

Medicare Drug Coverage

The Basics

All Your Questions Answered



Medicare will start providing insurance for prescription drugs on Jan. 1, 2006. Here are six facts to remember:

1 Everyone on Medicare can get drug coverage regardless of income or health.

2 You are not obliged to sign up.

3 To get coverage, you must choose one of the many private drug plans Medicare has approved.

4 If you have a limited income and qualify for "Extra Help," you will pay very little.

5 If your drug costs are very high, Medicare will pay 95 percent of your costs beyond a certain level in any one year.

6 Have good drug coverage already? You won't need the new benefit (but it's wise to check).

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INSIDE

HOW THE PROGRAM WORKS

HOW TO CHOOSE A PLAN

HOW TO SIGN UP

Q+A



How Does It Work?

Before you decide whether to sign up for Medicare drug coverage, you need to understand how the program works.

1. Who can get Medicare drug coverage?

Anyone on Medicare (with either Part A or Part B) is entitled to drug coverage (known as Part D) regardless of income. No physical exams are required. Nobody can be denied for health reasons.

2. Do I have to sign up?

No, it's voluntary. But if you sign up later than when you were first eligible, you will pay a penalty except in certain circumstances [see Qs. 23 to 25].

You won't need to sign up if you have other drug coverage that is better than Medicare's—for example, benefits from a current or former employer or union. [But see Qs. 26 to 30.]

3. How do I get this coverage?

You must enroll in one of the private insurance plans that Medicare has approved to provide it. Some will operate nationwide, others only in certain regions of the country. Wherever you live, you can get drug coverage in one of two ways:

- "Stand-alone" plans that offer only

drug coverage. This type would suit people wishing to stay in the traditional Medicare fee-for-service program for their other health care coverage.

- Medicare Advantage plans that cover both medical services and prescription drugs. This type would suit people who prefer managed care.

4. Will everyone get the same coverage?

No. Each plan must offer coverage that is at least as good as the "standard" Medicare benefit [see chart opposite]. But some offer better benefits or lower costs.

Also, you may get more coverage and pay less out of pocket if your income is limited [see page 25], or you are in a state pharmacy assistance program [see Qs. 33, 36 and 38], or you have employer or union coverage that supplements Medicare's [see Qs. 26 and 27].

5. What will I get and what will it cost?

Under the standard benefit (the minimum set by law) for calendar year 2006, you would pay:

- A premium of about \$32 a month (in

addition to the Part B premium of \$88.50 a month in 2006).

- A \$250 annual deductible on drug costs before coverage kicks in.

- \$500 (or 25 percent) out of the next \$2,000 of drug costs. Your plan pays the remaining \$1,500 (or 75 percent) in this initial coverage period.

- \$2,850 (100 percent) of additional drug costs. Your plan pays nothing in this coverage gap, also known as the "doughnut hole" [see Qs. 36 to 41].

- About 5 percent of all remaining drug costs in the year once you have spent \$3,600. Your plan pays 95 percent at this "catastrophic" level of coverage.

6. Do drug plans vary much?

Yes. There are big differences in premiums and deductibles, the drugs they cover, the copays they charge and the pharmacies they use. Those differences are important to know when choosing a plan [see page 24].

In 2006 the costs for many plans vary a great deal from those in the standard benefit above. Many plans offer lower premiums and deductibles—

even zero in some cases. Some plans offer additional coverage in the gap, usually for a higher premium. To determine exact costs and benefits, compare plans in your area [see Q. 42].

7. How many plan choices will I have?

At least 27 different drug plans will be available to you, and perhaps scores more, depending on where you live. Stand-alone drug plans include 10 national plans and many others available locally. Regional and local Medicare Advantage plans include different kinds of managed care (for example, HMOs and PPOs) and private fee-for-service options.

8. What if I can't afford the costs?

A special part of the Medicare drug program, known simply as Extra Help, provides continuous drug coverage at very low cost for people with limited incomes and savings [see page 25]. Some state pharmacy assistance programs offer similar or better help [see Qs. 33 and 59].

9. Are there any cost breaks for married couples?

No. Each spouse pays separate premiums, deductibles and copays for prescriptions and will reach each level of coverage according to his or her own drug costs over each calendar year.

