

# *Show-Me Guide*

## **Introduction to Part D: Medicare's New Prescription Drug Coverage**

An educational resource  
developed and published by  
UnitedHealth Group



**UnitedHealth Group**

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### Not sure what some of the words mean?

You may not be familiar with some words used in this book, like “formulary,” or “deductible.” To help you, there’s a **Glossary** that explains the meaning of some of these words.

► See *Glossary*, page 21

**Y**OU'VE PROBABLY HEARD ABOUT Medicare's new prescription drug coverage. It's sometimes called Medicare Part D, and it starts January 1, 2006.

If you're like most people, you know the cost of prescription drugs has been rising. The U.S. Congress developed Part D to help Medicare participants with the cost of their prescription drugs. It will offer most people who are eligible for Medicare a significant opportunity to save. Some may say it's not a perfect solution, but others believe it's a good start toward affordable drugs.

The Part D prescription drug coverage will work differently from Medicare Part A and Part B. To get the coverage, you'll choose a plan from a private company. Each plan may be a little different.

If you already have prescription drug coverage, you'll want to compare the plan you have now with the new plans that are being offered under Part D. If you don't have coverage now, it's important for you to look at Part D plans.

This guide is an introduction to how Part D plans will work. It explains the decisions you'll need to make in the next few months, and offers some advice on what you should do next. It is not intended to help you choose a specific plan right now. Under the timeline set by the federal government, you will receive detailed information about plans available in your area this fall.

Let's get started.

# What are the big ideas?

## *Top 10 things to know about Part D plans*

**I**F YOU ONLY HAVE TIME for a quick introduction to Part D prescription drug plans, read this list. These are the big ideas you need to know. Later, if you want, you can dig deeper into these topics.

**1**

### **Open to all people with Medicare**

Part D plans are open to everyone who's eligible for Medicare in the U.S. and U.S. territories. Generally, that means people who are 65 years old or older, and some younger people with certain disabilities. You cannot be denied coverage for health reasons. Participation is voluntary. You get to decide if you want to enroll or not. If you have Medicare and Medicaid, you will be enrolled automatically, so there is no lapse in your Medicaid prescription drug coverage. The first enrollment period starts November 15, 2005, for coverage beginning January 1, 2006. There will be annual enrollment periods from then on. If you decide to join later, your monthly premiums may be higher because there's an additional fee for late enrollment.

**2**

### **Pay to participate**

Participation has a cost and you will pay a portion. However, much of the cost is paid by the government. Typically, the government pays about 75 percent of the enrollment costs of the plan. You pay the rest.

**3**

### **Safety net and peace of mind**

All of the Part D plans are private insurance plans. Most participants will pay monthly premiums. That premium buys you the peace of mind of knowing that if your drug costs become very high, you will be protected.

**4**

### **Discounted prices**

If you join a Part D plan, and use the plan's network pharmacies, you'll have access to discounted prices. Plans will negotiate lower prices with drug companies and pass those savings along to you. So when you pay for drugs within the plan, you'll have access to discounted prices even when you are responsible for 100 percent of the payment.

**5**

### **Choices in plans**

You'll have choices in plans. All plans will be run by private companies. Companies will release details of their plans after October 1, 2005. Although all plans must meet the government's requirements, there will be differences between plans, including what drugs are covered and what pharmacies you can use. Some plans may offer mail-order service. You will want to see which one is best for you. You'll be able to change plans once a year.

## 6

### Two kinds of plans

Plans will come in two basic types. The most simple is a prescription drug plan (sometimes called a PDP), which covers only drugs and can be used with your traditional Medicare and/or a Medicare supplement plan. The other type combines a prescription drug plan with a Medicare Advantage plan that includes medical coverage for doctor visits and hospital expenses. This kind of plan is called a Medicare Advantage plus Prescription Drug, or MA-PD.



## 7

### Enroll late, pay more

You can choose to enroll beginning November 15. Just like other types of insurance plans, the longer you wait, the higher your premium may be. If you are eligible, and don't sign up by the end of the initial enrollment period, which ends on May 15, 2006, you may pay more if you sign up later. The late enrollment fee is approximately one percent of your premium for each month you delay, and you'll pay it for as long as you stay in a Part D plan. If you're late because you were participating in a qualified prescription drug plan, such as a plan from your former employer, the fees may not apply to you.



## 8

### Choose drugs from a formulary

Each Part D drug plan will have a government-approved list of drugs it covers—called a formulary, or a preferred-drug list. The formulary may vary from plan to plan, but you and your doctor will have choices. Before you choose a plan, you'll probably want to compare plan formularies to see which one fits your needs best. ▶See *What is a formulary?* on page 10.



## 9

### No free drugs

Don't expect free drugs. For each prescription, you'll pay a portion of the cost. The plan will help you with some of the costs. How much you pay and how much the plan pays varies. ▶See *A sample plan*, page 7 for an example of how cost sharing will work in a typical plan.



## 10

### Extra help for people who need it

People with lower incomes get extra help. Premiums may be reduced or eliminated, and other payments may be less. ▶See *Help for people with lower incomes*, page 12.



# Is a Part D plan for me?

**M**EDICARE PART D prescription drug plans may not be for everyone. Use these questions to assess if a Part D prescription drug plan makes sense for you.

Are you eligible for Medicare because of your age or due to a disability?



You'll have to wait until you're 65, or experience a qualifying disability, to sign up for a Part D plan.

YES



Do you use prescription drugs now or expect to in the future?



No one can predict the future. As you age and your medical conditions change, your need for prescription drugs may increase. If it does, you may want the comfort of knowing that a Part D plan will help you.

YES



Are you currently without prescription drug coverage? That means you don't have prescription drug coverage from your employer, former employer, or some other source.



If you already have a plan that covers most of your prescription drug costs, you'll need to determine if the plan will be available in 2006, and whether to stay with your current plan or change to a Part D plan.

YES



Do you like the idea of having a safety net of protection for the cost of drugs if something serious happens to your health?



Part D plans place a limit on your share of the cost of your drugs each year. You have the protection of a cap on your spending.

YES



Do you like the idea of getting a break on the prices of your prescription drugs?



Part D plans offer ways to save money on prescription drugs throughout the year, including extra help for people with lower income.

YES



If you answered yes to one or more of these questions, you'll probably want to sign up for a Part D prescription drug plan.

# What to do

**P**ART D PRESCRIPTION DRUG COVERAGE is a new program, so you'll probably see and hear a lot about it in the coming months. One important thing to know is

**Get ready.** You won't be able to finish your decision-making process until this fall, when private companies release the details of the plans they're offering. But you'll have a head start if you learn about Part D plans now.

**Read this book carefully.** It's a good way to get the big picture. It explains the "big ideas" behind Part D prescription drug coverage, and it explains how the insurance plans will work. If you have prescription drug coverage now, it tells you a little about what will happen to that coverage and what your choices will be.

