

endorsed sponsors are significantly less burdensome than the manual processing implied by the \$16.68 estimate and because the estimate of \$5.04 reflects the proportion of the high cost that accounts for data entry and eligibility determination activities that CMS would require of endorsed card sponsors.

We use the same cost estimate to approximate processing eligibility and enrollment requests for individuals applying for transitional assistance and those only applying to enroll in an endorsed program. We believe the amount of effort required to process applications for both populations is fairly comparable. If anything, we have slightly overestimated the cost of processing enrollment for individuals not applying for transitional assistance.

Combining our assumptions about the number of applications in each year with our estimates of the costs to process a new application, we estimate an aggregate eligibility determination and enrollment processing cost across all sponsors for Year One between \$34 million and \$44 million. We estimate a per endorsed sponsor cost for Year One between \$2.3 million and \$3 million. This translates to a per discount card enrollee cost between \$5.24 and \$6.82. In Year Two, we estimate an aggregate program eligibility cost between \$4.6 million and \$5.9 million, with a per endorsed sponsor cost between \$303 thousand and \$393 thousand. This translates to a per discount card enrollee cost between \$0.69 and \$0.90. As with other cost elements, Year Two costs are less because the cost to enroll the limited number of new discount card enrollees is spread across total program enrollees. We assume that there are no costs for eligibility determination and enrollment in the Transition Period.

d. Customer Service Call Center

The following estimates reflect costs for both an interactive voice-response system and access to live customer service representatives by telephone. To accurately represent an endorsed sponsor's call center costs, we rely on interviews conducted for CMS by the independent consulting firm as well as the research on discount drug card call center operations that CMS sponsored earlier this year. We also rely on literature reflecting call volume within similar program offerings.

We expect that Medicare beneficiaries will call an endorsed sponsor's customer service center for a variety of reasons. First, we believe that the majority of Medicare beneficiaries will call to gather additional information about the program and with questions

about completing the enrollment form, especially those applying for transitional assistance. Our research on discount drug card call center operations also suggest that a small proportion of discount card enrollees call for more mundane reasons, including locating a network pharmacy, ordering a replacement card, and asking how to use the card when purchasing drugs. In addition to these reasons, we also expect that discount card enrollees will call to check drug prices, to disenroll, to file a grievance, and for those receiving transitional assistance, to check the balance of remaining funds.

With regard to call volume, we assume that endorsed sponsors will receive calls equal to 1.5 times new enrollment in Year One. We believe that the majority of call volume will be the result of initial enrollment activities. Our research indicates that endorsed sponsors expect Medicare beneficiaries who are considering enrolling in a card to call around for price information prior to enrolling. The recent report on the Pfizer Share Card program indicates call volume of roughly 6 times total enrollment during the first year of operation. Although this call volume includes income eligibility pre-screening for all applicants.⁹ Further, both the independent consulting firm, Pfizer, and our own experience with 1-800 Medicare indicate that call volume increases after publicity and after information and outreach activities. We assume that endorsed sponsors will have call volume greater than enrollment but less than that documented by Pfizer for the following reasons.

First, we assume that CMS' education efforts and the availability of 1-800 Medicare and <http://www.Medicare.gov> will help reduce call volume to endorsed sponsors. Specifically, we believe that the availability of pre-screening tools through <http://www.Medicare.gov> and through 1-800 Medicare will attract calls requesting pre-screening for information and eligibility that might otherwise be addressed to individual endorsed sponsors. We also believe CMS' provision of a price comparison Web site will reduce call volume to endorsed sponsors because it will help individuals to check prices before they choose a card and, after they are enrolled, to check for changes in discounted prices.

We also assume that endorsed sponsors will take proactive measures to manage inquiries by discount card

enrollees and others through communication channels other than the telephone. Our research on discount card call center operations suggests that endorsed sponsors can take several steps to preempt calls, including repetitive messaging, newsletters, Web sites, direct mail, and extensive FAQs (frequently asked questions) in information and outreach materials.

In Year Two, we assume call volume will be 1.5 times new enrollment. We also assume that 30 percent of those receiving transitional assistance will call for reasons other than enrollment and that 20 percent of those enrolled only in the discount card will call for reasons other than enrollment. Research on drug card call centers conducted for CMS indicate much lower call volume, less than 10 percent of membership, from individuals enrolled in a discount drug card than call volume in a funded benefit, roughly 30 percent of membership.

We assume that the endorsed sponsor's 1-800 customer service line will include an interactive voice-response system (IVR). An IVR system achieves call-savings by providing standard information without using the more expensive resources of a live customer service representative. If properly utilized, an IVR connected to various back office systems for immediate automated information retrieval, may help reduce significant call center costs to the sponsor. This allows for a good customer service tool, by giving callers responses to simple questions and easy access to various information. Many of the questions received by drug discount cards are questions that can be handled in the IVR, including requesting basic information about the program and enrollment, services, ordering replacement cards, checking for a network pharmacy, checking the discounted price of a specific drug, and checking account balances. We believe that the IVR will not be able to handle complex eligibility questions, questions regarding the balance of transitional assistance, and a range of other questions, such as a request for disenrollment.

We assume that an endorsed sponsor's IVR system can handle 50 percent of all incoming calls. We base this assumption on several sources. First, it has been CMS experience with 1-800 MEDICARE that traditionally 32 percent of all calls are handled in the IVR. Because 1-800 Medicare handles a range of questions about the Medicare program, these calls are more likely, on average, to be time consuming as 1-800 MEDICARE customer service

⁹ Pfizer U.S. Pharmaceuticals. *Report to America*. September 2003.