10. How will the premium be paid?

You can choose to have it deducted from your monthly Social Security check or pay it directly to your Medicare drug plan.

11. What does a "year" of coverage mean?

A calendar year, Jan. 1 through Dec. 31, regardless of when you enroll. The cycle of coverage starts each Jan. 1.

12. Will I be able to get all the drugs I take now?

Not necessarily. Each plan has a list of preferred drugs it covers, known as a formulary.

A plan must cover at least two drugs in each class of drugs used to treat the same medical condition. It must also cover nearly all drugs used in six classes: antidepressants, antipsychotics, anticonvulsants, antiretrovirals (for HIV/AIDS), immunosuppressants (for

transplants) and anticancer drugs.

A few drugs are excluded from Medicare coverage by law. Among them are medications for weight problems, fertility and cosmetic uses, over-the-counter drugs and certain antianxiety treatments (barbiturates and benzodiazepines such as Valium).

Plans are allowed to change some of the drugs they cover during the year. If this affects a drug you are using, your plan must inform you of the change at least 60 days in advance.

You have the right to appeal for an exception at any time if your doctor can show that a nonformulary drug is necessary for your health [see Q. 44].

Before granting an exception, a plan may require you to try a drug that is already on its formulary and similar to the nonformulary one you take now, to see if it is equally effective in treating your medical condition.

13. What about drugs that Medicare already covers?

Medicare Part B will continue to pay for drugs it has covered in the past—usually those that are administered at a hospital or doctor's office.

14. What will I pay for my drugs?

Your share of each prescription will be either a flat copayment or a percentage of the drug's cost. Most plans will have three or four levels (known as "tiers") of copays, rising from the least expensive generic drugs through "preferred" brand-name drugs to "nonpreferred" brands to rarer high-cost drugs.

Once you have spent \$3,600 out of pocket in a year [see Qs. 32 and 33], you will get catastrophic coverage. Your copays will then be 5 percent of each prescription, or \$2 for generic drugs and \$5 for brand names, whichever is higher.

15. Where can I get my prescriptions filled?

You must go to one of the pharmacies within your plan's network, except in unusual circumstances. Going out of network will likely cost more. Your plan must offer pharmacies within a reasonable dis-

tance from your home. Many plans will also offer mail order services.

16. How will the pharmacist know what to charge me?

You will present your plan's prescription drug card at the pharmacy (or send its number if you're using mail order). The card will electronically access your information—whether or not you still have part of your deductible to pay, what coverage you're entitled to, whether you have extra coverage that reduces the cost and what your copay should be.

17. Will I be able to get a 90-day supply of my drugs?

Yes. Plans are required to make 90-day supplies available through pharmacies in their networks as well as through mail order.

18. How can I keep track of my drug spending?

Your plan must send you a monthly statement.

19. Can my plan's charges change after I enroll?

The premium and deductible cannot change between Jan. 1 and Dec. 31. A copay may change if a drug is moved to another tier of charges. Plans can change all charges for 2007 and each future year.

20. How often can I switch plans?

You will have at least two opportunities to switch plans before May 15, 2006 [see Q. 63]. After that, you can normally change plans only once a year, between Nov. 15 and Dec. 31.

There are exceptions. For example, if you move out of your plan's area or into a nursing home, or your plan ceases services in your area, you can change plans during a special enrollment period at that time.

21. What if I live in the U.S. territories?

You will have fewer Medicare drug plans to choose from. Also, the Extra Help program is different in the territories. Contact your local government office for information.

Case Study



Earl Taylor
Newport News, Va.
When drug costs are low
Earl, 71, stays healthy with medicines for blood pressure and cholesterol that cost \$480 a year. Under the standard Medicare benefit, he'd pay \$307.50 for his drugs and Medicare would pay \$172.50. But the premiums, at \$32 a month, would bring his yearly out-of-pocket costs to \$691.50, exceeding what he pays now. However, if he chose a plan with, say, \$10 premiums and a zero deductible, he would pay \$240 and save \$240 overall. Either way, he'd be insured against rising drug costs in the future.