**Figure out what kind of health care coverage you have now, and whether it will be available in 2006.** The choices you have for prescription drug coverage will partly depend on what kind of health care coverage you have today.  
▶ See page 13 for help in identifying your current coverage.

**Collect current information.** In the fall of 2005, collect information you will need to help in making your decision. ▶ See page 16 for some suggestions about what you'll need. And if you receive any letters from your former employer or insurance plan about your current prescription drug coverage, be sure to save them.

that you'll have some choices to make. And before you decide what's best for you, you'll probably want to do some comparison shopping.

**Compare choices.** When details of specific Part D plans are available, you'll want to compare your choices before you decide what's best for you. If you have prescription drug coverage now, you'll want to compare it to the coverage available in a Part D plan. And if you don't have coverage now, it's still up to you to decide what is best for you.

**Decide what's right for you.** This book describes some of the general features of Part D prescription drug coverage. When you add this information to the information about specific plans, you'll be able to make your choice.

## Important dates

### October 1, 2005

First day for private companies to release details of their individual plans.

### November 15, 2005

First day you can enroll in an individual Part D prescription drug plan.

### January 1, 2006

First day you can use your Part D prescription drug coverage (if you enrolled prior to December 31, 2005).

### May 15, 2006

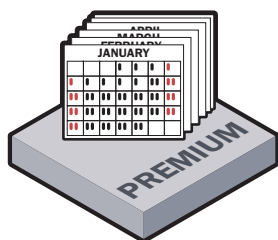
If you're eligible for Medicare, last day you can enroll in a Part D prescription drug plan without a late enrollment fee, unless you qualify for an exception.

▶ See page 16.

# How Part D plans will share costs

**L**IKE ALL INSURANCE PLANS, Part D plans spread the cost of coverage across everyone who joins the plan. Part D plans may use four types of cost sharing. How much you pay will depend on how many

drugs you use during the year. Here is how the cost-sharing will work in the standard Part D plan. The details of individual plans may vary.

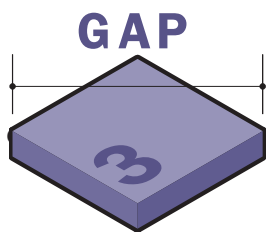


**Premiums** are the monthly charges you pay to participate in the plan. For most plans, your premium payments will be about \$37 per month (about \$445 per year). In addition, the government contributes about \$1,600 per year towards the cost of your premium. In future years, costs may go up. For your convenience, you can have your premiums deducted automatically from your monthly Social Security check or you can be billed by the plan.



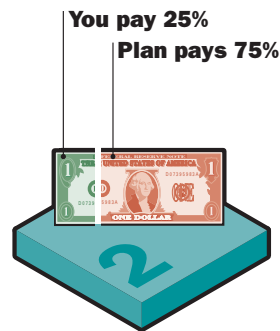
**1**

**Deductible** is the term for the amount you pay before your insurance starts. In the standard Medicare plan, Step 1 ends when the total you've paid for eligible drugs reaches \$250.



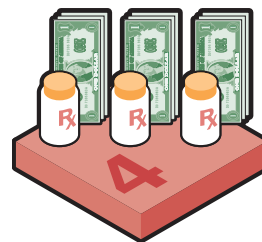
**3**

**Coverage gap** describes when the plan makes no contribution to drug costs and you must pay 100 percent for drugs out of your pocket until you reach a pre-set maximum. You'll hear some people call this step "the doughnut hole," or "gap." You'll still have access to discounts on the price of your drugs.



**2**

**Co-insurance** is the term for splitting costs on a percentage basis. For example, in Step 2 of the standard plan designed by Congress, you pay 25 percent of the drug cost and the plan pays 75 percent until the combined total reaches \$2,000. Some plans may have flat **co-pays** for each prescription instead of a percentage.



**4**

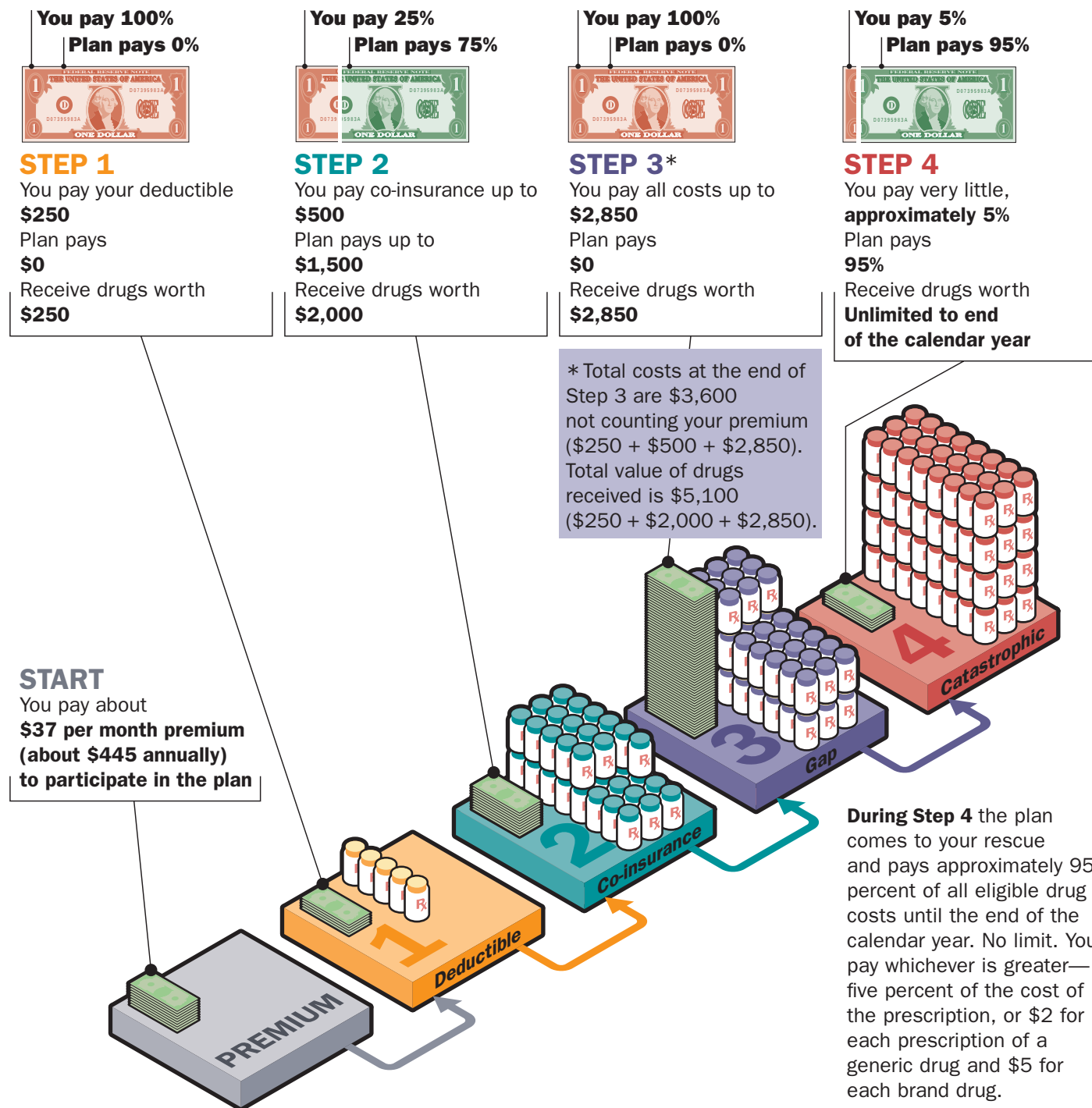
**Catastrophic coverage** applies when your drug costs are very high. It begins after you've paid \$3,600 out of your own pocket for drugs in a year. In this step the plan pays most costs with no upper limit. You pay a small portion, such as five percent, or a small flat amount for each prescription.



