

Medicare Prescription Drug Coverage

ON DECEMBER 8, 2003 a new law went into effect that provides seniors and people with disabilities who qualify for Medicare with the opportunity to have the Medicare program contribute to the costs of their prescription drugs. This brochure describes how Medicare, beginning in 2006, will help you with your prescription drug costs. Until then, seniors can lower the costs of their prescriptions through interim drug discount cards.

Interim Drug Discount Cards

Beginning no later than June 8, 2004, seniors may purchase a federally approved discount card to help them lower their prescription drug costs. The discount cards may be purchased for \$30 or less and will make discounts available to participating seniors.

Seniors living alone with an annual income below \$12,123 and couples with an annual income below \$16,362 will be able to get a free discount card and receive a \$600 credit on the card that can be used to purchase drugs. These seniors will still owe a coinsurance of 5% to 10% on each purchase.¹

This drug discount card program will end in 2006 when the Medicare drug benefit begins.

¹ The income numbers in this brochure are based on 2003 income guidelines set by the Department of Health and Human Services and are revised annually.

The Medicare Drug Benefit

Beginning in 2006, a new optional drug benefit called **Medicare Part D** will cover some of your prescription drug costs if you are entitled to Medicare Part A or enrolled in Part B. To receive this benefit, you will pay a premium of approximately \$35 per month, or \$420 a year, and a \$250 deductible. Once you have paid the deductible, Medicare will pay 75% (you pay 25%) of your next \$2,000 in drug costs.

Once your drug costs have reached a total of \$2,250 (the \$250 deductible plus the next \$2,000 in drug costs), your coverage stops. You pay the next \$2,850 in drug expenses yourself. Coverage begins again after you have spent this next \$2,850. For the rest of the year, you pay either a flat co-payment of \$2 for every generic drug prescription and \$5 for every brand name drug prescription, or 5% of the drug's cost, whichever is more.

The new benefit could mean significant savings for you. Medicare will now pay for some of your drug costs. Also, the plan that provides your drug benefit will be able to negotiate discounts on drugs. These discounts may save as much as 20% on your drug costs, which means that your dollars will go farther.

Additional assistance for low-income seniors

One-third of all seniors will receive additional assistance for prescription drug costs. The following guidelines will help you determine whether you will qualify for low-income assistance.

Example:

If you have annual drug costs of \$1,500:
\$1,500 – 20% discount negotiated by your plan = \$1,200

You pay:

\$250 deductible
\$237.50 (25% of the drug costs after the deductible)
<u>\$420 in premiums</u>
Total: \$907.50

Potential Savings:

$\$1,500 - \$907.50 = \$592.50$, or 40% savings

- If your income is less than \$12,123 (\$16,362 for couples) and your assets are less than \$6,000 (\$9,000 for couples), you will pay no monthly premiums and no deductible. You will pay \$2 for generics and \$5 for brand name drugs up to an out-of-pocket limit of \$3,600. After that, Medicare pays all drug costs. In each of these categories, the out-of-pocket includes any special subsidies Medicare or your state pays on your behalf.
- If your income is less than \$12,123 (\$16,362 for couples) and your assets are between \$6,000 and \$10,000 (between \$9,000 and \$20,000 for couples), you will pay no monthly premium. You will pay a \$50 annual deductible and 15% of your drug costs

up to an out-of-pocket limit of \$3,600. Once you reach the out-of-pocket limit, you will pay \$2 for generics and \$5 for name brand drugs.

- If your income is between \$12,123 and \$13,470 (between \$16,362 and \$18,180 for couples) and your assets are less than \$10,000 (\$20,000 for couples), you will pay no monthly premium. You will pay a \$50 yearly deductible and 15% of your drug costs up to an out-of-pocket limit of \$3,600. Once you reach the out-of-pocket limit, you will pay \$2 for generics and \$5 for name brand drugs

If you are eligible for Medicare but currently receive your prescription drugs through Medicaid, Medicare will provide your prescription drug benefit beginning in 2006. Medicare will pay for all your prescription drug costs, except for co-payment amounts between \$1 and \$3. After your total drug expenses reach a certain amount, you will no longer have to pay the co-payment amounts. You will not pay premiums or a deductible.



Am I Eligible For Low-Income Assistance?

In determining whether you are eligible for this low-income assistance, the assets you have will also be considered. Assets that may be counted include: savings accounts, stocks, bonds, real estate, a car, and life insurance. The following types of assets will **not** count for purposes of determining whether you are eligible for low-income assistance under Medicare Part D:

- A home (with no limit on its value) if you live in it and one car used to provide necessary transportation, regardless of its value
- Memorabilia, such as a wedding ring
- Household goods and personal effects up to \$2,000, and other property essential for your self-support
- Life insurance up to \$1,500
- The value of a burial space (such as plots, caskets, etc)
- Funds set aside for burial expenses up to \$1,500, with certain limitations
- The value of trusts, in very limited circumstances
- Certain other resources

What If I Am Already Covered for Prescription Drugs?

Employee Coverage: For working seniors with employee health insurance that provides prescription drug benefits, your employee health plan will continue to pay for your prescription drugs and Medicare will act as a “secondary payer.” If the group health plan does not pay all of your prescription costs, Medicare will pay additional, Medicare-approved amounts.

Retiree Coverage: If you have retiree coverage, your former employer will be encouraged to continue to provide prescription drug benefits. Medicare will help your former employer pay for that coverage, as long as the prescription drug coverage is at least equivalent to the coverage offered under Medicare. Your employer also may choose to negotiate lower premiums for you when you enroll in a Part D plan, and may help you pay the premiums or other costs for Part D. Even if you receive prescription drug coverage from your former employer, you may still choose to enroll in Part D.

Medigap: If you have a Medigap plan that includes prescription drug coverage and you choose to keep that plan you may not enroll in Part D.



If you have Medigap with prescription drug coverage and would prefer to enroll in Part D, you may do so. You have a choice of how to continue your Medigap coverage. You may:

1. Continue your existing Medigap plan with modifications to eliminate prescription drug coverage. Your premiums will be reduced as well.

OR

2. Enroll in a new Medigap policy that does not offer prescription drug coverage.

New Coverage Options

Beginning in 2006, in some areas, seniors will be able to enroll in private Medicare Advantage Plans (like the current Medicare+Choice plans). These plans may be a local HMO or Preferred Provider Organization. Medicare Advantage Plans will offer drug coverage in addition to other medical benefits.

If you wish to stay in traditional fee-for-service Medicare you will have that option. You may receive the Medicare prescription drug benefits by enrolling in a Prescription Drug Plan—a private plan that will offer only drug coverage. You will continue to receive your health care through traditional Medicare. You may be able to purchase extra coverage from these plans to help pay more of your prescription drug costs.



Enrollment

The enrollment period for Part D begins on November 15, 2005. If you are eligible to enroll in Part D on that date, you will have six months to enroll. This means that you must enroll in Part D between November 15, 2005 and May 15, 2006. You will be allowed to enroll at a later time only under special circumstances.

If you become eligible for Medicare after November 15, 2005, the Medicare program will have an initial enrollment period for you that will last at least six months.

For example, if you turn 65 in 2006, Medicare will notify you of your six-month enrollment period.

For more information, contact the Medicare program at 1-800-MEDICARE (1-800-633-4227) or through the internet at www.medicare.gov.

Important Dates to Remember

- Drug Discount Card will be available before June 8, 2004
- Enrollment for Part D prescription drug benefits begins on November 15, 2005. You must enroll before May 15, 2006 in order to avoid penalties.
- Part D prescription drug benefits begin on January 1, 2006

