

## BENEFITS CORNER



### Medicare Part D

What the heck is Medicare Part D? It's the new program that for the first time since Medicare was created will actually pay for outpatient prescription drugs. It was created as part of the Medicare Modernization Act of 2003. It also has a bunch of rules and regulations, dos and don'ts; in other words—it's a new government program! I will try to make some sense of this new program in the following paragraphs.

As a primer, I would like to review the basics of Medicare. Medicare is primarily the federal government's health insurance program for folks over age 65. Medicare has two basic components to its coverage; Part A and Part B. Part A is hospitalization coverage and is available upon election with no premium due by the covered individual. Part B covers physician services both in and out of the hospital and is available upon election, but an additional premium is required. Before the introduction of Medicare Part D, Medicare did not cover outpatient prescription drugs.

Beginning as early as January 1, 2006, Medicare Part D will provide for coverage of outpatient prescriptions. Anyone who is entitled to Medicare Part A and/or is enrolled in Medicare Part B and permanently resides in the service area of a Prescription Drug Plan is eligible for Part D. For anyone who meets the above eligibility requirements, there is an open enrollment period that runs from November 15, 2005, through May 15, 2006. Sounds simple enough so far, but here is where it starts getting tricky.

Private health insurance or pharmacy insurance carriers will administer Medicare Part D. Minimum plan design requirements have been set out by the Centers for Medicare and Medicaid Services (CMS). Here are the minimum plan design requirements that must be met by any Medicare Part D Prescription Drug Plan:

- Annual Deductible of \$250 paid by the insured.
- 75 percent of the next \$2,250 of covered prescription costs paid by Part D.
- 0 percent of the next \$2,600 of covered prescription costs paid by Part D.
- 95 percent of covered prescription costs above \$5,100 paid by Part D.

In other words, Part D plans will pay \$1,500 of the first \$5,100 of annual covered prescription costs while the insured pays \$3,600. After that, the insured only pays 5 percent of covered prescription costs.

The information above is the minimum schedule to which a Prescription Drug Plan must adhere. You will find several plans that are more generous than this schedule.

Each Prescription Drug Plan will also have a unique list of covered prescription medications. This list is also known as a formulary list. CMS requires that each Prescription Drug Plan cover at least two medications in any treatment category, thereby ensuring some level of choice for the insured person.

Each Prescription Drug Plan can require that a premium be paid for coverage to be in effect. As you can imagine, there is a great range of premiums in the marketplace based upon the medications available on the formulary and the richness of the plan above the minimum benefit level.

In Colorado, there are more than a dozen different companies offering a Medicare Prescription Drug Plan. The best resource to start the shopping process is at [www.Medicare.gov](http://www.Medicare.gov). This site will allow you to look at the available carriers in your area and the pricing for their plans. There is also a formulary link for most of the plans. Please be advised that this site is updated routinely, and Medicare is doing all that it can to make sure all of the information presented on this site is accurate, but there may be some inadequacies. Another Web site resource is [www.cms.gov](http://www.cms.gov).

Most experts are recommending that someone who is eligible for Medicare Part D should choose a plan during their open enrollment. If you are currently on a medication, please choose a plan that includes your meds on the formulary. If you take several medications, there may not be one plan that includes all of your prescriptions. If that is the case, please work with your physician to choose the best formulary plan for you.

Please keep in mind that you will have the ability to change your Medicare Part D election no less than annually. There are also special exceptions that may make it possible to change even more frequently, so this is not something you are locked into forever.

If you do not choose a plan during your open enrollment, you will be assessed a 1 per-

cent premium penalty per month for every month that you did not have credible prescription coverage in place. Credible Medicare Part D coverage would include prescription coverage under a Medicare Advantage plan or certified coverage from an employer or retirement plan. Credible Part D coverage does not include prescription coverage under the current Medicare Supplement Plans H, I, or J. As a matter of fact, all carriers as of January 1, 2006, will discontinue Supplement Plans H, I, and J.

Most Medicare Advantage HMO plans will be changing the prescription benefit associated with their plans. Please contact your current Medicare Advantage carrier for the changes coming to these plans.

If you are covered under an employer's plan or a retiree health plan, you should be receiving communication soon from that plan as to the status of the prescription coverage. If it is credible, there is not a penalty for not signing up for Part D. If it is not credible, the penalty would apply if you sign up after the open enrollment for Part D. All employers' offering health insurance with prescription coverage to their employees, regardless of the number of employees, should be sending a letter to their employees stating whether their prescription plan is considered qualified credible coverage. Most health insurance carriers have notified their clients as to the status of the prescription plan associated with the health plan, but will not be notifying the individual enrollees.

As you can tell, there are some big changes coming for Medicare with the introduction of Medicare Part D. Covering outpatient prescription benefits for Medicare eligible people is long overdue. This plan has been criticized from all angles, but it is a plan where before this there was no coverage at all for outpatient prescriptions. There will certainly be some confusion during this initial open enrollment period. This article does not begin to scratch the surface of several special exception rules and funding assistance alternatives. Please seek out advice from the Medicare and CMS Web sites. Please feel free to give me a call or drop me an email as well. Thanks!

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