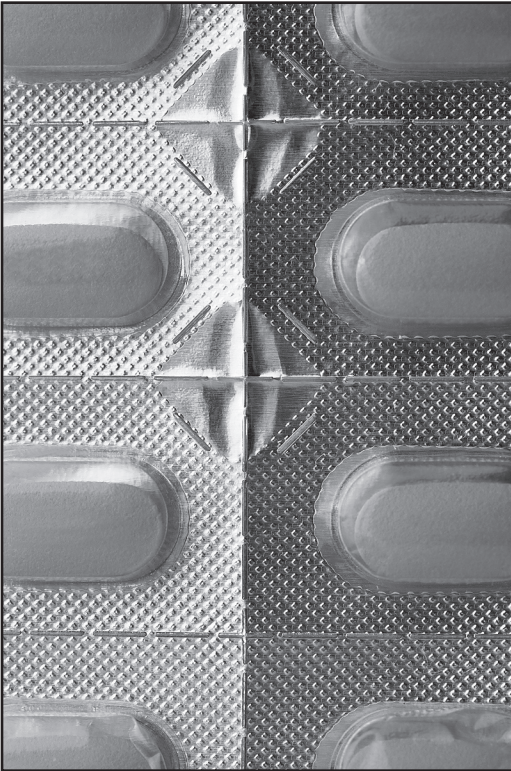


# Section F

## Medicare Part D

### Prescription drug coverage



Today's Medicare	F-1
History	F-1
Medicare prescription drug coverage/Part D coverage	F-1
Eligibility	F-1
When can you join?	F-2
Repercussions from waiting to enroll	F-2
Medicare drug plans	F-3
Prescription drug costs	F-4
Part D coverage	F-4
L.I.S.A. (low income subsidy assistance)	F-5
Covered and non-covered prescriptions	F-5
Plan rules	F-6
Choosing a plan	F-6
Exercise	F-8

# Today's Medicare

- Promotes a healthy lifestyle
- Covers preventative choices
- Provides more choices
- Helps people with Medicare live longer, healthier lives
- Offers prescription drug coverage

## History

When Medicare began, health care mostly involved treating people after they became ill, and prescription drugs were only a small part of it. Over the past 40 years, preventative care and prescription drugs have become more important parts of health care in the US.

The Medicare Modernization Act, or MMA, was signed into law Dec. 8, 2003. This law has made the biggest changes in the Medicare program since its inception in 1965. Until MMA, Medicare did not provide coverage for outpatient prescription drugs.

## Medicare prescription drug coverage/Part D coverage insurance

- Coverage began Jan.1, 2006
- Available to all people with Medicare
- Provided through:
  - Medicare prescription drug plans
  - Medicare Advantage and other Medicare plans
  - Some employers and unions
- Who can join?
  - Anyone who has Medicare Part A and/or Part B
- Who CANNOT join?
  - Those who live outside the US or who are incarcerated

CMS contracts with private companies offering Medicare Prescription Drug Plans. CMS approves the drug plans. It is important for people with Medicare to understand that Medicare prescription drug coverage is not automatic. So while this coverage is available to all people with Medicare, you generally must take action to get it.

## Eligibility

- Have Medicare Part A and/or Part B
- Live in plan's service area
- Join a Medicare drug plan to get coverage
- To get prescription drug coverage through a Medicare Advantage Plan, you must have both Part A and Part B Medicare.
- Each plan has its own service area, and you must live in a plan's service area to enroll.

# When can you join?

## Initial enrollment period:

- Seven-month period when people first get Medicare
- Initial enrollment period is seven months long, starting three months before the month you become entitled to Medicare.

## Annual coordinated election period:

- Nov. 15–Dec. 31 of each year
- Annual coordinated election period is from Nov. 15 through Dec. 31 each year. During the AEP, people who are in a Medicare drug plan can drop, join or switch plans. The change will take effect Jan. 1 of the following year.