# A sample plan

THIS IS THE STANDARD PLAN passed by Congress. Individual plans offered by private companies may vary. Details will be released after October 1, 2005. Not all plans will include all of the features described

below. As the total amount you spend on prescription drugs grows during the year, you will move through some or all the four steps of coverage. Here's an example of how costs would be shared at each step.



# Examples

A PERSON WHO TAKES very few drugs may not move beyond Step 1. Someone who takes several drugs for chronic conditions, or who has a major illness during the year, may easily reach Step 4. These examples are based on the standard Part D plan on the previous page.

Amounts shown are for one person. If you're married, you'll each need your own plan.

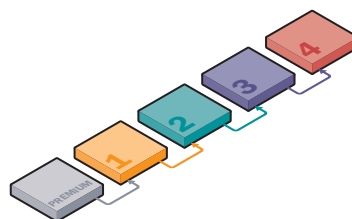
If you use a lot of drugs, you'll save a lot of money. But Part D plans offer another benefit that's hard to calculate in a simple study of savings. How much is it worth to have a safety net that picks up almost all the costs if you develop a serious medical condition that pushes your drug costs to the catastrophic level?

## More savings

Most drug costs paid under Part D plans are discounted prices negotiated by the private companies with drug companies. Those additional savings are not reflected in these calculations. Discounts could be as much as 5 to 40 percent.

## Jerome

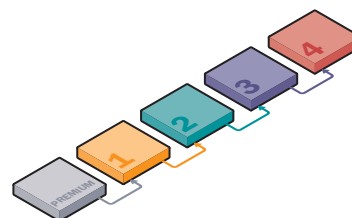
Jerome, age 45, has diabetes and is disabled. He spends more than \$950 per month on prescription drugs. Part D prescription drug coverage is a major financial benefit to him.



Annual drug costs	<b>\$11,500</b>
Total out-of-pocket spending with Part D	<b>\$4,365</b>
Annual premium	\$445
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$500
Step 3 coverage gap	\$2,850
Step 4 catastrophic coverage (5%)	\$320
<b>Savings</b>	<b>\$7,135</b>

## Agnes

Agnes, age 67, has had a major illness this year. Her drug spending has averaged more than \$700 per month for nine prescriptions. With a Part D plan, Agnes saves a lot of money.



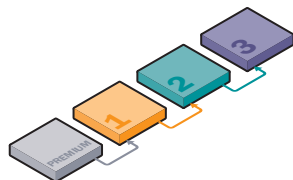
Annual drug costs	<b>\$8,800</b>
Total out-of-pocket spending with Part D	<b>\$4,230</b>
Annual premium	\$445
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$500
Step 3 coverage gap	\$2,850
Step 4 catastrophic coverage (5%)	\$185
<b>Savings</b>	<b>\$4,570</b>

## Examples

continued

### Carlos

Carlos, age 77, has several chronic conditions, including asthma. He spends nearly \$400 per month for seven prescriptions. Carlos saves a significant amount with a Part D plan, even though he pays all of his own costs in the coverage gap.



Annual drug costs	<b>\$4,570</b>
Total out-of-pocket spending with Part D	<b>\$3,515</b>
Annual premium	\$445
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$500
Step 3 coverage gap	\$2,320
Step 4 catastrophic coverage	\$0

**Savings** **\$1,055**

### William

William, age 88, has high blood pressure and cholesterol problems. He spends less than \$200 per month for prescriptions. With a Part D plan, William reaches the Step 2 co-insurance phase, but still saves money.

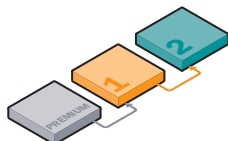


Annual drug costs	<b>\$2,250</b>
Total out-of-pocket spending with Part D	<b>\$1,195</b>
Annual premium	\$445
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$500
Step 3 coverage gap	\$0
Step 4 catastrophic coverage	\$0

**Savings** **\$1,055**

### Helen

Helen, age 71, is generally in good health. She spends less than \$100 each month for two prescriptions for osteoporosis drugs. With a Part D plan, Helen saves a modest amount but she also has the comfort of knowing drugs will be covered if she is ill.

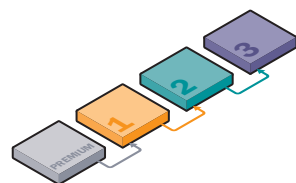


Annual drug costs	<b>\$870</b>
Total out-of-pocket spending with Part D	<b>\$850</b>
Annual premium	\$445
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$155
Step 3 coverage gap	\$0
Step 4 catastrophic coverage	\$0

**Savings** **\$20**

### Louise

Louise, age 73, spends about \$300 each month on prescription drugs. Louise enrolled in a Medicare Advantage plan that includes Part D prescription drug coverage. Since her health plan has no monthly premium, she saves significantly on her prescription drugs.