Case Study

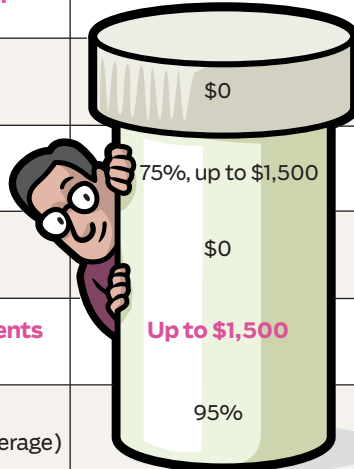


Barb Ariens
New Albany, Ind.
When drug costs are high
Barb, 56, suffers from fibromyalgia, a musculoskeletal pain and fatigue disorder. She has been on Medicare because of disability for 10 years. As a result of her condition she currently must spend upward of \$10,000 a year on prescription drugs. Under standard Medicare drug coverage she would pay less than half of that: \$4,229 next year. Her savings include \$4,655 that her Medicare plan would pay for at the catastrophic level of coverage. She would save \$5,771 under the standard benefit—more if she chose a lower-cost plan.

Basic Math

The Standard Medicare Benefit

If your total drug costs in calendar year 2006 are:	Medicare drug plan pays:	And you pay (assuming no other drug coverage):
\$0–\$250 (deductible)	\$0	Up to \$250 *
\$251–\$2,250 (initial coverage)	75%, up to \$1,500	25%, up to \$500
\$2,251–\$5,100 (coverage gap)	\$0	100%, up to \$2,850 *
Maximum payments at this level >	Up to \$1,500	Up to \$3,600 out of pocket
Over \$5,100 (catastrophic coverage)	95%	5% or \$2 copay/generic \$5 copay/brand name



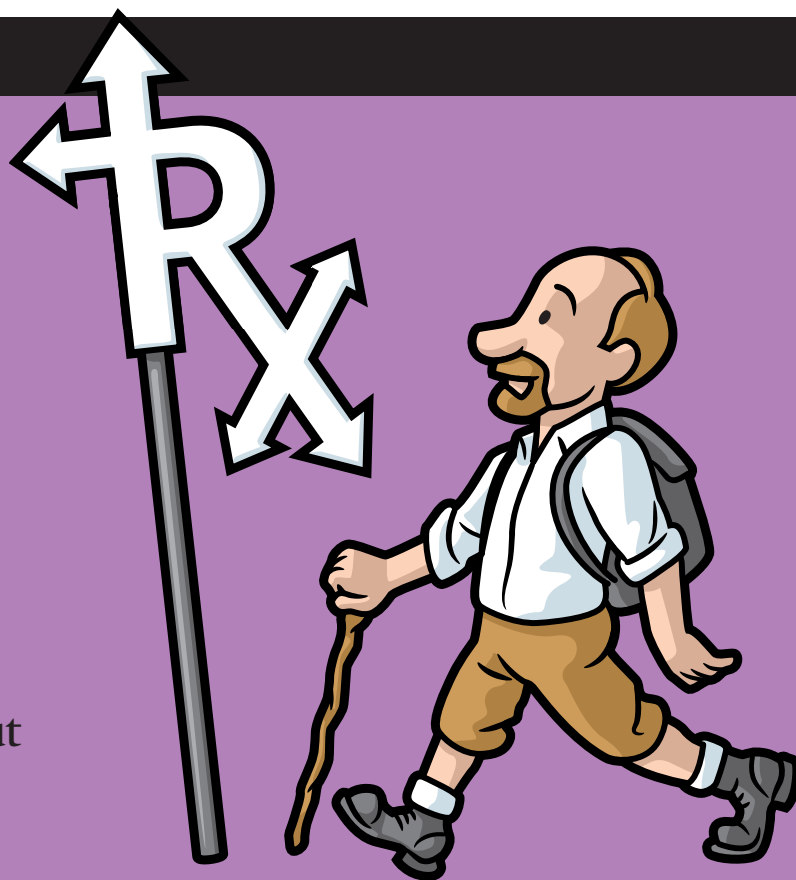
* You also pay premiums (about \$32 a month or \$384 a year). Many plans will offer lower premiums and deductibles. Some will fill in part of the coverage gap for a higher premium.

