

Medicare Part D – Prescription Drug Coverage

GENERAL INFORMATION

Coverage

- Medicare Part D coverage is available to everyone enrolled in Medicare
- Drug plans are offered by insurance companies and other private Medicare-approved companies
- Plans cover generic and brand-name prescription drugs
- Senior is committed to chosen plan for one calendar year

Enrollment

- Seniors must enroll in a plan by May 15, 2006
- Penalty for late sign up
 - If a senior does not enroll in a plan by May 15, he/she must wait until November 15th to join
 - Penalty fee is a 1% increase in premium for every month that the senior waits to join (lifetime penalty)
- If a senior is not going to sign up for this plan, he/she must have proof of a creditable prescription plan in place
 - A “creditable” plan is as good as or better than Medicare standard prescription drug plan
 - Creditable provider must send a letter to the senior, as proof of existing creditable insurance coverage

Prescription Information

- Plans have a formulary, or a list of drugs covered by the plan
- Formulary must include at least two drugs in categories and classes of most commonly prescribed drugs to people with Medicare
 - List can change at any time
 - Plan must let senior know 60 days before a drug he/she uses is removed from the list or if costs are changing
 - If doctor thinks senior needs a drug that is not on the plan’s list, or if one of the drugs is being removed from the list, the senior or doctor can apply for an exception or appeal the decision
- Plans will send senior monthly drug reports listing all prescriptions filled to date, so senior may keep track of total drug costs
- Drug plans contract with local pharmacies
- Some plans allow prescriptions to be filled via mail

Cost

- Monthly premium (standard plan is \$37)
- Annual deductible (\$250)
- Copayment/coinsurance share of prescription cost (varies by plan)
- After \$250 deductible is met:
 - Senior pays 25% of yearly drug costs from \$250 - \$2,250, then
 - Senior pays 100% of next \$2,850 in drug costs, then
 - Senior pays 5% of drug costs for rest of calendar year, after \$3,600 maximum out-of-pocket has been met

Drug Costs	Senior Pays	Up to	True out-of-pocket
\$0 – 250	100%	\$250	\$250
\$250 – 2,250	25%	\$500	\$750
\$2,250 – 5,100	100%	\$2,850	\$3,600
Over \$5,100	5%	No limit	\$3,600 plus 5% of costs above \$5,100

Valid Expenses (Count Towards Deductible)

- Payment from other people Medicare beneficiaries (if someone enrolled in Medicare chooses to pay another senior's drug costs)
- Another individual such as a family member
- Medicare's cost sharing assistance (what Medicare pays towards drug costs counts as what the senior pays)

Invalid Expenses (Do Not Count Towards Deductible)

- Premium payments
- Any third party Rx benefits received (example, if senior buys the drugs from someplace else, i.e., Canada or Mexico)
- Drugs specifically excluded from Medicare Part B (this includes a number of oncology drugs)
 - Senior should check that their required drugs are for services covered in Medicare Part B
- Drugs bought outside of the U.S.A.

Current California Drug Plans

- 48 total plans
- 19 companies
- 15 plans have \$250 deductible
- 26 plans have \$0 deductible
- Premiums vary from \$5.41 to \$66.08
- Most drugs are tier priced
 - Tier 1 – generic (\$2 – 10 copay)
 - Tier 2 – 1st level of brand name (\$25 +/- copay)
 - Tier 3 – Next level of brand name (\$25 + copay)

NURSING HOME RESIDENTS OR HOMEBOUND SENIORS

Nursing Home Residents

- If senior is homebound or in a skilled nursing home, prescription drugs are usually covered by Medicare Part A
- Must enroll by May 15, 2006 or wait until November 15, 2006
- Senior may switch into Medicare prescription drug plan after moving into nursing home
- Authorized representative may assist with enrollment if senior is unable to choose a drug plan
- Some nursing homes/long-term care facilities have their own pharmacy

LIMITED INCOME OR RESOURCES

Qualifying for Extra Help

- Almost 1 in 3 seniors will qualify for extra help
- Amount of extra help senior receives is based on income and resources, including savings and stocks but not counting home or car.
- A senior may qualify for extra help if:
 - Resources are less than \$11,500 (if single) or \$23,000 (married and living with spouse)
 - Income is less than \$14,355 (single) or \$19,245 (married and living with spouse)
- Seniors who automatically qualify for extra help should have been mailed letters or applications
- Call Social Security Administration to apply 1-800-772-1213
- After application, senior will receive a letter stating whether or not he/she qualifies and what to do next
- If senior qualifies, he/she must join Medicare Prescription Drug Plan by May 15, 2006, or Medicare will automatically enroll

Discount Cards

- Medicare-approved drug discount cards were made available to seniors prior to the establishment of Medicare Part D
- Cards were intended to help people receive a discount on prescription drugs
- Cards may continue to be used until May 15, 2006 or until senior joins a drug plan, whichever comes first

SENIORS CURRENTLY ENROLLED IN OTHER PLANS

Current Prescription Drug Coverage

- Seniors who currently have prescription drug coverage (from an employer, union, etc.) must receive information from their provider about how the drug coverage compares to Medicare
- Drug coverage must meet Medicare's standards ("as good as or better than")
- If coverage meets Medicare standards, senior may choose to keep it
- If coverage does not meet Medicare standards, senior must join Medicare plan by May 15, 2006 to avoid late sign-up penalty
- No penalty if provider stops offering prescription drug coverage, as long as senior joins a Medicare drug plan within 63 days after coverage ends
- Senior should find out about options from benefits administrator