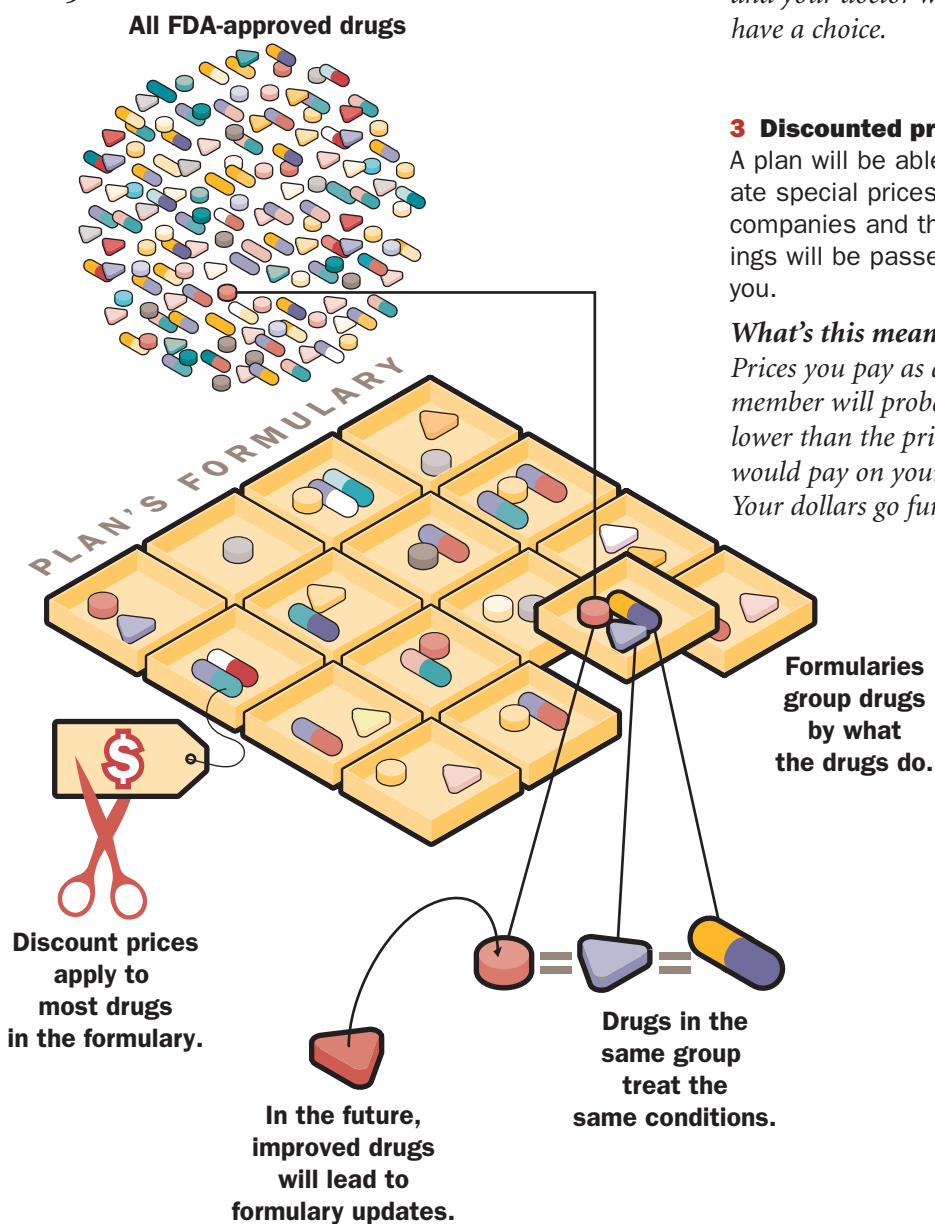


Annual drug costs	<b>\$3,500</b>
Total out-of-pocket spending with Part D	<b>\$2,000</b>
Annual premium	\$0
Step 1 deductible	\$250
Step 2 co-insurance (25%)	\$500
Step 3 coverage gap	\$1,250
Step 4 catastrophic coverage	\$0

**Savings** **\$1,500**

# What is a formulary?

A FORMULARY IS A LIST of the drugs that a plan covers. Each plan has its own formulary. All formularies are similar because they're based on federal guidelines, but they may not include exactly the same drugs. The differences may be important to you. You'll want to compare formularies when you select a plan. You'll be able to see a plan's specific formulary after October 1, 2005.



## 10 things to know about formularies

### 1 Different drugs, different prices

Some plans may offer a broader formulary than other plans. Plans may also have different cost sharing for a particular drug.

#### *What's this mean to me?*

*Safe and effective drugs will always be available. You and your doctor will always have a choice.*

### 2 Additional choices

Plan formularies will include both generic and brand name drugs. Generic drugs are lower-cost alternatives to brand name drugs. You can save money by switching to the generic version.

#### *What's this mean to me?*

*Stretch your dollars further by choosing generic drugs whenever you can.*

### 3 Discounted prices

A plan will be able to negotiate special prices with drug companies and these savings will be passed along to you.

#### *What's this mean to me?*

*Prices you pay as a plan member will probably be lower than the prices you would pay on your own. Your dollars go further.*

### 4 Drug advances

Formularies probably won't change very often, but when research reveals new treatments, or new generic drugs are launched, that may trigger changes to plan formularies. Your plan will tell you of changes so you and your doctor can consider your options.

#### *What's this mean to me?*

*As formularies evolve, you may occasionally need to have your doctor adjust your prescriptions to ensure they are covered. Your plan's current list will usually be available on a Web site or by mail.*

### Other names

A formulary may also be referred to as a preferred drug list (PDL), or a select drug list.

## What is a formulary?

*continued*

### 5 Match your drugs to the formulary

When choosing a plan, compare the drugs on the plan's formulary with the drugs you currently take. Discuss the drug options with your doctor.

#### **What's this mean to me?**

*If you take multiple drugs, you probably won't find every one of them on a single formulary. If a drug you take isn't on the formulary, talk to your doctor about updating your prescription to a drug on the list.*

### 6 Exceptions

Formularies are designed to meet the needs of most people. No formulary can meet everyone's needs. A formulary-exceptions process will be available if your doctor determines that no substitute drug works for you.

#### **What's this mean to me?**

*You probably won't be denied coverage for a drug in the rare cases where no other drug can be used.*

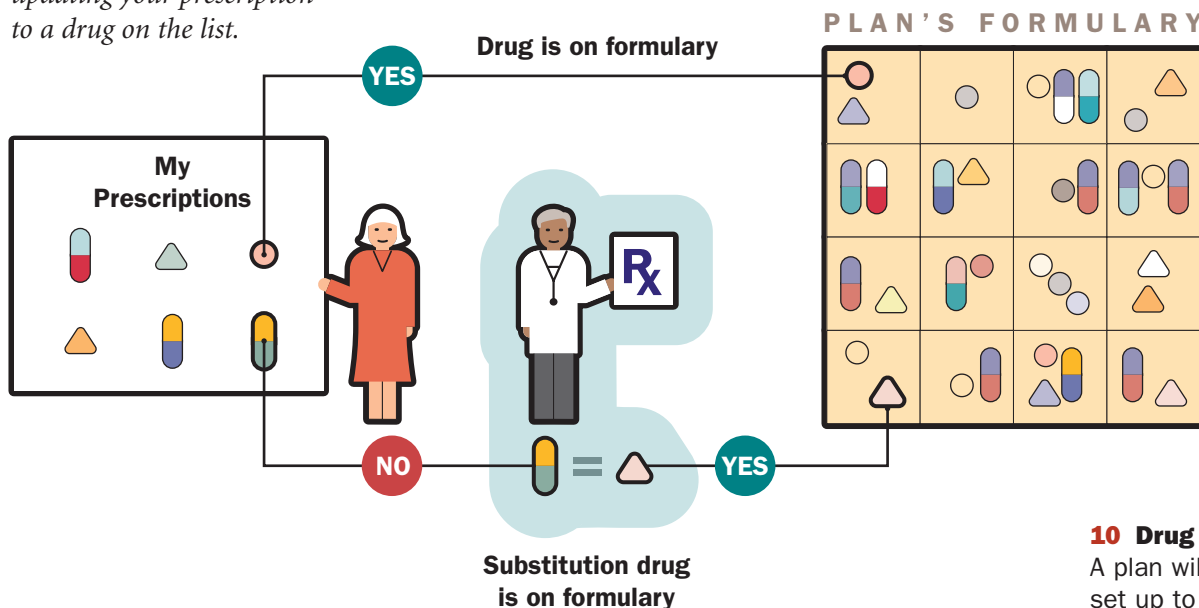
### 7 Outside the plan

Federal law has excluded some drugs from the list.

