

# Your Employee Benefits

## Medicare Part D — The New Prescription Drug Benefit: Proceed with Caution and Consider Your Options

By Samuel H. Fleet

**W**hen Congress passed the Medicare Prescription Drug Modernization

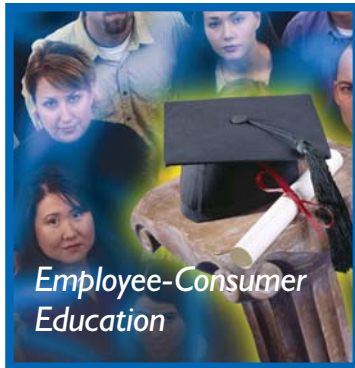
Act in 2003, the January 1, 2006, implementation date seemed far away. With that date fast approaching, a huge cottage industry is developing, and our senior population is about to be overwhelmed by advertisements, articles, and solicitations. It is important that employees who are eligible for benefits under the new law take a step-by-step approach to considering their existing coverage, future needs, and available options. This will eliminate anxiety and bring some clarity to a potentially confusing situation.

### Availability

If you are eligible for Medicare, you are eligible to enroll in Medicare Part D. That said, enrollment is not mandatory, and in some cases may not be the best choice. For example, if your employer or former employer offers a prescription drug program that meets or exceeds the government's standards, called creditable coverage, you may consider passing on Part D for the time being. You will still have the option of enrolling in Medicare Part D later without the late enrollment fees explained below.

Although Medicare Part D is funded by the federal government, it will be administered by private insurance companies through government-approved Prescription Drug Plans or PDPs. Within

this new benefit, two types of plans will be offered: one that covers prescription drugs only and one that covers doctor's visits, hospital stays and prescriptions. The latter, called Medicare Advantage Plans, are not available in every part of the country. If you currently have a Medicare Supplement policy that includes prescription drug coverage, you must change it to exclude prescription drug coverage in order to be eligible for Medicare Part D.



### Enrollment

Companies will begin to provide the details of their Part D plans beginning Oct. 1, 2005, and you may enroll beginning on Nov. 15, 2005. The enrollment deadline is May 15, 2006. This deadline is important because if you wait until after this date to enroll, your premium will be increased by one percent per month for every month you delay. The increased premium is permanent, which means you will pay the higher rate as long as you are enrolled in a Part D plan.

If you choose to enroll by Dec. 31, 2005, your Part D plan will become active on Jan. 1, 2006. You will be able to change plans during the annual open enrollment period of November 15 through December 31 or at other times during the year under special circumstances such as moving outside your plan's area of coverage.

### Plan Coverage and Premium

Your Medicare Part D benefit is structured to share prescription drug costs

between you and your Medicare Prescription Drug Plan (PDP) while protecting you from catastrophic expense. Medicare is contracting with a number of PDPs to offer this coverage. The PDPs will offer a variety of options with different covered prescriptions and different costs. You may choose the PDP that best fits your needs.

If you enroll in a Medicare Prescription Drug Plan, you will pay a monthly premium (approximately \$32-\$35 in 2006) as well as a yearly deductible (\$250 in 2006). After you have reached the deductible, Medicare will pay 75% of your drug costs, and you will pay 25% coinsurance.

While PDPs vary, all plans will have a cost sharing until the beneficiaries reach their true "out of pocket" expense (commonly referred to as TrOOP). In 2006, TrOOP will be \$3,600. Once you have reached the TrOOP amount, the catastrophic component of Medicare D is activated. At this point the cost share generally becomes 5%.

Here is an overview of the way coverage is structured:

- You are responsible for the deductible amount of \$250.
  - Between \$250 and \$2,250 in prescription costs, you pay 25%, and Medicare pays 75%.
  - From \$2,250 up to a total of \$5,100 in drug spending (or \$3,600 in out-of-pocket expenses), you pay 100% of prescription costs. This portion of the plan is commonly referred to as the coverage gap.
  - Once the out-of-pocket of \$3,600 has been reached, Medicare pays 95% of prescription drug costs in a calendar year.
- It should be noted that there will be

extra help for paying these costs for some people with limited income and resources.

- (This is the base plan as presented by the MMA; it is important to note that PDPs may offer plans that could differ in deductibles, coinsurance etc. They may also offer an enhanced benefit.)

### **Drugs Covered**

Many prescription drugs including brand name and generic drugs are covered. The PDPs will offer a variety of options with different covered prescriptions and different costs. Each Part D plan will have a list of generic and brand name drugs, called a formulary, approved by Medicare. Plans will also include a network of pharmacies at which you may be required to fill your prescriptions.

When shopping for a Part D plan, make sure not only that your current prescriptions are in their formulary, but also that the pharmacies in their network are convenient to you. A formulary exemption process will be put in place to provide coverage for drugs outside your plan's formulary if your doctor determines this is necessary. Pharmacies within each network will be linked by a Medical Management System alerting pharmacists to harmful drug interactions in cases of multiple prescriptions.

The Medicare Prescription Drug Modernization Act will provide a safety net against the catastrophic prescription drug costs that have wreaked havoc with the finances of so many retired Americans. The enrollment deadline is

nine months away, so retirees have plenty of time to compare their existing coverage with what Medicare D has to offer and to shop for the best plan for them. If your employer intends to offer creditable coverage next year, the May deadline doesn't apply to you, and you may want to delay considering Medicare D coverage, which you may do at no penalty. However, if creditable coverage is not available, you would be wise to consider enrolling in a Part D Plan before May 15 to lock in the lowest premium.

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