

## **Basic Questions & Answers about Medicare Prescription Drug Coverage**

**August 2, 2005**

Consistency in education and outreach materials helps with clarity. To achieve consistency in explaining Medicare Prescription Drug Coverage to people with Medicare, use these basic questions and answers. These can be used to respond to questions from people with Medicare. Partners can use these questions and answers to respond to direct questions from people with Medicare or can use them in their materials.

### **Basic Information**

#### **What is Medicare Prescription Drug Coverage?**

Medicare prescription drug coverage is insurance provided by private companies that have been approved by Medicare. Starting January 1, 2006, new Medicare prescription drug coverage will be available to everyone with Medicare. This drug coverage may help lower prescription drug costs and help protect against higher costs in the future.

You can get Medicare prescription drug coverage in the following ways:

1. Through Medicare Advantage Plans or other Medicare Health Plans that are offering coverage for prescription drugs.
2. Through Medicare Prescription Drug Plans, which add coverage to the Original Medicare Plan, and some Medicare Cost Plans and Medicare Private Fee-for-Service Plans.

You can choose and join the Medicare drug plan that works for you. You will have to pay a monthly premium. All drug plans must provide coverage that is at least as good as standard Medicare prescription drug coverage. Some plans might offer more coverage and additional drugs for higher monthly premiums. If you decide not to join a Medicare drug plan when you are first eligible, you may have to pay a penalty if you decide to join later.

If you have limited income and resources, you may qualify for extra help. Most people who qualify for this extra help will pay no premiums, no deductibles, and no more than \$5 for each prescription. The amount of extra help depends on your income and resources. If you qualify, you will need to join a plan to get drug coverage. If you apply and qualify, and don't join a plan, Medicare will enroll you in one by May 15, 2006 to make sure you get this important coverage.

#### **What if I already have prescription drug coverage?**

If you already have prescription drug coverage, you should talk to your plan, benefits administrator, or insurer before making any changes. You will be notified about any changes in your current coverage so you can decide if you should join a Medicare drug plan.

#### **Should I join a Medicare drug plan even if I don't take many prescription drugs?**

You should still consider joining a Medicare drug plan in 2006. As we age, most people need prescription drugs to stay healthy. For most people, joining now means you will pay the lowest possible monthly premium. If you don't join a plan by May 15, 2006, and you don't currently have a drug plan that, on average, covers at least as much as standard Medicare prescription drug coverage, you will have to wait until November 15, 2006 to join. When you do join, your premium cost will go up at least 1% per month for every month that you wait to join. Like other insurance, you must pay this penalty as long as you have Medicare prescription drug coverage. If you join by December 31, 2006, your coverage will begin January 1, 2007.

### **Where can I get more information about Medicare prescription drug coverage?**

For more information on Medicare prescription drug coverage, read the "Medicare & You 2006" handbook mailed to you in October 2005. It will list the specific plans available in your area. After October 2005, if you need help

- visit [www.medicare.gov](http://www.medicare.gov) on the web and get personalized information.
- call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. Have your Medicare card, a list of drugs you use, and the name of the pharmacy you use ready when you call.
- get a free copy of the booklet "Your Guide to Medicare Prescription Drug Coverage," (CMS Pub. No. 11109) on [www.medicare.gov](http://www.medicare.gov) or by calling 1-800-MEDICARE.
- call your State Health Insurance Assistance Program for free personalized health insurance counseling.
- check for local events for help joining. Contact your local office on aging. For the telephone number, visit [www.eldercare.gov](http://www.eldercare.gov) on the web.

### **Important Dates**

#### **When can I join a Medicare drug plan?**

The first time to join is November 15, 2005–May 15, 2006. In most cases, if you don't join by May 15, 2006, and you don't currently have a drug plan that, on average, covers at least as much as standard Medicare prescription drug coverage, you will have to wait until November 15, 2006 to join. When you do join, your premium cost will go up at least 1% per month for every month that you wait to join. Like other insurance, you must pay this penalty as long as you have Medicare prescription drug coverage. If you join by December 31, 2006, your coverage will begin January 1, 2007.