## Special enrollment period (SEP):

- In some situations, a special enrollment period may apply.
- A special enrollment period takes effect with such things as involuntary loss of creditable prescription drug coverage or change of permanent residence out of the plan's service area. The period of time gives you one opportunity to join, switch or drop a Medicare drug plan.
- Some people with Medicare have a continuous special enrollment period, meaning they can enroll in or switch plans once per month, with new plan coverage starting the first day of the next month. Continuous SEPs include those who reside in skilled nursing facilities, those continuing to work with group coverage and dually eligible individuals. (This list changes periodically. Check with SHIC to ensure you have the most updated SEP list available.)

# Repercussions from waiting to enroll

## Waiting to enroll could mean a penalty:

- One percent premium increase for every full month you wait
- Premium remains in effect for as long as you have Medicare coverage, unless you have other drug coverage at least as good as Medicare drug coverage.
- The premium penalty will be calculated by taking one percent of the national base premium for every full month you waited to enroll (national base premium for 2010 is \$31.94).
- Late enrollees may also have to wait until the next annual coordinated election period, Nov. 15 to Dec. 31, to enroll. However, if you have other coverage that is at least as good as Medicare prescription drug coverage, called creditable prescription drug coverage, the penalty will not apply.

## Late enrollment penalty example:

- Agnes first enrolled December 2006 and the IEP ended May 15, 2006. Agnes' coverage began Jan. 1, 2007. Agnes will pay 7 percent higher premium per month. 7 months x 1 percent penalty is reflected from June 2006 through December 2006.
- $7 \times \$30.36 = \$2.12$  per month penalty in 2009. Due to the fluctuating national base premium, this amount can change every year.

### Creditable drug coverage means:

- Coverage at least as good as Medicare's
- If you keep creditable drug coverage, there will be no penalty if you wait to enroll.

### Examples of credible coverage:

1. Some group health plans
2. Some employer or union retiree drug coverage
3. VA coverage (Veteran's coverage)
4. Military coverage including TRICARE
5. Federal Employees Health Benefits Program
6. Indian Health Services

Most Medigap policies do not provide drug coverage as good as Medicare prescription drug coverage. If you have a Medigap policy that covers drugs, you can keep your policy, but you may have to pay a penalty if you wait to join a PDP in the future.

Enrolling into a Medicare prescription drug plan may cause disenrollment from an employer or union health plan, if that plan has a certain drug plan attached to it. It is very important to read the communications sent by the employer or union and to contact the benefits administrator who can answer insurance questions. Usually if a person loses or drops his employer or union coverage, he cannot get it back.

## Medicare drug plans

Medicare drug plans vary.

Cost—How much do you have to pay?

The monthly premium, deductible and share of the cost you pay for your prescriptions (copayments and coinsurance) will be different depending on the plan you chose.

Coverage—What drugs do they cover?

Plans have a formulary, which is a list of drugs the plan covers. Plans may have rules about how they provide coverage for different drugs on their formularies.

Convenience—Which pharmacies do they use?

Drug plans work with some but not necessarily all pharmacies in every area. Ensure beneficiaries check with their pharmacy to see if they accept the plan.

### Things to consider:

- What is your current health insurance coverage?
- Do you have prescription drug coverage? If you do, did you get information from your plan telling you whether or not your coverage is at least as good as Medicare drug coverage (creditable drug coverage)? If not, you should contact the benefits administrator for the plan.
- Is your current drug coverage as good as Medicare's? Even if you have another prescription drug plan now, you may be able to save money by joining a Medicare drug plan.
- Is there prior authorization, quantity limits or step therapy? How will this affect my prescription access?

# Prescription drug costs

For coverage in 2010, you generally pay:

- Monthly premium, varies by plan
- Varies from plan to plan. Premium can be sent directly to the company or deducted from their SS check.
- Annual deductible, no more than \$310
  - This is the amount you must pay for prescriptions each year before the plan starts to pay. No plan can have a deductible higher than \$310 in 2010.
- Copayments or coinsurance
  - This is the amount you have to pay for each prescription after meeting the deductible, if any.
  - Very little after paying \$4,550 out of pocket