► See page 19.

#### **What's this mean to me?**

*For drugs that are not covered by any plan, you always have the option to pay the full cost out of your own pocket. Whatever you spend in this way doesn't count toward any deductible or out-of-pocket costs.*



### 8 Pharmacies

Plans will usually require participants to get their drugs from specific pharmacies within a network of pharmacies that have agreed to special low prices.

#### **What's this mean to me?**

*Most pharmacy networks include many locations, but check to see what local pharmacies are included before you select a plan.*

### 9 Drugs at lower cost

If needed, your doctor can help you switch your prescriptions to drugs that are covered by your plan's formulary. Your doctor can also help you lower costs by switching your prescriptions to drugs with lower co-payments or to lower-cost generics.

#### **What's this mean to me?**

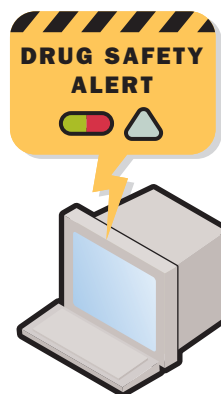
*You will pay less money for your drugs.*

### 10 Drug safety

A plan will have systems set up to alert your pharmacist of potential interactions between different prescription drugs you may be taking. When you obtain your drugs through your plan, your pharmacist will get these messages while he or she is filling your prescription, even if you filled other prescriptions at another network pharmacy.

#### **What's this mean to me?**

*You'll get help to avoid drug interactions that could decrease medication effectiveness or make you ill.*





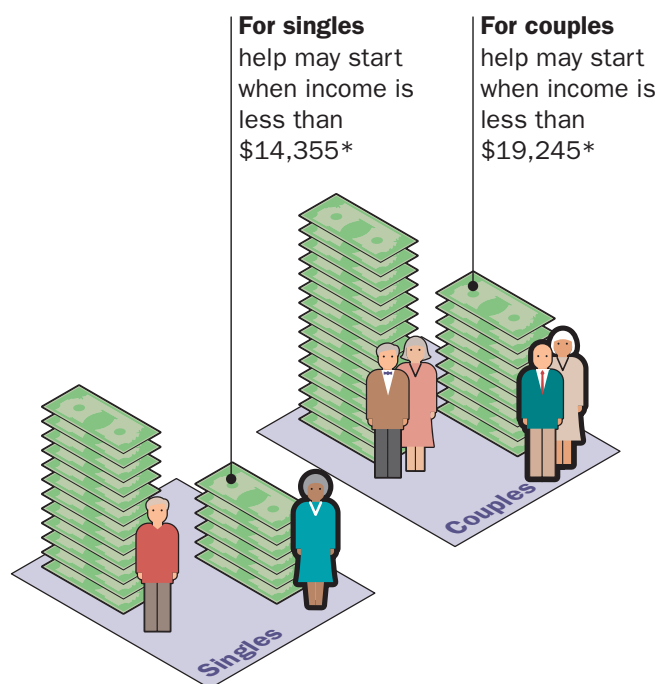
# Help for people with lower incomes

**H**ELP IS AVAILABLE for people with lower incomes and few savings or other assets. If you think you can't afford a Part D plan, find out if you qualify for help.

## What kind of help?

Depending on the level of need:

- Your premiums may be reduced or eliminated.
- Your deductibles may be reduced or eliminated.
- Your co-insurance and co-pay amounts may be reduced.
- Your coverage gap may be eliminated.



\*Example of 2005 figures; figures will also vary in Alaska and Hawaii.

## Who's eligible?

Eligibility depends on your income (money you receive from retirement benefits or other money that you would report for tax purposes). In some cases, the government also reviews your assets (for example, property besides your house that you own). ▶ See *Glossary*, page 21, for a definition of assets.

## How to apply

You will need to fill out an application form to apply for assistance. You may have received this form in the mail, or you may contact your local Social Security Administration office.

## Example

Andrew is a single person with an annual income of \$8,700. At this income level, the government does not consider assets. Andrew is eligible for the maximum amount of help. Here is what he would pay for a Part D plan.\*

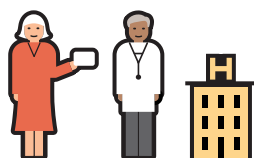
Premium	Pay no premium
Step 1 Deductible	Pay no deductible, and move directly to Step 2
Step 2 Co-insurance	Pay \$1 (generic) or \$3 (brand) per prescription
Step 3 Coverage gap	No coverage gap, continue paying at Step 2 levels
Step 4 Catastrophic coverage	Pay nothing

\*Low-income programs will vary in the U.S. territories.

# Next steps

*What's your current coverage?*

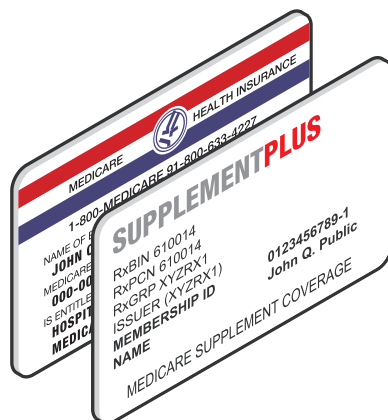
**Y**OUR CHOICES for Part D plans depend on what kind of health care coverage you have now. Not sure what type of coverage you have? Think about what kind of identification card you show to your doctor or hospital when you need care.



If you still have questions about the type of insurance you have, call the customer service number on your card.



**If you only use your Medicare card** issued by the federal government, you probably have traditional Medicare (Part A and B) coverage.



**If you use your Medicare card, plus a second card** that pays for expenses Medicare doesn't cover, then you probably have a Medicare supplement policy which you purchased on your own, or which may be provided through your former employer.



**If you use a different card** from your Medicare card for your costs, then you probably have a Medicare Advantage plan which you purchased on your own, or which is provided by your former employer.