#### **When can I join if I miss the May 15, 2006 deadline?**

You will be able to join November 15–December 31 of each year. Your coverage would begin January 1 of the following year. If you choose not to join when you are first eligible and later change your mind, you may pay a penalty.

### **Costs and Coverage**

#### **What are the out-of-pocket costs for Medicare prescription drug coverage?**

When you get Medicare prescription drug coverage, you pay part of the costs and Medicare pays part of the costs. You pay a premium each month to join the drug plan. If you have Medicare Part B, you also pay your monthly Part B premium. If you belong to a

Medicare Advantage Plan or Medicare Cost Plan, the monthly premium you pay to the plan may increase if you add prescription drug coverage.

Your costs will vary depending on which plan you choose. Your plan must, at a minimum, provide a standard level of coverage as shown below. Some plans offer more coverage or lower premiums.

*Standard Coverage (the minimum coverage drug plans must provide)*

If you join in 2006, for covered drugs you will pay

- A monthly premium (varies depending on the plan you choose, but estimated at about \$37 in 2006)
- The first \$250 per year for your prescriptions. This is called your deductible.

After you pay the \$250 yearly deductible, here's how the costs work:

- You pay 25% of your yearly drug costs from \$250 to \$2,250, and your plan pays the other 75% of these costs, then
- You pay 100% of your next \$2,850 in drug costs, then
- You pay 5% of your drug costs (or a small copayment) for the rest of the calendar year after you have spent \$3,600 out-of-pocket. Your plan pays the rest.

### **What does a Medicare drug plan cover?**

Medicare drug plans will cover generic and brand-name drugs. Plans may have rules about what drugs are covered in different drug categories to be sure people with different medical conditions can get the treatment they need.

Most plans will have a formulary, which is a list of drugs covered by the plan. This list must always meet Medicare's requirements, but it can change when plans get new information. Your plan must let you know at least 60 days before a drug you use is removed from the list or if the costs are changing. If your doctor thinks you need a drug that isn't on the list, or if one of your drugs is being removed from the list, you or your doctor can apply for an exception or appeal the decision.

### **Will my drugs be covered?**

Medicare Prescription Drug Plans must include at least two drugs in every drug category. The plans must also do the following:

- (1) Make sure you have convenient access to retail pharmacies;
- (2) Have a process for you to get drugs that are not on the list of covered drugs (formulary) when it is medically necessary; and
- (3) Provide useful information to you, such as how formularies and medication management programs work, information on saving money with generic drugs, and grievance and appeal processes.

Make a list of all the your current medications, including name, dose size (for example- 2 pills, 300mg in each pill), dosage frequency (for example- 2 times a day) and monthly costs of your current prescriptions. You can use this information to compare the list of

drugs (also called a formulary) that are covered under each plan. You can get the list of drugs a plan covers by calling the plan, visiting the plan's website, or visiting [www.medicare.gov](http://www.medicare.gov) on the web. This information will be available in October from the plans and on October 13 at [medicare.gov](http://medicare.gov) on the web.

## **Affect on Current Drug Coverage**

### **What do I need to know if I have prescription drug coverage from a former or current employer or union?**

Medicare will help employers or unions continue to provide retiree drug coverage that meets Medicare's standards. Your (or your spouse's) former or current employer or union will send you information about how your current coverage compares to the Medicare standard prescription drug coverage by November 14, 2005. This information is important because it can affect the decision you will need to make this fall about if and when you sign up for Medicare prescription drug coverage.

If your (or your spouse's) employer or union has determined that your current coverage, on average, **is at least as good as** the Medicare standard prescription drug coverage (called creditable prescription drug coverage):

- You can keep it as long as it is still offered by your employer or union; and
- You won't have to pay a penalty if your employer or union stops offering prescription drug coverage as long as you join a Medicare drug plan within 63 days after the coverage ends – even if you join after May 15, 2006.

If your (or your spouse's) employer or union has determined that your current coverage, on average, **is not at least as good as** standard Medicare prescription drug coverage, if you want to join a drug plan, you must join by May 15, 2006 to avoid a penalty.

**Caution:** If you drop your employer or union coverage, you may not be able to get it back. You also may not be able to drop your employer or union drug coverage without also dropping your employer or union health coverage.

