



August 2005

Welcome to the August 2005 issue of "Smart Aging Matters." In each issue we have a feature concerning an aspect of aging and brief summaries of new information found in the medical literature, the media, on the Internet, and at the Buehler Center on Aging.

Medicare Part D

In 2003, the Medicare Prescription Drug Improvement and Modernization Act (MMA) established new insurance coverage for prescription drugs. This drug coverage, called Medicare Part D, will begin on January 1, 2006. Currently, approximately 24% of the 43 million eligible Medicare beneficiaries do not have any prescription drug coverage.

Most beneficiaries will need help to determine their best option. Although the Centers for Medicare & Medicaid Services (CMS) projects that 91% of eligible beneficiaries will enroll in a Part D plan, it remains to be seen whether those without substantial drug costs will opt to pay the monthly premiums for coverage they do not currently need, even if they may have to pay a penalty for delay in enrollment.

Here are some frequently asked questions about the new Medicare Part D plan:

1. What is Part D?

Part D is a new addition to Medicare that provides an outpatient prescription drug benefit starting January 1, 2006.

Medicare Part A covers hospital and other inpatient services. Part B covers doctor visits and other outpatient services, including durable medical equipment. Part C, most commonly known as Medicare Advantage, is the option of obtaining Medicare covered health care services through a Medicare private health plan, such as an HMO or PPO.

The optional drug benefit will not be part of the traditional Medicare program, but rather will be offered through private insurance plans. Medicare beneficiaries with Part A and/or Part B benefits can join a Part D prescription drug plan offered in their area. Beneficiaries in Medicare Part C (Medicare Advantage Plan, like an HMO or PPO) will most likely receive drug coverage through their plan. Dual eligibles (people who can receive both Medicare and Medicaid benefits) must choose a prescription plan before the end of the year or they will be automatically enrolled in a plan.

2. Will Medicare private drug plans offer standard, uniform Medicare drug coverage?

No. Medicare Part D sets the minimum value a plan must offer in order to be approved as a Medicare private drug plan (PDP). Plans can offer different benefits as long as their overall value is at least as good as the Medicare basic plan. They can also offer better coverage with a higher premium.

In 2006, according to the basic plan, beneficiaries would pay (see table below):

- A monthly premium, which is estimated to average \$37/month nationally (or \$444/year), but is likely to be much higher in Illinois;
- A deductible of \$250 for covered drugs each year;
- Coinsurance worth 25% of the cost of covered drugs between \$251 and \$2,250 (25% of \$2,000 = \$500);
- The "doughnut hole," which is 100% of the cost of covered drugs between \$2,251 and \$5,100 (\$5,100 - \$2,251 = \$2,850);

- 5% of the cost of covered drugs above \$5,100 (known as catastrophic coverage) or a copayment of \$2 for generics/preferred drugs and \$5 for brand-name drugs, whichever is greater.

Under this plan a beneficiary will have to reach \$3,600 each year in out-of-pocket costs (plus \$444 premium) before receiving catastrophic coverage. These figures are calculated on a yearly basis. That is, a beneficiary who pays \$3,600 in out-of-pocket costs on December 31 of one year will start over on January 1 of the next year. It is expected that these cost sharing amounts (such as premiums and deductibles) will increase in subsequent years. Also, the cost of any uncovered drugs will not count toward the out-of-pocket maximum.

Table: Standard Medicare Part D Benefit - 2006

Cost Sharing	Annual Total Drug Cost	= Annual Out-of-Pocket (OOP) Payment by Beneficiaries	+ Annual Medicare Part D Payment
Monthly premium	\$444/year (or \$37/month for 12 months)	\$444	\$0
Deductible	\$0 to \$250	\$250 (Total OOP=\$250)	\$0
25% Coinsurance	\$251 to \$2,250	\$500 (Total OOP=\$750 ^a ; plus \$444 premium)	\$1,500
"Doughnut hole"	\$2,251 to \$5,100	\$2,850 (Total OOP=\$3,600 ^b ; plus \$444 premium)	\$0
Catastrophic coverage	Over \$5,100	5% coinsurance (or \$2 generic drugs and \$5 brand-name)	95%

^a\$250 (deductible) + \$500 (25% coinsurance)=\$750

^b\$750 + \$2,850 (doughnut hole)=\$3,600

Individuals who are under 150% of federal poverty level and those who are Medicaid-eligible will have a different benefit structure than the basic plan outlined above.

3. Which drugs will Medicare private drug plans cover?

Each Medicare prescription drug plan (PDP) will have its own formulary (list of covered drugs), and can change the formulary at any time with 60-day notice of the change. Medicare PDPs must offer at least two drugs under each drug class. In addition, plans must cover a majority of drugs in certain classes, including medications to treat depression, psychoses, cancer, viral infections, and immune disorders.