Medicare Advantage Plan

- If senior has prescription drug coverage from an HMO, PPO, PFFS or other health care plan, he/she will get a notice from the provider about prescription drug choices
- If senior does not have prescription drug coverage and wants to add it, he/she must check to see if the health plan offers a prescription drug option
 - If so, senior is required to get coverage from this plan
 - If not, senior must switch to another Medicare Advantage Plan or other Medicare Health Plan that offers drug coverage
- If senior stays in current plan that doesn't offer drug coverage in 2006, there will be a penalty for switching to a plan that offers prescription drug coverage later

Medigap (Medicare Supplement Insurance)

- On average, most prescription drug coverage offered by Medigap policies is not as good as Medicare coverage
- Senior may choose to continue Medigap policy, but should also join Medicare Prescription Drug Plan (before May 15, 2006) to avoid a penalty if the senior later decides to switch from Medigap prescription coverage to Medicare Part D coverage

Medicaid

- Seniors covered by Medicaid are automatically enrolled in a prescription drug plan if they haven't chosen a plan by 12/31/05
- Medicare will pay for their prescription drugs as of January 1, 2006
- Medicaid will cover other care
- If senior wants to switch to another plan, he/she can do so with no penalty
- If senior has Medicare and full coverage from Medicaid, and lives in an institution (nursing home), he/she pays nothing for covered prescription drugs

Supplemental Security Income

- Must join Medicare prescription drug plan for drug coverage
- Automatically qualify for extra help
- If senior doesn't enroll by May 15, 2006, Medicare will choose a plan

TICARE, VA, FEHBP

- Seniors who have prescription drug coverage from TICARE or the Department of Veteran's Affairs (VA) or the Federal Employee Health Benefits Program should contact their benefits administrator for more information

PROS/CONS

Medicare Part D Drug Plan Limitations

- Plan is confusing, most seniors do not understand and are not enrolled
- Dual eligibles are having the hardest time with the plan
- Senior is locked into plan for calendar year, but pharmaceutical company can change drug prices at any time
- Premium penalties for late sign up

Medicare Part D Drug Plan Advantages

- Coverage for everyone – no pre-existing condition limitation
- Provides help and options for low-income seniors
- Help with drug costs, and provide security for the future

Medicare Parts A, B and C

Medicare Part A – Hospital Insurance

Coverage

- Inpatient care in hospitals
- Critical access hospitals
- Home health care
- Skilled nursing facility care
- Hospice care

Cost

- None, provided that the senior paid Medicare taxes while employed

Medicare Part B – Medical Insurance

Coverage

- Doctors' services
- Diagnostic tests
- Outpatient medical/surgical services
- Durable medical equipment (wheelchairs, hospital beds, oxygen and walkers)
- Outpatient mental health care
- Speech language services
- Some physical and occupational therapy
- Some preventive screenings, shots and tests
- "Welcome to Medicare" onetime physical exam (must be taken within 6 months of sign up)

Cost

- Monthly premium (\$88.50) and annual deductible (\$110)

Not Covered

- Acupuncture
- Dental care
- Cosmetic surgery
- Custodial care
- Eye refractions
- Healthcare while traveling outside of the U.S.
- Hearing aids and exams
- Long term care
- Orthopedic shoes and footcare

- Prescription drugs
- Routine eye care and eyeglasses
- Routine or yearly physical exam
- Other tests, shots and medical supplies

Important: If a senior does not sign up for Part B when first eligible, then there is a lifelong penalty fee. The penalty is a 10% increase in premium for each 12 month period that the senior opted to not sign up for Part B.

Medicare Part C – Medicare Advantage Plans

Key Points

- Medicare Advantage Plans are health plan options that take the place of Medicare Parts A and B
- Medicare pays a set amount of money each month to these providers whether or not services are utilized (roughly \$600/month)
- Most plans provide some sort of prescription drug coverage

Types of Medicare Advantage Plans

1. HMO – Health Maintenance Organization – Senior receives care from primary doctors, specialists and hospitals on the plan’s list, except in an emergency
Advantages:
 - Generally senior receives more coverage
 - Lower copayments*Disadvantages:*
 - Senior must stay within the network to be covered
 - No referrals can be made by doctors*Example:*
 - Health Net Seniority Plus HMO
2. PPO – Preferred Provider Organization – Seniors pay less to receive care from primary doctors, specialists and hospitals on the plan’s list, and have the option to receive out-of-network care for a higher cost
Advantages:
 - Access to more doctors and hospitals*Disadvantages:*
 - High deductible
 - Higher out-of-network charges*Example:*
 - Blue Cross Regional PPO plan
3. PFFS – Private-Fee-for-Service Plan – Seniors enroll in health insurance plans offered by private companies
Advantages:
 - Access to all Medicare-approved doctors, specialists and hospitals

Disadvantages:

- Private company, rather than Medicare, decides how much it will pay and what the senior pays for the services
- Can be costly

Example:

- Secure Horizons

Options for Low-Income Seniors

Medicaid

- Joint Federal and State program that helps pay medical costs for seniors with limited incomes and resources

Medicare Savings Programs

- State program to help pay Medicare costs (premiums, deductibles, coinsurance) for seniors with limited incomes and resources
- Must have Medicare Part A Coverage
- Must have money, stocks and/or bonds worth \$4,000 or less (single) or \$6,000 or less (married couple)
- Must have monthly income of less than \$1,097 (single) or \$1,464 (married couple)

Supplemental Security Income (SSI) Benefits

- Monthly benefit paid by Social Security to seniors with limited income
- Must be a U.S. Citizen, U.S. resident, and not absent from country for more than 30 days
- SSI provides cash to meet basic needs
- Must make an appointment to apply for SSI benefits on the telephone or in person at a Social Security office
- Social Security # 1-800-772-1213 or www.socialsecurity.gov

Programs of All-inclusive Care for the Elderly (PACE)

- Combines medical, social and long-term care services for seniors
- Only available in certain states
- CA Health Insurance Assistance 1-800-434-0222