*If your employer or union plan is not as good as Medicare prescription drug coverage, find out about your options from your benefits administrator. You may be able to*

- Keep your current employer or union drug plan and join a Medicare drug plan to give you more complete prescription drug coverage.
- Only keep your current employer or union drug plan. But, if you join a Medicare drug plan after May 15, 2006, you will have to pay a penalty.
- Drop your current coverage and return to the Original Medicare Plan and join a Medicare Prescription Drug Plan, or join a Medicare Advantage Plan or other Medicare Health Plan that covers prescription drugs. See the caution above.

### **What do I need to know if I have a Medicare Advantage Plan (like an HMO, PPO, or PFFS Plan) or other Medicare Health Plan?**

Medicare is working with your Medicare Advantage Plan or other Medicare Health Plan to help them provide even more coverage or lower costs. If you currently have

prescription drug coverage from your plan, you will get a notice from your Medicare Advantage Plan or other Medicare Health Plan about your prescription drug choices. Read any materials you get from your plan carefully.

If you don't have prescription drug coverage, and want to add it, you can

- check with your current health plan to see if they will offer a prescription drug option in 2006. If they will, you will usually be required to get your drug coverage from your current health plan if you decide to stay in the plan, or
- switch to another Medicare Advantage Plan or other Medicare Health Plan in your area that offers prescription drug coverage, or
- switch to the Original Medicare Plan and join a Medicare Prescription Drug Plan.

If you stay in your current plan that isn't offering drug coverage in 2006, you will have to pay a penalty if you want to switch to a plan that offers prescription drug coverage later.

**What do I need to know if I have a Medigap (Medicare Supplement Insurance) policy that covers prescription drugs and I have the Original Medicare Plan (Medicare Part A and Part B)?**

Medigap policies are changing. You won't be able to buy new Medigap policies that cover prescription drugs after January 1, 2006. This fall you will get a detailed notice in the mail from your Medigap insurance company describing your choices for prescription drug coverage. Read the notice carefully before making any decisions.

You must join a new plan that provides Medicare prescription drug coverage to have Medicare help pay for drugs. This will reduce your premium costs because Medicare pays most of the premium for Medicare drug plans. You can first join a Medicare Prescription Drug Plan from November 15, 2005 – May 15, 2006.

Most prescription drug coverage offered by Medigap policies, on average, is **not at least as good as** Medicare prescription drug coverage. This means, in most cases, if you keep Medigap prescription coverage, and don't join a Medicare drug plan by May 15, 2006, you will have to pay a penalty if you choose to join later. Your next chance to join will be November 15 – December 31 of each year. Your coverage would begin January 1 of the following year.

Contact your Medigap insurance company before you make any changes to your prescription drug coverage. If you have your Medigap policy from a current or former employer or union, call your benefits administrator.

**What do I need to know if I have drug coverage from TRICARE, the Department of Veteran's Affairs (VA), or the Federal Employee Health Benefits Program (FEHB)?**

As long as you still qualify, your TRICARE, VA, or FEHB prescription drug coverage is not changing. You should contact your benefits administrator or FEHB insurer for information about your TRICARE, VA, or FEHB coverage before making any changes. It will almost always be to your advantage to keep your current coverage without any changes. If you lose your TRICARE, VA, or FEHB coverage and you join a Medicare

drug plan after May 15, 2006, in most cases, you won't have to pay a penalty, as long as you join within 63 days of losing TRICARE, VA, or FEHB coverage.

**What do I need to know if I have full coverage from my state Medicaid program?**

Your Medicaid prescription drug coverage is changing. Medicare, not Medicaid, will start paying for your prescription drugs beginning January 1, 2006. Medicaid will still cover other care that Medicare doesn't cover.

The last day that your state Medicaid program will pay for your prescription drugs is December 31, 2005. You will have continuous Medicare prescription drug coverage and, in most cases, will pay a small amount out of your own pocket. Medicare pays for almost all of the cost of your drugs if you join a Medicare Prescription Drug Plan or a Medicare Advantage Plan or other Medicare Health Plan with Medicare prescription drug coverage.

