

Medicare Prescription Drug Coverage Basics

What are the Medicare prescription drug plans?

Beginning January 1, 2006, prescription drug coverage will be available to all Americans with Medicare. Every person with Medicare, no matter how they get their health care today or whether they have existing drug coverage will be eligible for drug coverage under a Medicare prescription drug plan. Insurance companies and other private companies will work with Medicare to offer these drug plans. Medicare prescription drug plans will be available in every part of the country, and all plans will cover both brand name and generic drugs.

Medicare prescription drug plans provide insurance coverage for prescription drugs. Like other insurance, if people with Medicare join they will pay a monthly premium (generally around \$37 in 2006) and pay a share of the cost of their prescriptions. Costs will vary depending on the drug plan that is chosen.

Drug plans may vary in what prescription drugs are covered, how much someone has to pay, and which pharmacies can be used. All drug plans will have to provide at least a minimum standard level of coverage, which Medicare will set. However, some plans might offer more coverage and additional drugs for a higher monthly premium. When a person with Medicare joins a drug plan, it is important for them to choose one that meets their prescription drug needs.

A person in a Medicare prescription drug plan that covers the minimum standard would expect to pay a \$250 deductible and then 25% of their drug costs up to an out-of-pocket limit of \$2,250. Medicare drug coverage includes coverage which begins when a person with Medicare drug coverage spends \$3,600 for covered drugs in a year. Once this level is reached, the person pays only 5 percent of their drug costs. Again, some plans will offer additional coverage, this is a description of the minimum that must be offered.

When can people with Medicare join the Medicare prescription drug plans?

Those people who have Medicare Part A (Hospital Insurance) and/or Medicare Part B (Medical Insurance), can join a Medicare prescription drug plan between November 15, 2005, and May 15, 2006. If they join by December 31, 2005, their Medicare prescription drug plan coverage will begin on January 1, 2006. If they join after that, their coverage will become effective the first day of the month after the month they join. In general, they can join or change plans once each year between November 15 and December 31.

Everyone should join a plan. Even if someone doesn't use a lot of prescription drugs now, they still should consider joining a plan. If they don't join a plan by May 15, 2006, and don't have a drug plan that covers as much or more than a Medicare prescription drug plan, they will have to pay more if they decide to join later.

Is there additional assistance for those who need it?

People who qualify for extra help paying for Medicare prescription drug costs will get continuous coverage with a small out of pocket cost. The amount they pay out of pocket depends on their income and resources. A beneficiary with limited income and resources who enrolls in a prescription drug coverage plan and qualifies for the most generous help will have more than 95 percent of their drug costs covered.

Certain low-income beneficiaries will automatically qualify for the additional help and then will enroll in a prescription drug plan during the regular enrollment period beginning November 15.

Do Medicare prescription drug plans work with all types of Medicare health plans?

Yes. Medicare prescription drug coverage will be offered by many Medicare Health Plans (Medicare Advantage Plans and Medicare Cost Plans) and by stand alone Medicare Prescription Drug Plans. People in the Original Medicare Plan will need to enroll in a Medicare Prescription Drug Plan (P-D-P) to get drug coverage.

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What if someone already has prescription drug coverage from a Medigap (Supplemental Insurance) Policy?

Those who have a Medigap policy with drug coverage will get a detailed notice from their insurance company telling them whether or not their prescription drug coverage is generally at least as good as standard Medicare prescription drug coverage. If their Medigap coverage is at least as good as Medicare's coverage, if they decide to keep their current drug coverage, they may be able to buy a Medicare prescription drug plan later without having to pay a higher premium. However, most Medigap prescription drug coverage is not at least as good as Medicare prescription drug coverage.

What if someone has prescription drug coverage from an employer or union?

Those who have prescription drug coverage from an employer or union will get a notice from their employer or union that tells them if their coverage is generally at least as good as standard Medicare prescription drug coverage.

If the employer or union plan covers as much as or more than a Medicare prescription drug plan the person with Medicare can...

- keep their current drug plan. If they join a Medicare prescription drug plan later their monthly premium won't be higher (no surcharge), or
- drop their current drug plan and join a Medicare prescription drug plan, but they may not be able to get their employer or union drug plan back.

If the employer or union plan covers less than a Medicare prescription drug plan the person with Medicare can...

- keep their current drug plan and join a Medicare prescription drug plan to give them more complete prescription drug coverage, or
- just keep their current drug plan. But, if they join a Medicare prescription drug plan later, they will have to pay at least 1% more for every month they waited to enroll after May 15, 2005, or
- drop their current drug plan and join a Medicare prescription drug plan, but they may not be able to get their employer or union drug plan back.

What effect will the prescription drug plan have on beneficiaries who get help with their home heating/cooling expenses through the Low Income Home Energy Assistance Program (LIHEAP)?

They will not lose their energy assistance. States set eligibility levels for home energy assistance based on your income without regard to your medical expenses.

What effect will the Medicare prescription drug plan have on beneficiaries who are food stamp and HUD recipient

Food stamp and HUD recipients who qualify for extra help paying for a Medicare prescription drug plan will be better off enrolling in a Medicare prescription drug plan, even if this new coverage reduces their food stamp or HUD benefits. They will get significantly more help and protection in drug coverage than they will lose from the reduction in food stamps or HUD.