Drug discount cards are **not** the same as Part D prescription drug plans. They are not insurance plans. **Medicare-approved discount drug cards** (which have the Medicare-approved seal on them) will end when you sign up for a Part D plan, or on May 15, 2006, whichever is earlier.

**Other discount drug cards** (non-Medicare approved) may continue to exist. If you join a Part D plan, you can keep your non-Medicare-approved discount drug card. If you stay with a discount drug card only, you'll have to pay a late-enrollment fee if you join a Part D plan later.

► See page 15.

# Next steps

*What are my choices?*

ONCE YOU KNOW what type of current health care coverage you have, it's easier to determine what your choices are.

## What you have now

## What your choices are

**Traditional Medicare only**  
(Parts A & B)



You can enroll in a stand-alone Part D prescription drug plan (PDP) that only covers drugs. Or you can enroll in a Medicare Advantage plan with prescription drugs (MA-PD) that combines coverage for doctor and hospital care with a prescription drug plan. Medicare Advantage plans are not available in every part of the country.

**Traditional Medicare plus a Medicare supplement policy**  
(for example, plans A through G, no drugs)



You can get Part D prescription drug coverage by enrolling in a stand-alone Part D drug plan to complement your Medicare and Medicare supplement policy.

**Traditional Medicare plus a Medicare supplement policy**  
(for example, plan H, I, or J, with drugs)



You must decide whether you want to keep your supplemental drug coverage or enroll in a Part D plan. If you enroll in a Part D plan, you must change your supplement policy to exclude drugs. You cannot have both a supplemental plan with drug coverage and a Part D plan. If you decide to stay in a plan with drug coverage and later decide to join a Part D plan, you'll face a late enrollment fee.

**Medicare Advantage plan (with or without drug coverage)**



In 2006, all Medicare Advantage plans will offer Part D prescription drug coverage. Some may also offer plans without drug coverage. Your plan will tell you about changes in your coverage and what your choices are. If you choose to stay in a Medicare Advantage plan that doesn't offer drug coverage, you will not be allowed to enroll in a stand-alone Part D plan.



## What you have now

### Employer drug coverage



## What your choices are

Many employers who provide drug benefits may continue their drug coverage. Others may choose to help employees or retirees who enroll in a Part D plan by paying some of the costs. Before the end of 2005, ask your former employer what you can expect. If your former employer continues a plan that meets or exceeds the government standards, you won't have to worry about a late enrollment fee if you decide to join a Part D plan in the future.

### Medicaid



In 2006, your drug coverage will be provided by a Part D plan. You can choose your own Part D plan. If you don't choose a plan and enroll by December 31, 2005, you'll be assigned to a plan at random. You'll have an opportunity to switch to another plan. Your current drug coverage may change. Contact your state Medicaid or Medical Assistance office with questions.

### State pharmacy assistance program



Your state will determine if you will receive additional help with your costs for a Part D plan. If you think that you might qualify for help, contact your local Social Security office or your state Medicaid or Medical Assistance office to determine if you are eligible.

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### Late enrollment fee

If you choose not to enroll in a Part D plan now and later change your mind, you may have to pay higher premiums because there is a late enrollment fee of about one percent per month, or 12 percent per year.

**Example:** Edward is 68 years old and has no prescription drug coverage. He doesn't join a Part D plan in 2006. Three years later, he decides to join a plan. Because of the late enrollment fee, Edward's premiums will be about 36 percent higher (1 percent per month x 36 months) and they will remain higher for as long as he stays in a Part D plan. Instead of paying about \$450 for premiums, Edward will pay around \$600 a year (\$450 plus 36 percent).

# Next steps

*What to do and when to do it*

**N**OW THAT YOU KNOW the basics about new Part D prescription drug coverage, it's clear that you'll need to do some preparation before you choose a plan. Here are some suggestions about what to do and when.

## Important dates

### October 1, 2005

Private companies can begin to release details about what they have to offer, costs, and the specific drugs in their formularies.

### November 15, 2005

First day you can enroll in a Part D plan.

### January 1, 2006

First day you can use your Part D prescription drug coverage (if you enrolled prior to December 31, 2005).

### May 15, 2006

If you are eligible for Medicare, this is the last day you can enroll in a Part D prescription drug plan without a late enrollment fee, unless you qualify for an exception. After this date, you must wait until the next open-enrollment period (November 15–December 31) to enroll, unless you have special circumstances.

## What to do now

### 1

#### **Apply for financial help if you need it.**

If you think you can't afford a Part D plan, or if you're already having trouble paying for your drugs, take advantage of programs that are available to help you. Based on your income and assets, you may be eligible for help that lets you pay a much smaller share of the costs than other participants, or pay nothing at all. ▶ See page 24 for resources.

The first step in qualifying for financial help is applying for help. Contact your local Social Security Administration for help with this application. Make this application right away.

### 2

#### **Gather information about your current health care and drug coverage.**

Make sure you know what kind of health care coverage you have now. ▶ See page 13. Find out whether you currently have any prescription drug coverage, what kind it is, and whether it will be available after January 1, 2006. You'll use this information to help you decide whether to keep the plan you have, or move to a Part D plan. Call the customer service number on your identification card for more information about the type of coverage you have.

### 3

#### **Gather information about the drugs you use.**

Begin making a list of the drugs you regularly take, including their names, and your dosage (for example, 20 milligrams), how much it costs each time you refill the prescription, and how many times a year you refill the prescription. You'll need this list to help you compare plans later.

## What to do next

### 4

#### **Gather information about the Part D plans in your area.**

In October, 2005, Medicare will send you the 2006 edition of its annual booklet, *Medicare & You*. This booklet will give you information about the Part D plans available in your area. You will also be able to find information about Part D plans at [www.medicare.gov](http://www.medicare.gov), the Medicare Web site. You may also receive information in the mail from private companies about their plans.

### 5

#### **Compare plans.**

Once you have information about the plans available to you, compare plans. Making a simple chart can help you compare one plan to another. Here are some of the items you may want to compare.

- Monthly premium
- Deductible
- What percentage you pay for co-insurance
- What amount you pay for co-payments

You also will want to compare formularies to see whether the drugs you take are covered by the plan.

And check to see where the plan's network pharmacies are located.

### 6

#### **Find out whether you have “creditable coverage.”**

If you are currently enrolled in a plan that offers coverage equal to a Part D plan, you have what is called “creditable coverage.” If you have drug coverage now, ask your plan if you have “creditable coverage.” If you do have creditable coverage, you won't be charged a late enrollment fee if you move to a Part D plan after the initial enrollment period.

# Frequently asked questions

## **Why is there a late enrollment fee?**

Congress believes that unless you already have creditable prescription drug coverage, Part D plans are a great way for you to get help with the cost of prescription drugs. They crafted the rules to encourage people to enroll in the beginning instead of waiting to join only when health problems develop and drug costs rise. The late enrollment fee gives people a reason not to postpone the decision to join.