Compare coverage and choose a plan. You can join a drug plan starting November 15, 2006. Medicare will let you know the plan it has picked for you in October 2005, but you can still compare plans and choose another plan by December 31, 2005. If you have not joined a drug plan by December 31, 2005, Medicare will enroll you in the plan it has picked to make sure you don't miss a day of coverage. If you decide you want another plan, you can switch to another plan at any time without a penalty.

If you have Medicare and full coverage from Medicaid, and live in an institution (like a nursing home), you will pay nothing for your covered prescription drugs.

**What do I need to know if I have the Original Medicare Plan (Medicare Part A and Part B) and I don't have prescription drug coverage?**

To have Medicare help pay for your drugs, you must join a plan that provides Medicare prescription drug coverage. You can choose and join the plan that meets your needs. If you don't use a lot of prescription drugs now, you should still consider joining. As we age, most people need prescription drugs to stay healthy. For most people, joining now means you won't have to pay a penalty if you choose to join later. Your premium will be higher if you wait to join after May 15, 2006 because of the penalty.

You can first join a drug plan from November 15, 2005 – May 15, 2006. In most cases, if you don't join during this period, your next chance to join will be November 15, 2006 - December 31, 2006 and you will have to pay a penalty. This means you pay a higher monthly premium for as long as you have Medicare prescription drug coverage.

**What do I need to know if I have a Medigap (Medicare Supplement Insurance) policy that doesn't cover prescription drugs and I have the Original Medicare Plan (Medicare Part A and Part B)?**

To have Medicare help pay for your drugs, you must join a plan that provides Medicare prescription drug coverage. You can choose and join the plan that meets your needs. If you don't use a lot of prescription drugs now, you should still consider joining. As we age, most people need prescription drugs to stay healthy. For most people, joining now

means you won't have to pay a penalty if you choose to join later. Your premium will be higher if you wait to join after May 15, 2006 because of the penalty.

You can first join a drug plan from November 15, 2005 – May 15, 2006. In most cases, if you don't join during this period, your next chance to join will be November 15, 2006 - December 31, 2006 and you will have to pay a penalty. This means you pay a higher monthly premium for as long as you have Medicare prescription drug coverage.

Contact your Medigap insurer for information about your policy. If you have your Medigap policy from a current or former employer or union, call your benefits administrator.

### **Information for people with limited income and resources**

People with limited income and resources may qualify for extra help paying for Medicare prescription drug costs. The amount of extra help you get is based on your income and resources. You may qualify if your income is less than \$14,355 or \$19,245 for a married couple living together, and your resources are less than \$11,500 if you are single or \$23,000 if you are married and living with your spouse.\*

\*Income levels are for 2005, resource and cost-sharing amounts are for 2006, and will increase each year. The size of your family can also affect whether you qualify based on income. If you live in Alaska or Hawaii, income levels are higher.

### **How do I know if I qualify for extra help?**

You may **automatically qualify** for extra help.

You may get a letter from Medicare saying that you automatically qualify for extra help and don't have to fill out the application from the Social Security Administration (SSA).

### **You automatically qualify for extra help and don't need to apply if you:**

- have Medicare and full coverage from a state Medicaid program that currently pays for your prescriptions. You should join a plan that meets your needs by December 31, 2005 because Medicaid will no longer pay for prescription drugs. If you don't, Medicare will enroll you in a plan effective January 1, 2006 so you don't miss a day of coverage.
- get Supplemental Security Income, or get help from your state Medicaid program paying your Medicare premiums (belong to a Medicare Savings Program). You should join a plan that meets your needs by December 31, 2005. If you haven't signed up by May 15, 2006, Medicare will enroll you in a plan effective June 1, 2006 so you don't have to pay a penalty. You can drop the plan or switch to another once before December 31, 2006.

**You may apply and qualify for extra help.**

If you didn't automatically qualify, the Social Security Administration (SSA) sent people with certain incomes an application for this extra help. If you got this application, fill it out and send it back to SSA as soon as possible. If you didn't get an application but think you may qualify, call 1-800-772-1213, visit [www.socialsecurity.gov](http://www.socialsecurity.gov) on the web, or apply at your State Medical Assistance office. You can also visit the website to get more information. After you fill out the application from SSA, SSA will mail you a letter telling you if you qualify for extra help in two to three weeks.