

The Background and Basics of Medicare Part D



The Medicare Prescription Drug Improvement and Modernization Act was passed on December 8, 2003. It established a voluntary drug benefit for Medicare beneficiaries and created a new Medicare Part D. Simply put, the Medicare Modernization Act and the Medicare Prescription Drug Improvement feature gives elderly and disabled people already on Medicare access to drug coverage beginning in January of 2006.

What are the Details of the Medicare Part D Program?

In general, Medicare prescription drug plans provide insurance coverage for your prescription medications. If you join the Medicare Part D, there will be a monthly premium of approximately \$37. Prescription costs will vary depending on the particular drug plan you choose. In more detail:

- Medicare Part-D will provide choices for prescription drug coverage plans with an estimated average monthly premium of \$35-37.
- The plans have an annual \$250 deductible.
- After the deductible is met (the insured has paid the first \$250), Medicare will pay 75% of the covered prescription costs up to \$2000.
- The insured person must then pay the remaining 25% of the next \$2000.
- After the \$2000, the insured person pays the 100% of the next \$2850.
- The insured person then has a co-payment thereafter of 5%.
- Benefits may vary depending on income levels.
- Premiums may increase annually.

When Can I Join a Prescription Drug Plan?

If you currently have Medicare Hospital or Medicare Medical Insurance (Parts A and/or B), you can join the Medicare Part D prescription drug plan between **November 15, 2005 and May 15, 2006**.

If you join a plan before December 31, 2005, your Medicare prescription drug plan coverage will begin on January 1, 2006.

If you join after December 31, 2005, your coverage will begin on the first day of the month after the month in which you join.

How would I decide if a Medicare Part D plan is the right choice for me?

Like any insurance coverage decision, the question of whether to join a Medicare Part D plan depends on your particular situation.

There are however, certain simple factors that you can consider in preparation for this question.

For instance:

- How much do I spend each year on prescription drugs?
- What does the Medicare Part D plan cost each month?
- Does the Medicare Part D plan cover your particular prescription drugs?
- What are the Medicare Part D plan's co-payment and deductibles?
- Do you qualify financially for any "Extra Help" programs?
- Are you already eligible for prescription drug coverage by your previous employer, union, or the VA?

Please note, as a rough guideline, it is estimated that if you spend as little as \$68.00 per month on prescription drugs (or \$810.00 per year), you could save money with a Medicare Part D plan (depending on the plan's monthly premium).

Which Prescription Drugs are Covered under the Medicare Part D plans?

The list of prescription drugs covered by the Medicare Part D plans (or a Plan's Formulary) can vary plan to plan. However, **every** therapeutic category of prescription drugs **will be covered** under the Medicare Part D prescription drug plans.

Naturally, not every plan will cover each drug and Medicare beneficiaries must therefore choose a plan that best accommodates all of their personal prescription drug needs and financial situation.

More specifically, some plans will provide coverage for generic drugs, while other plans will focus on providing a wide range of name-brand prescription drugs. As noted, plan premiums will reflect the plan's coverage. Many plans are using a "tiered" approach to their Prescription Drug List (also known as a Formulary). Specific drugs are in each Tier and will have a co-payment that increases with the level of Tier. Therefore, the co-pay for Tier 3 Drugs is higher than the co-pay for Tier 1 Drugs. Also, some plans reduce the amount of co-pay per Tier depending on if you purchase their Low, Middle, or Higher Premium Plan.

For Example:

Plan	Lower Premium Plan	Middle Premium Plan	Higher Premium Plan
Co-payment Tier 1/2/3	\$12 / \$36	\$5 / \$20 / \$53	\$0 / \$20 / \$55
Premium per Month	\$20.07	\$30.46	\$44.47

Important Dates to Remember

- **November 15, 2005 - May 15, 2006**
Open Enrollment for Medicare Part D.
- **January 1, 2006**
The Medicare Part D Prescription Drug Benefit goes into effect.
- **May 15, 2006**
The existing Medicare approved drug discount card ends (or this card expires when new Medicare Part D coverage begins, whichever comes sooner).
- **May 16, 2006**
Monthly premiums will increase 1% per month after the end of the Open Enrollment period.
- **November 15, 2006 - December 31, 2006**
The Annual Coordinated Election Period (new plans are effective January 1, 2007).

Contact me. I would be happy to answer any questions regarding the worth or effectiveness of your current insurance coverages.

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