

# MEDICARE PART D THE PRESCRIPTION DRUG BENEFIT

## Background

For 2010, Medicare Part D, the prescription drug plan, provides catastrophic drug expense coverage, sugar-coated with a \$1,890 per year initial benefit.

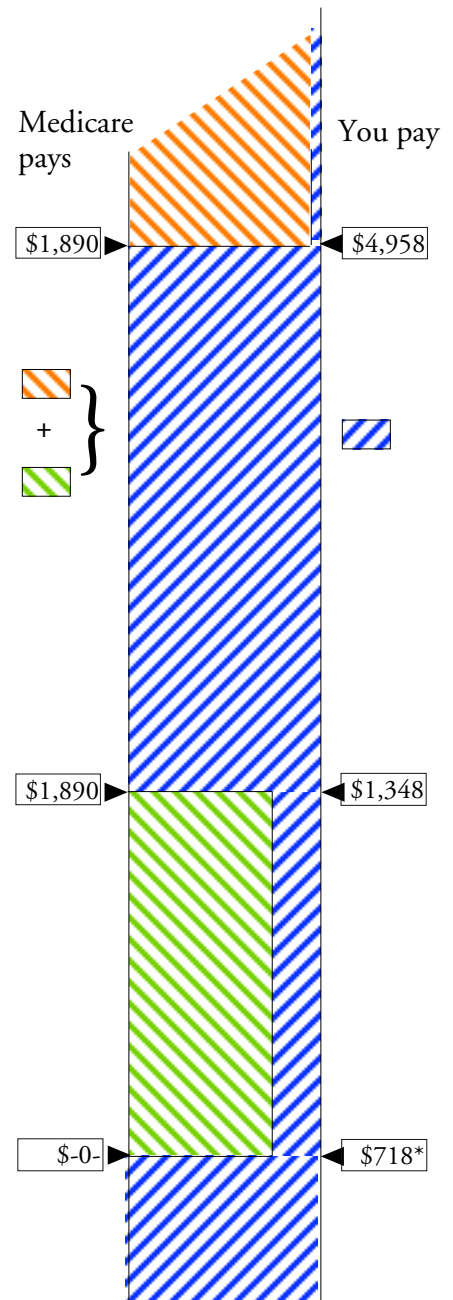
Coverage is voluntary, and will be provided by private prescription drug plans (PDP) that offer drug only coverage to supplement regular Medicare Parts A & B, or by Medicare Advantage plans that offer both prescription drug and managed health care coverage (MA-PD).

The plans must offer the equivalent of at least the minimum standard drug benefit. There is a calendar year deductible which you pay, then a co-insurance zone where you pay 25% of your drug costs, followed by a 'gap' where you pay all costs again. Benefits then become 95% of covered drug costs once you have paid out-of-pocket \$4,550 plus your plan's annual premium.

The gap never shrinks. Increasing your plan's benefits may reduce your annual out-of-pocket expense if it enables you to get to the end of a calendar year without meeting the annual catastrophic limit which is shifted, but not changed by a change in benefits.

Subsidy is provided to eligible low-income beneficiaries. <<http://www.cms.hhs.gov/limitedincomeandresources/>>

Coverage will be restricted to the drug formulary determined by the provider of the plan you select. Each formulary category and class must include at least two drugs (if available). The specific drugs allowed within a category or class may be changed on 30 days notice.



\*\$310 deductible plus \$34/month premium

# MEDICARE PART D

## THE PRESCRIPTION DRUG BENEFIT

### **Eligibility, Enrollment and Election**

If you are entitled to benefits under Medicare Part A or are enrolled under Part B, you also become eligible for Medicare Part D. Your initial enrollment period is identical to the initial enrollment period established for Medicare Part B.

Each year there from 15th November to 31st December is an Annual Coordinated Election period. During this interval you may make any change of drug plan you desire, provided you meet the particular requirements of your new source.

### **Plans Offered**

You may choose from either one of a number of free standing prescription drug plans (PDP) offered in your service area, or one of a number of plans linked to a provider network (MA-DP) if offered. <[http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/03\\_Resources.asp#TopOfPage](http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/03_Resources.asp#TopOfPage)>

If you take a linked plan you become subject to the limits of its prescription drug coverage, and also to terms of its delivery of care.