## **Who is eligible for Medicare Part D prescription drug coverage?**

All individuals with Medicare Part A or Medicare Part B are eligible to enroll regardless of age, income or health conditions.

## **Do I have to participate in a Part D plan?**

No, you do not have to participate. It is your choice. However, similar to other types of insurance, the longer you wait, the higher your premium will be.

## **How do I know if I should sign up?**

You will need to review your options carefully to see if a Part D plan is right for you. Part D plans are designed to provide financial savings to most people with Medicare. As insurance plans, they provide protection against future, unexpected costs. They also provide additional financial assistance for people with lower incomes.

## **This book is a good start, but how do I get the specific information I need to make a decision?**

In October 2005, you will begin to receive specific information about the options available to you. First, you will receive the 2006 *Medicare & You* handbook, which will include all of the plans available in your area. Second, in October, 2005, the plans will begin releasing specific plan information, including plan costs, the list of covered drugs (formulary), and the list of network pharmacies. Information will also be available at [www.medicare.gov](http://www.medicare.gov), the Medicare Web site.

## **How do I find out if I qualify for help?**

If you have both Medicare and Medicaid, you already qualify for low-income assistance. If you don't qualify for Medicaid, you may still qualify for some assistance if your income is below \$14,355\* for an individual, or \$19,245\* for a couple. In some cases, the government will also review how many assets you own. If you think you might qualify, contact your local Social Security Administration office. You have nothing to lose by applying.

## **What assets will be counted to determine if I am eligible for help?**

The assets that will be counted include cash or any property that can be converted to cash within 20 days. This includes checking accounts, savings accounts, certificates of deposit, retirement accounts (like IRAs or 401ks), stocks, bonds, mutual fund shares, promissory notes, mortgages, and life insurance policies. Property that is not counted includes your primary home, burial plots, or burial agreements. Certain funds set aside for burial expenses, up to \$1,500, will also not be counted. ▶ See *Help for people with lower incomes*, page 12.

*\*Example of 2005 figures; figures will also vary in Alaska and Hawaii.*

## Frequently asked questions

*continued*

### Can I change Part D plans once I have enrolled?

Yes, you can change your Part D plan. The opportunities to switch are:

**Annual enrollment:** Each year, you will be able to choose a different Part D prescription drug plan or Medicare Advantage plan during an annual enrollment period that lasts from November 15 through December 31. Coverage under the new plan will begin the following January 1.

**Other exceptions:** There are other limited exceptions that may give you the right to switch plans during a year. For example, if you move out of the service area of your current plan, you will have an opportunity to choose another plan that serves your new area.

### How will I know if the drugs I currently take will be covered?

Each Part D plan will provide its own formulary or list of covered drugs. This information will be available through the plan's Web site, customer service center, and through marketing materials.

### Who decides which drugs will be covered on a formulary?

All Part D plans must meet formulary requirements set by Medicare. The formulary will include both generic and brand name drugs. Each plan must use a Pharmacy and Therapeutic Committee, which includes doctors and pharmacists, to establish its formulary. This process assures you that you'll have access to a number of drugs, although not necessarily all drugs.

### What drugs are excluded from Part D plans?

The drugs that are excluded from Part D by Medicare are:

- 1 Drugs used for anorexia, weight loss, or weight gain
- 2 Drugs used to promote fertility
- 3 Drugs used for cosmetic purposes or hair growth
- 4 Drugs used for the symptomatic relief of cough and colds
- 5 Prescription vitamins and mineral products, except prenatal vitamins and fluoride preparations
- 6 Non-prescription drugs
- 7 Inpatient drugs
- 8 Barbiturates (sleeping pills)
- 9 Benzodiazepines (central nervous system depressants)

In addition, a drug cannot be covered under a Part D plan if payment for that drug is available under Parts A or B of Medicare, such as drugs administered in a hospital or a physician's office. Also, each Part D prescription drug plan may have its own specific exclusions.

### Will Part D cover drugs purchased from Canada?

No. Only drugs sold in the United States are eligible for Part D coverage.

### Can premiums be deducted from Social Security checks?

Yes, you will have the option to have the premium deducted from your Social Security check (just like your Part B premium), or you or your former employer can pay your premium directly to the private company.

## Frequently asked questions

*continued*

### **What is creditable coverage?**

Creditable coverage is coverage, from a plan other than a Part D plan, that meets certain Medicare standards. If you currently have prescription drug coverage that is considered creditable coverage, you may keep that coverage and wait to enroll in a Part D plan. If you later decide to enroll in a Part D plan, you will not have to pay a late enrollment fee.

### **Will Part D coverage only be available through a private company, or will I be able to get coverage directly from Medicare, the same way that I get Part A and Part B coverage?**

No, Part D coverage will not be available directly from Medicare. Although you will be able to have your premium deducted from your Social Security check, you must purchase Part D coverage from a private company that has been approved by Medicare to offer coverage.

### **I have drug coverage through the Veterans' Administration (VA). Can I continue to get my prescriptions through the VA in 2006?**

The introduction of Part D prescription drug plans in January 2006 will have no impact on Veterans' Administration benefits. Medicare beneficiaries who currently have prescription drug benefits through the VA will be able to continue to obtain their prescriptions through the VA.

### **If I live in the U.S. territories, will I have access to a Medicare Part D plan?**

Yes, Medicare Part D plans will be available in the U.S. territories.

### **I take several different prescription drugs. Will there be help with managing all my medications?**

Yes, one of the advantages of Medicare Part D plans is that there will be help managing drugs for people who take multiple medications, have chronic diseases, such as diabetes or heart disease and high drug costs. The help is designed to make sure that your medications work well together and reduces the risk of a bad reaction. You might also hear this called medication therapy management.

# Glossary

## **assets**

Property you own that the government may review when you apply for assistance. For help with a Part D plan's costs, the government counts cash or any property that can be turned into cash within 20 days. This includes checking and savings accounts, certificates of deposit, IRAs and 401(k)s, stocks, bonds, and similar items. It does not include your primary home, or certain property related to burial expenses.

## **benefit**

Another name for coverage.  
See *coverage*.

## **brand name drugs**

Prescription drugs that are sold under a trade-marked brand name.

## **catastrophic coverage**

A name for the step of a Part D plan in which the plan pays nearly all of your drug expenses until the end of the year, with no upper limit. In this step, you pay only a small share of your drug expenses (approximately five percent).

## **Centers for Medicare and Medicaid Services (CMS)**

The federal agency that runs the Medicare program, and works with the states to manage the Medicaid program. CMS sets standards for Part D insurance plans.

## **co-insurance**

A kind of cost sharing where costs are split on a percentage basis. For example, a plan might pay 75 percent and you would pay 25 percent.  
See *cost sharing*.

