



CALIFORNIA HEALTH ADVOCATES

## Medicare Part D: An Overview

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (also known as the MMA) created voluntary prescription drug insurance through Medicare. It is commonly referred to as “Medicare Part D.”

This drug coverage is available to everyone who has Medicare, regardless of income, health status, or how their prescriptions were previously covered. Private companies provide the insurance coverage. You choose the drug plan and pay a monthly premium. If you have limited income, you may get extra help to cover prescription drugs at little or no cost. See the fact sheet titled “Extra Help for Part D Costs” at [cahealthadvocates.org](http://cahealthadvocates.org).

The amount of the monthly premium you pay cannot cost more because of your health condition or the number of prescriptions you need. In California in 2008, the premiums range from \$14.30 to \$102.70 for a stand alone prescription drug plan. In addition to the premium,

you may also have to pay a deductible and a portion of your drug costs.

Medicare has a set standard benefit design for all the drug plans. (See chart below.) Companies have to offer a plan that is at least as good as the standard design. However, every plan is different. Some companies offer more coverage and additional drugs for a higher monthly premium. In California, there are 56 stand alone prescription drug plans (PDPs) that are available throughout the state in 2008.

Depending upon where you live, there may be additional Medicare Advantage plans with prescription drug coverage (MA-PDs). The availability of Medicare Advantage plans varies by county. Some counties have many options and other counties have only a few. If you enroll in a Medicare Advantage plan, you must get all of your Medicare covered services through that

### Standard Part D Coverage for 2008

Coverage	Part D Plan Pays	Beneficiary Pays
<b>Annual Deductible (\$275)</b>	\$0	\$275
<b>Initial Coverage Period (\$2,235)</b>	75% of \$2,235 (\$1,676)	25% of \$2,235 (\$559)
<b>No Coverage (Donut Hole) (\$3,216)</b> Once your drug plan and your drug costs equal \$2,510 (\$275 + \$2,235), you are in the ‘donut hole.’ You must cover \$3,216 in drug costs before catastrophic coverage begins.	\$0	100% (\$3,216)
<b>Catastrophic Coverage</b> This begins once you’ve reached your ‘out-of-pocket threshold’ which is <i>your total annual drug cost of \$4,050 in 2008.</i> (\$275 deductible + \$559 initial coverage + \$3,216 donut hole)*	95% of remaining costs	Up to 5% of remaining costs

\*Only drugs on your plan’s formulary count towards the \$4,050 out-of-pocket costs you pay before catastrophic coverage begins. See the fact sheet, “Medicare Advantage Plans: An Overview” at [cahealthadvocates.org](http://cahealthadvocates.org).

Medicare drug plans cover both generic and brand name drugs. Plans have a formulary, which is a list of drugs covered by the plan. This list must always meet Medicare's minimum requirements, but it does not have to include all prescription drugs.

In some circumstances with Medicare's approval, plans can change their formulary during the year. Two such circumstances include: if a new generic version of a covered brand-name drug becomes available; or new FDA or clinical information show a drug to be unsafe. In general, however, plans cannot discontinue or reduce the coverage of a drug you are currently taking. If a formulary change is made that affects you, the plan must let you know at least 60 days before the change takes place.

If your doctor thinks you need a drug that is not on the list, or feels a formulary change will adversely affect you, you or your doctor can apply for an "exception" with your plan. If the plan denies you, you can appeal the decision. For information on Part D appeals, see the fact sheet "When My Part D Prescription is Denied" at [cahealthadvocates.org](http://cahealthadvocates.org).

Prescription drug plans must contract with pharmacies in your area, but not all pharmacies will contract with all plans. Check with the plan to make sure that the pharmacies in the plan you choose are convenient for you. Many plans will also allow you to get your prescriptions through the mail, often at a lower cost.

If you have not joined a plan AND if you do not have creditable coverage for your prescriptions, (coverage that is at least as good as the standard Part D benefit) your next opportunity to enroll in a PDP is during the annual enrollment period. This period begins on November 15 each year and ends on December 31<sup>st</sup>. Coverage begins on the following January 1<sup>st</sup>.

Note: depending on your situation, you may have other limited opportunities to enroll in a Part D plan. Call your local Health Insurance Counseling and Advocacy Program (HICAP) for more information.

In addition, if you do not join a plan AND do not have creditable coverage for your drugs, you will incur a penalty of one percent of the average

annual premium (about \$28 in 2008) for every month you were eligible and did not sign up. This amount is added on to your drug plan premium. (The average annual premium changes each year.)

For people who are new to Medicare, the initial enrollment period for Part D lasts for seven months; you will have three months prior to the month you become eligible, the month you become eligible, and three months after the month you become eligible to enroll in a plan.

To find and compare plans, your best local resource is HICAP, which offers free and unbiased information. You can call the statewide toll free number 1-800-434-0222 to locate the closest office to you. You can also go to the website [medicare.gov](http://medicare.gov) or call 1-800-Medicare and speak to a customer service representative. It is important to have your list of medications, your Medicare number and the name of your preferred pharmacy available when you call or go on the website.

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The Health Insurance Counseling and Advocacy Program (HICAP) provides free, objective information and counseling on Medicare and other related topics. You can call **1-800-434-0222** with your questions or to make an appointment at the HICAP office nearest you. To find the HICAP office in your area, visit [cahealthadvocates.org](http://cahealthadvocates.org).