

MEDICARE D FACT SHEET



The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 – commonly called the Medicare Modernization Act (MMA) or Medicare Part D – passed congress in 2003 after much controversy among seniors, politicians, employers, tax payers and lobbyists across the country. The intent of the legislation is to assist Medicare Participants with the cost of their prescription drugs – an expense that is increasing by upwards of 15% per year – by providing a new plan that will offer prescription drug benefits to seniors beginning in 2006.

Medicare D is easily the most sweeping reform to occur around Medicare since its inception in 1965.

KEY FACTS:

- Takes effect on January 1, 2006
- The Center for Medicare & Medicaid Services (CMS) which is the government agency which administers Medicare has outsourced the administration of Medicare D to private companies. These private companies have had to submit applications to CMS to become an approved provider and administrator of Prescription Drug Plans or PDP's.
- The country will be divided into 34 regions for administrative purposes. Each region will have multiple PDP's available for retirees to contract with for their Medicare D plan administration. The regions were designed to provide a significant number of potential enrollees.
- These plans are different from the Medicare approved drug discount cards, which phase out by May 15, 2006, or when enrollment in a Medicare Prescription Drug Plan takes effect, if earlier.
- Medicare will contract with risk-bearing drug plans in each of 34 regions to provide the new benefit. If two or more risk-bearing plans are not available (including at least one PDP) Medicare will contract with a "fallback" plan to serve beneficiaries in that area.

HOW WILL COVERAGE WORK?

- Anyone eligible for Medicare is eligible for a Part D plan. Enrollees cannot be denied coverage for health reasons.
- Part D enrollees or beneficiaries will have access to two or more plans (PDP's). So there will be choice and competition for drug benefits.
- Each PDP must submit a formulary (list of covered drugs) to CMS for approval. Each formulary must include at least two drugs from each therapeutic class or category of covered Part D drugs.
- PDP's can also establish networks of preferred pharmacies that charge lower cost-sharing than out-of-network pharmacies.
- Plans are expected to produce savings by negotiating price discounts and rebates with drug companies; the MMA prohibits Medicare from negotiating drug prices.
- PDP's will be announcing the details of their plan formulary beginning on October 1, 2005.
- Enrollees will pay a monthly premium (estimated to average \$32 - \$35 per month). Costs will vary depending on the drug plan that is chosen.
- Part D Plans will cover 75% of drug costs (up to \$2,250) after an annual deductible of \$250. This equates to a \$1,500 benefit from Medicare.
- After annual drug costs exceed \$2,250 the beneficiary will have a \$2,850 gap that isn't covered by Medicare and for which the beneficiary will pay 100% (unless they have a coverage supplement). This is commonly referred to as the 'Coverage Gap.'
- After annual drug costs hit a total of \$5,100, Medicare will again kick in and cover 95% of drug costs with no limit.

BENEFIT STAGES	COVERAGE RANGES		COVERED BY PART D
	FROM	TO	
Annual Deductible	\$0	\$250	\$0
Initial Coverage	\$250.01	\$2,250	75%
Coverage Gap	\$2,250.01	\$5,100	\$0
Catastrophic Coverage	\$5,100.01	No Maximum	95%

HOW WILL ENROLLMENT WORK?

- Beneficiaries will have access to two or more plans (PDP's) to chose from.
- Open enrollment begins on November 15, 2005 and lasts until May 15, 2006. For seniors enrolling by December 31, 2005, coverage will be effective on January 1, 2006. Otherwise, it becomes effective on the first day of the month following enrollment.
- In general, beneficiaries can join or change plans once each year between November 15 and December 31.
- Enrollees are being encouraged to investigate various plans for drug coverage's that will meet their needs.

- Estimated annual premium for retirees in 2006 is \$32 - \$35 per month and it is expected this will increase as the plan further develops.
- If eligible seniors 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.

LOW-INCOME SUBSIDY BENCHMARK

About one-third of all Medicare beneficiaries will qualify for extra help in paying for their drug premiums, and most will have their full premium paid by Medicare if they enroll in a plan with the premium below this benchmark level. Based on these benchmarks, CMS expects that people who qualify for this extra help will have multiple prescription drug plan choices with no premiums, as well as additional no premium coverage options in Medicare Advantage plans. Beneficiaries at the upper end of the low-income subsidy range qualify for premium assistance on a "sliding scale" basis. Most beneficiaries with limited incomes will also have no deductibles, no gaps in coverage, and only small co-payments for each prescription.

KEY DATES:

- Sept 30, 2005 – Retiree drug subsidy applications are due for plan year 2006
- October 1, 2005 – PDP's begin to announce their drug formulary (list of drugs covered under their plan).
- October 15, 2005 – "Medicare and You" handbooks, which will contain health plan and cost information will be received in homes
- October 27, 2005 – Auto enrollment mailing to people with Medicare and Medicaid
- November 15, 2005 – Open enrollment begins for all eligible members.
- January 1, 2006 – Coverage becomes effective for all members enrolling by December 31, 2005.
- May 15, 2006 – last day of open enrollment for 2006
- May 15, 2006 – Medicare approved drug discount cards are phased out.

WHAT ARE THE OPTIONS FOR EMPLOYERS WHO SPONSOR RETIREE BENEFIT PLANS?

- Employers can enroll their Medicare eligible retirees in Medicare D beginning on November 15, 2005.
- Employers can provide a drug benefit that is actuarially equivalent to Medicare D and apply for a 28% Direct Subsidy.
- Employers can elect to do nothing and continue the status quo.
- Employers can elect to enhance the benefits available under Part D or their own plan with a supplemental plan.

NEBCO BENEFITS:

- NEBCO specializes in group benefit solutions for seniors and works with over 700 companies and nearly 70,000 retirees to provide and administer retiree benefits.
- NEBCO in conjunction with its carrier partner is the only national PDP offered exclusively to employer groups/unions.
- Through its Customer Care Center, NEBCO deals with seniors every day on a variety of fronts (open enrollment, coverage calls, claims advocacy, etc.) and is sensitive to the issues and concerns facing seniors.
- NEBCO conducts senior sensitivity training for all its Customer Care representatives who are interacting with and supporting seniors daily.
- NEBCO is a consumer advocate for seniors – helping with coverage challenges and being an advocate on claims issues.
- Because NEBCO (in conjunction with its carrier partner) is an approved national PDP, it is uniquely positioned to provide solutions under Medicare D including:
 - Medicare D base plan administration.
 - Medicare D supplemental coverage – including solutions to fill the Coverage Gap.
 - Seamless and accurate coordination of benefits by maintaining coverage administration through one benefits administrator.



ABOUT NEBCO

National Employee Benefit Companies, Inc. (NEBCO), based in Warwick, RI, is one of the leading wholesale brokerage firms and third-party administrators in the employee and retiree benefit industry. Founded in 1991, NEBCO assists companies and organizations of all sizes and industry sectors in designing and administering benefit solutions. The company administers benefits for over 75,000 people each year. Its parent company, American Wholesale Insurance Group (AmWINS), is the largest independent insurance wholesaler in the country. Sam Fleet, NEBCO's CEO, is a recognized expert on the new Medicare Prescription Drug Benefit (Part D of the Medicare Modernization Act). For information about NEBCO, visit the web site at www.nebenefit.com.

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