These “Medicare Advantage” plans allow both Health Maintenance Organizations where you must select and access services through the agency of a gatekeeper, or primary care physician, and Preferred Provider Organization plans where you may see who you wish, but get full benefits (except in emergencies) only when provider belongs to the plan to which you subscribe.

### **Formulary**

In theory, PDP providers will use their purchasing power to wrest good deals for their members from drug manufacturers. Thus each drug plan provider will offer its own list of drugs it will cover. This list is called a formulary. Whichever plan you choose you run some risk that one or more of the drugs critical to your health will not be covered.

Expect each provider’s formulary to encompass a broad range of conditions. Where there are two or more directly competing plans, formulary overlap between them may be limited. Plans do not offer coverage for non-formulary drugs.



# MEDICARE PART D

## THE PRESCRIPTION DRUG BENEFIT

### PROJECTED FUTURE PREMIUM & BENEFIT THRESHOLDS

Year	Average Monthly Premium	Average Annual Premium	Nominal Annual Deductible	Effective Annual Deductible	Actual Initial Benefit Amount
2010	34	408	310	718	1,890
2011	36	437	332	768	2,022
2012	39	467	355	822	2,164
2013	42	500	380	880	2,315
2014	45	535	406	941	2,477
2015	48	572	435	1,007	2,651
2016	51	612	465	1,078	2,836
2017	55	655	498	1,153	3,035



Year	Effective Initial Benefit Cap	Actual Coverage Gap	Effective Out of Pocket Cap	Nominal Catastrophic Limit
2010	2,830	3,610	4,958	6,440
2011	2,962	3,863	5,305	6,891
2012	3,226	4,133	5,676	7,373
2013	3,484	4,422	6,074	7,889
2014	3,758	4,732	6,499	8,442
2015	4,048	5,063	6,954	9,032
2016	4,386	5,418	7,441	9,665
2017	5,201	5,797	7,961	10,341

#### **Premiums & Benefits**

2010 premiums for Medicare Part D are expected to be around \$34 per month. This cost will vary by service area and plan type, and will be adjusted annually. Subsequent years' benefits will also be graded to reflect the cost increases of the program.

The figures in the above tables are taken from Congressional Budget Office Estimates. 'Nominal' and 'Actual' amounts are direct quotes. 'Effective' ones include the cost of premiums. These estimates reflect an expected increase of 7.9%/year for premiums, and 8.5% for benefit thresholds and limits.

# MEDICARE PART D

## THE PRESCRIPTION DRUG BENEFIT

### **Circumstances to Consider**

If you have plan choices, consider first formulary differences. A plan with a narrower formulary will likely not cover a number of the drugs you end up taking regularly. A plan with too broad a formulary will experience large premium increases.

If you do not already suffer a chronic condition requiring drugs, consider your genetic inheritance and favor the plan which will most likely match your future needs.

If you are not sure about Part D coverage, enroll in the cheapest plan you can find. You may drop coverage at a later date, or as matters now stand, and your circumstances may later warrant, elect to change to the plan of your choice with no particular penalty at the following Annual Coordinated Election period (15 November to 31 December).

If you are covered by an employer sponsored plan either as an active employee, dependent or retiree, determine whether the plan qualifies as “creditable prior drug coverage” for Part D. If not, you must make an election during your initial Medicare Part D enrollment period, or face the consequences of higher premiums when you enroll later.

If you regularly take prescription drugs either purchased domestically or imported, ask a US pharmacist what they will cost you, and whether they will be covered under the Medicare plan you are considering.

If you change your residence from one drug plan region to another, you may have to change plans, but it is not clear how broad your options in your new region may be.

### **Useful Web Links**

Medicare & Medicaid Info & Regs	<a href="http://www.cms.hhs.gov/home/medicare.asp">&lt;http://www.cms.hhs.gov/home/medicare.asp&gt;</a>
Creditable Drug Coverage	<a href="http://www.cms.hhs.gov/CreditableCoverage/">&lt;http://www.cms.hhs.gov/CreditableCoverage/&gt;</a>
Prescription Drug Plans Listing & Benefit Calculator	<a href="http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/03_Resources.asp#TopOfPage">&lt;http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/03_Resources.asp#TopOfPage&gt;</a>
Premium Subsidy	<a href="http://www.cms.hhs.gov/limitedincomeandresources/">&lt;http://www.cms.hhs.gov/limitedincomeandresources/&gt;</a>