## Part D coverage

### Medicare drug coverage: beneficiary cost-sharing (2010)

	Annual deductible	Initial coverage period*	Coverage gap (donut hole)**	TOTAL	Catastrophic benefit (after \$4,350 in TrOOP)
<b>Beneficiary costs (TrOOP)</b>	\$310	25% of drug costs up to \$630	100% of drug costs up to \$3,610	\$4,550	Greater of 5% of drug cost or \$2.50/\$6.30 copay
<b>Plan costs</b>	0	75% of drug costs up to \$1,890	0	\$1,890	Balance of drug costs
<b>Total</b>	\$310	\$2,520	\$3,610	\$6,440	

1. First \$0–\$310 deductible of annual prescription costs
  - Medicare pays zero percent
  - Beneficiary pays 100 percent
  - Don't have a coverage gap
2. From \$310–\$2,520 of annual prescription costs
  - Medicare pays 75 percent
  - Beneficiary pays 25 percent
  - Don't have a coverage gap
3. From \$2,520–\$2,830 of annual prescription costs
  - Medicare pays zero percent
  - Beneficiary pays 100 percent (this is referred to as the donut hole or gap)
4. Excess over \$4,550 of annual prescription costs
  - Medicare pays 95 percent

- Beneficiary pays 5 percent (this is referred to as the catastrophic coverage)

Once you have spent \$4,550 out of pocket for covered drug costs during 2010, the plan will pay all but five percent or a small copayment for the rest of the year. These amounts can change per year.

## L.I.S.A. (low income subsidy assistance)

Extra help with drug costs

People with lowest income and resources

- Pay no premiums or deductibles
- Have small or no copayments

Those with slightly higher income and resources

- Have a reduced deductible
- Pay a little more out of pocket

Income and resource limit (2010)

	Individual	Couple
Annual income	\$16,245	\$21,855
Resources	\$12,510	\$25,010

Income is based on family size. This takes into consideration whether you and/or your spouse has dependent relatives who live with you and who rely on you for at least half of their support. A grandparent raising grandchildren may qualify, but the same person might not have qualified as an individual living alone.

Resources count savings and stocks. This does not count your vehicles, the home you live in or land on which the home is located.

### Qualifying for extra help

You may automatically qualify if you have:

- Medicare and Medicaid
- Supplemental Security Income

All others must apply to the Social Security Administration at:

- [www.socialsecurity.gov](http://www.socialsecurity.gov)
- 1-800-772-1213

## Covered and noncovered prescriptions

Which drugs are covered?

- Available by prescription
- Drugs, biologicals, insulin
- Medical supplies for injecting insulin, i.e., syringes, needles, alcohol swabs, gauze, test strips
- Brand name and generic drugs

Drugs not covered:

- Weight gain or loss
- Drugs for cosmetic purposes or hair growth
- Fertility drugs
- AIDS
- Prescription vitamins or minerals
- Drugs for relief of cough and colds

- Most prescription vitamins and minerals
- Nonprescription drugs
- Barbiturates (phenobarbital)
- Benzodiazepines (Lorazepam, Haiclon, Aiprazoplam, Valium, Librium, Clonazepam)

Tier	You pay	What is covered?
1	Lowest copayment	Most generics
2	Medium copayment	Preferred, brand name drugs
3	Higher copayment	Non-preferred, brand name drugs
Specialty tier	Highest co-payment or coinsurance	Unique, very high-cost drugs

## Plan rules

Plans have formularies. **A formulary is a list of drugs covered by the plan.**

- May not include all Medicare-covered drugs
- Usually cover similar drugs that are safe and effective
- May have different levels (tiers); which reflect on cost (see graph above)
- Choosing generic drugs can save money

Plans may have rules for covering some drugs. These terms may be of value to you:

**Prior authorization:** Your doctor must provide documentation to the plan before the prescription will be covered.

**Step therapy:** You must try certain other drugs first before the plan will cover your prescription.

**Quantity limits:** For safety and cost reasons, plans may limit the quantity for a drug they cover over a certain period of time.

What if your prescription changes?

You and your doctor should work with the plan.

- Try another drug that is on the formulary (you can access this information by calling the plan or looking on the plan's website to find the most up to date drug list and prices).

**If you need a drug not on the plan's formulary:**

- You can request an **exception**.
- If the plan denies your exception request, you can appeal up to five appeal levels.