## **co-payment**

A kind of cost sharing where you pay a pre-set, flat amount for each service. In a Part D plan, for example, you might pay \$10 for each prescription you receive and the plan would pay the remaining cost of the drug.  
See *cost sharing*.

## **cost sharing**

A term for the way an insurance plan shares its costs with someone. The most common types of cost sharing are co-insurance and co-payments.  
See *co-insurance* and *co-payments*.

## **coverage**

The benefits you receive from an insurance plan. In a Part D plan, the prescription drug costs that are paid by the insurance plan are your benefits, or coverage.

## **coverage gap**

A name for the step in a Part D plan in which you pay all of your expenses for eligible drugs, until you have spent \$2,850. Some people call this step the doughnut hole.

## **creditable coverage**

Prescription drug coverage, from a plan other than a Part D plan, which meets certain Medicare standards. If you are currently enrolled in a drug plan that gives you prescription drug coverage, your plan will tell you if it meets the Medicare standards for creditable coverage.  
See *late enrollment fee*.

## **deductible**

In an insurance plan, the term for an amount you pay first, before your plan starts to pay. In a Part D plan, you may have to pay the first \$250 of your eligible drug expenses for the year as your deductible.



## Glossary

### **doughnut hole**

Another name for the step in a Part D plan in which you pay all of your expenses for eligible drugs, until you have spent \$2,850.

See *coverage gap*.

### **dual eligibles**

People who are eligible for both Medicare and Medicaid.

### **eligible drugs**

Drugs that are covered by a prescription drug plan. In a Part D plan, eligible drugs are listed on the plan's formulary.

See *formulary*.

### **exclusions**

Items that are not covered by an insurance policy. Part D drug plans have two types of exclusions. The first type is drugs that Medicare has excluded from coverage under Part D, such as weight-loss drugs. The second type is drugs that are excluded from a plan's list of covered drugs, or formulary.

See *eligible drugs* and *formulary*.

### **formulary**

A list of prescription drugs that are covered by a Part D plan. Drugs listed on the formulary are also called eligible drugs in this book. Some people call a formulary a preferred-drug list (PDL), or a select drug list.

### **generic drugs**

Prescription drugs that have the same active ingredient formula as a brand name drug. Generic drugs usually cost less than brand name drugs and are rated by the Food and Drug Administration (FDA) to be as safe and effective as brand name drugs.

### **late enrollment fee**

Congress wants to encourage as many eligible people as possible to enroll in a Part D prescription drug plan before the first enrollment period ends in May 2006, or to enroll as soon as they are eligible for Medicare. To do this, it has created a late enrollment fee to discourage putting off enrollment. This fee is approximately one percent of your premium cost per month (or 12 percent per year) that you delay enrolling. There is no limit to the percentage, and it lasts as long as you are enrolled in a Part D prescription drug plan. The fee won't apply if you move from an insurance plan that offers creditable coverage to a Part D prescription drug plan.

See *creditable coverage*.

### **Medicaid**

A program that pays for medical assistance for certain individuals and families with low incomes and resources. Medicaid is jointly funded by the federal and state governments to assist states in providing long-term care assistance to people who meet certain eligibility criteria.

### **Medicare Advantage Plans**

Health plans offered by private insurance companies that contract with Medicare to provide Medicare coverage. Depending on where you live, Medicare Advantage Plans may be available both with and without Part D plans. You may also hear Medicare Advantage Plans referred to as Medicare Health Plans. The Medicare Advantage Plans used to be called the Medicare+Choice plans.



## Glossary

### Medicare

A federal government health insurance program for

- people age 65 and older,
- people with certain disabilities, and
- people of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or kidney transplant).

### Medicare Part D prescription drug plans

Insurance plans offering prescription drug coverage that meets the standards established by Medicare. Other names for these plans include Part D prescription drug plans, PDPs, or MA-PDs. However, not all private insurance plans offering prescription drug coverage are Part D plans. You'll want to pay close attention to whether a plan is a Part D plan.

### Medicare supplement policy

The traditional federal Medicare insurance program doesn't pay the total amount of medical expenses. Expenses that are not covered are called "gaps" in Medicare coverage. Private insurance companies sell insurance policies that fill some of these gaps and pay for some of these expenses. These policies are known as Medicare supplement policies.

### Medigap

See *Medicare supplement policy*.

### Medication therapy management

The term used to describe the type of help that people with multiple prescriptions, chronic diseases, and high drug costs receive to help them manage all of their medications. The purpose of the help is to make sure that all of their drugs work well together.

### network

The group of doctors, hospitals, and pharmacies who have contracts with an insurance plan to provide care to the plan's members. You should use your Part D prescription drug plan's network of pharmacies to save money on your drugs.

### out-of-pocket costs

The amounts you pay as your share of your prescription drug costs in a Part D plan. Out-of-pocket costs include deductibles, co-insurance, and the amounts you pay in the coverage gap.

In a Part D plan, any amounts you pay, but for which you are later reimbursed by someone else, such as an employer's insurance plan, do not count as part of your out-of-pocket costs. The out-of-pocket costs you pay for which you are not reimbursed are called your "true out-of-pocket costs," or "TROOP."

When your "true out-of-pocket costs" exceed \$3,600, you are eligible for the catastrophic coverage step of a Part D plan.

See *catastrophic coverage*.

### premium

The money you pay to have an insurance plan. In a Part D plan, this is usually a monthly fee.

### Rx

A symbol that means "prescription drugs."

# Resources

## **Medicare Helpline**

For help with choosing Part D prescription drug coverage, and for questions about Medicare:  
1-800-MEDICARE (1-800-633-4227)  
TTY 1-877-486-2048

## **Social Security Administration**

For help with questions about eligibility for and enrolling in Medicare, Social Security retirement benefits, and disability benefits, and for questions about eligibility for help with costs of a Part D plan:  
1-800-772-1213  
TTY 1-800-325-0778

## **Your health plan's customer service center**

For questions about your existing health coverage, call the telephone number on your identification card.

## **Your state's Medical Assistance or Medicaid office**

For questions about your state's Medicaid program, call the Medicare Helpline (1-800-MEDICARE) and ask the operator for the telephone number for your state's Medical Assistance or Medicaid office.

## **Your state's Health Insurance Assistance Program**

For help with questions about buying insurance, choosing a health plan, buying a Medicare supplement policy, and your rights and protections under Medicare, call the Medicare Helpline (1-800-MEDICARE) and ask the operator for the telephone number for your state's Health Insurance Assistance Program office.

## **Medicare & You**

Official Medicare handbook for Medicare programs, including Part D prescription drug plans (2006 edition available in October 2005).

## **AARP Web site**

For information about Medicare and other programs for seniors:  
[www.aarp.org](http://www.aarp.org)

## **Medicare Web site**

For help with choosing Part D prescription drug coverage, and for questions about Medicare:  
[www.medicare.gov](http://www.medicare.gov)



