. The high cost is from a program that has a very complex eligibility process including requiring a breakdown of income and assets into categories, prospective adjustment of income for the coming year, and review of multiple documents demonstrating income, residency, health insurance, and age.

We chose to use \$3.87 as our low estimate of conducting eligibility determination and processing enrollment for a new application, because the process CMS has created does not require labor-intensive processes such as review of documents verifying income or family size or prospective adjustment of income, however, it is not a simple attestation process. We chose \$5.04 as our high estimate because our requirements on