## Choosing a plan

Step 1: **Collect information**

- Any current prescription drug coverage?
- Get a list of prescriptions, dosages and how often you take them
- Medicare card

Step 2: Compare Medicare drug plans

- [www.medicare.gov](http://www.medicare.gov) (prescription drug finder)
- Call 1-800-Medicare
- SHIP

Step 3: To enroll, visit:

- Plan's website or call the plan
- [www.medicare.gov](http://www.medicare.gov)
- Paper application (mail or fax to plan)

It is a good idea to keep a copy of your application, confirmation number and any other papers you sign, letters

or materials you receive. It is also wise to send all correspondence via certified or registered mail.

How do I pay for a plan?

- Deducted from your checking or savings account
- Charged to a credit or debit card
- Billed to you each month directly by the plan (some plans bill in advance for coverage the next month)
- Deducted from your Social Security payment. Contact your plan, not Social Security, to ask for this payment option. If you choose this option, your first two months of premiums will be combined.

# Medicare Part D

## Review exercise

1. When Medicare first originated, healthcare mostly involved \_\_\_\_\_  
\_\_\_\_\_.
2. Until the \_\_\_\_\_ was signed into law, Medicare did not provide coverage for outpatient prescription drugs.
3. A person must have Medicare Parts A and B to join a prescription drug plan. T\_\_\_\_\_ F\_\_\_\_\_
4. \_\_\_\_\_ approves the prescription drug plans.
5. To get prescription drug coverage through a Medicare Advantage Plan, you must have \_\_\_\_\_.
6. You can join a prescription drug plan during the 7-month period surrounding a beneficiary's 65th birthday, which is called \_\_\_\_\_.
7. From Nov. 15 to Dec. 31 of each year, beneficiaries who are in a Medicare drug plan can drop, switch or join a prescription drug plan. T\_\_\_\_\_ F\_\_\_\_\_
8. There are some special circumstances surrounding entering or switching a drug plan. These election period are called \_\_\_\_\_ and include beneficiaries living in a skilled nursing facility, having a group health plan through current employment or having Medicaid and Medicare (dually eligible).
9. Explain the donut hole:
10. Low income beneficiaries can get assistance with the prescription drug premium and/or drug costs in the donut hole. This is called \_\_\_\_\_.
11. Those individuals interested in applying for LISA should contact their local \_\_\_\_\_.
12. In a prescription drug plan, you must try certain other drugs first before the plan will cover your prescription. This is called \_\_\_\_\_.
13. If a beneficiary needs a drug that is not on the plan's formulary, they have other options. T\_\_\_\_\_ F\_\_\_\_\_
14. When applying for a prescription drug plan, a beneficiary will need a list of prescriptions, including \_\_\_\_\_ and \_\_\_\_\_.

# Word match

- |                             |  |
|-----------------------------|--|
| ___ Part D                  | 1. A request to a plan to cover a medication not on the formulary  |
| ___ SEP                     | 2. A plan's restriction on the quantity of a drug used by a beneficiary  |
| ___ AEP                     | 3. A plan's decision that maintains a beneficiary must try certain other drugs before they will cover the prescription                                       |
| ___ Premium penalty         | 4. A period of time when the beneficiary of a Part D plan pays 100 percent of the drug costs   |
| ___ VA                      | 5. A period of time where some eligible individuals, such as those working that have an employee group health plan can pick up a Part D plan without penalty |
| ___ Donut hole/coverage gap | 6. A cost added to the Part D monthly premium that is accrued if a beneficiary enrolls in a drug plan later than first eligible                              |
| ___ LISA                    | 7. A list of drugs covered by a plan   |
| ___ Exception               | 8. A program applied to through the SSA that assists those with low income with prescription drug costs  |
| ___ Credible coverage       | 9. The Veteran's Administration  |
| ___ Formulary               | 10. Coverage as least as good as Medicare's Part D plans (i.e. VA, IHS and Tricare)  |
| ___ Prior authorization     | 11. Medicare prescription drug coverage  |
| ___ Step therapy            | 12. A plan may require a beneficiary's doctor to provide documentation of necessity before they will cover a prescription.                                   |
| ___ Quantity limits         | 13. Nov. 15 through Dec. 31 of each year when a beneficiary can drop, switch or enroll in a Part D plan.   |