Some drugs are excluded from coverage by law. These include drugs for anorexia, weight loss, weight gain, fertility, cosmetic purposes, hair growth and relief of cold symptoms. Prescription vitamins and minerals, non-prescription (over-the-counter) drugs, and barbiturates and benzodiazepines are also excluded for coverage.

4. How will Part D affect people on Medicaid?

Because of the design of the Medicare drug benefit, many dual eligibles (people who can receive both Medicare and Medicaid benefits) may find themselves with less prescription drug coverage than they had under Medicaid and with less ability to challenge denials or other barriers to coverage. Further, they will have to pay monthly premiums and make co-payments for their prescriptions, with the co-payment amounts increasing yearly.

¹Annual income below \$14,355/year for individuals and \$19,245/year for couples in 2005, and assets below \$10,000 for individuals and below \$20,000 for couples.

State Medicaid programs will help pay for some out-of-pocket costs, including the deductible, coinsurance, and premium; as well as drugs that are excluded from Medicare coverage by law. The amount of support will vary from state to state.

5. When can I sign up for the prescription drug benefit?

All people with Medicare can join a Medicare prescription drug plan between November 15, 2005 and May 15, 2006. For people who join by December 31, 2005, coverage will begin on January 1, 2006. For people who join after December 31, coverage will be effective the first day of the month after the month they join.

For people who become entitled to Medicare after January 2006, the Initial enrollment period is for 7 months, starting 3 months before the month they become entitled to Medicare.

Individuals who are already enrolled in a Medicare Advantage plan under Medicare Part C prescription drug coverage must receive their drug coverage through their Medicare Advantage prescription drug plan (known as an MA-PD). They may not enroll in a separate prescription drug plan (PDP) that offers only prescription drug coverage. However, individuals who are enrolled in a Medicare Private Fee-for-Service (PFFS) plan that does not include a prescription drug option may enroll in a PDP for their Part D coverage.

Enrollment in the Medicare Part D drug benefit is voluntary (except for dual eligibles) but there may be a premium penalty for late enrollment.

In the News

A law signed by Illinois Governor Rod Blagojevich will protect low-income seniors who are enrolled in the state's prescription drug assistance program from paying extra costs. Under this new law, "No Senior Left Behind," Illinois will pay for the premiums and deductibles as well as cover other gaps in Medicare drug coverage for about 240,000 senior or disabled residents. The state chose to revise its prescription drug assistance program and save \$26 million to help seniors with drug costs, instead of saving \$141 million by eliminating the state drug program and switching to the federal program.

Lannan MK. "Blagojevich signs law to help seniors with Medicare drug benefit." Associated Press State & Local Wire. 29 June 2005.

In the Healthcare Literature

Two features of the new Medicare Part D plan have been widely criticized. First, there is a gap in the benefit structure, termed "the doughnut hole," which requires that seniors pay full cost with no cost-sharing between \$2,250 and \$5,100 of the benefit structure. The gap was inserted into the legislation to keep the costs of the drug benefit less than \$400 billion over a ten year period. (Ed. note: After passage of the MMA, CMS admitted that the 10-year cost will be at least \$724 billion.) A second criticized feature of this plan is that it prevents Medicare from negotiating for discounts from drug manufacturers, even though Federal legislation requires drug manufacturers to give major discounts to government agencies.

The increasing use and cost of effective brand-name drugs may cause seniors to skip or discontinue essential drugs used to treat their illnesses. In addition, seniors who are most vulnerable to the increasing costs of drugs are those with multiple chronic conditions who are poor and have no drug coverage.

Dalen JE, Hartz DJ. Medicare prescription drug coverage: A very long wait for a very modest benefit. *The American Journal of Medicine*. 2005;118:325-329.

On the Internet

The following sites provide more information on Medicare and benefits specific to Illinois residents:

Centers for Medicare & Medicaid Services (National Medicare Training)

<http://cms.hhs.gov/partnerships/tools/materials/medicaretraining/>

Frequently Asked Questions on Medicare

http://www.medicareadvocacy.org/FAQ_PrescDrugs.htm

Illinois Medicare Drug Benefits

<http://illinoisbenefits.org/>

At the Buehler Center

Starting this fall 2005, faculty at the Buehler Center will collaborate with local institutions to provide informal seminars on a variety of topics, including Medicare, caregiving, end-of-life care and long-term care. Buehler Center Advisory Board Co-Chair Janice Feinberg, PharmD, JD, will present the inaugural seminar about Medicare prescription drug benefit at the Fourth Presbyterian Church in September 2005. Buehler faculty member Denys Lau, PhD, will also make a Medicare presentation in October 2005. Many community-based organizations in the Chicagoland area have already requested to schedule future presentations.

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