Hey Kids! Are your parents on Medicare? Then this guide is for you too. If they're unsure how the new drug coverage works, or how to choose a plan, now's your chance to help them figure it out.

Q+A

Making a Decision

Don't dismiss Medicare drug benefits out of hand—even if you already have good coverage. First consider all the angles.



CaseStudy



Jean Hellyar
Southbury, Conn.

Now has medigap coverage

An interior designer, Jean has a Plan J medigap policy that pays \$3,000 of her annual \$8,500 drug costs after she has paid a \$250 deductible.

If she drops the drug coverage from this policy and replaces it with standard Medicare drug coverage, she will save \$2,462 next year. Medicare will cover \$4,730 of her costs—\$1,500 in the initial coverage period and \$3,230 at the catastrophic level—after she's paid a \$250 deductible. She'll also save \$732 on premiums. If she chooses a Medicare drug plan with a lower premium and deductible, she'll save even more.

22. Do I need Medicare drug coverage? If you use few or no drugs now, you may wonder if it's worth signing up. But what about the future? Like all insurance, Medicare coverage protects you against high drug costs if and when you need it.

23. Can I wait and sign up later when I need coverage? Yes, but there may be a financial penalty if you want to enroll later than when you were first eligible. For people on Medicare now, that means between Nov. 15, 2005, and May 15, 2006.

24. What is the late penalty? At least an extra 1 percent of the national average premium will be added to your premium for each month that you delay, and you will pay the penalty (which increases each year along with the average premium) for as long as you have Medicare drug coverage.

25. Are there any exceptions? Yes. If you have other drug coverage that is at least as good as Medicare's and you lose it at a future date, you would not pay a late penalty if you then enroll in a Medicare drug plan within 63 days of losing that coverage [see Qs. 27, 29 and 30].

26. What if I have drug coverage from my job or retiree benefits? Your current or former employer or union must tell you if your present plan will change as a result of Medicare drug coverage. Among their options, they can:

- Continue your current coverage. If so, check to see if it is as good as Medicare's.

- Offer coverage through a new Medicare drug plan. You must enroll in this to keep your employer's coverage.
- Offer drug coverage that adds to Medicare's by paying some or all of your out-of-pocket expenses.
- Drop coverage—maybe helping toward the cost of your Medicare drug premiums or giving no help at all.

27. How do I tell if my current coverage is better or worse than Medicare's? Your employer, union or any other third party that helps pay for your drugs must inform you by Nov. 14, 2005, whether your coverage is "creditable"—that is, at least as good as the standard Medicare drug benefit. If you don't receive this information, call and ask for it in writing.

If your coverage is creditable, you need do no more. Even so, if your in-

come is limited enough to qualify for Extra Help [see page 25], compare those benefits with what you have now.

If your coverage is not creditable, you can still keep it. But if you sign up for a Medicare drug plan at some future date, you would then pay a late penalty.

28. What if I have medigap coverage? If your medigap policy (also known as Medicare supplement insurance) *does not* help pay for drugs, it won't be affected by Medicare drug coverage. If your policy *does* cover drugs, these are your options:

- You can keep it, but you cannot also have Medicare drug coverage. Most medigap policies (including the standard H, I and J plans) do not offer drug coverage as good as Medicare's. So you'd most likely pay a penalty if you later switch to a Medicare drug plan.
 - You can keep your policy but drop its drug coverage (or switch to a different medigap policy that does not cover drugs) and instead get your drugs through a Medicare plan. Your medigap premium would be reduced.
- Note:** You cannot use medigap to pay out-of-pocket costs in Medicare drug coverage. No new medigap policies covering drugs will be sold after Jan. 1.

29. What if I have veterans or military retiree drug benefits?

Drug coverage from the Department of Veterans Affairs health system and the TriCare program for military retirees and their dependents is currently better than Medicare's. You will not pay a penalty if you later lose this coverage and switch to a Medicare drug plan within 63 days. But if your income is low enough to qualify for Extra Help [see page 25], it is worth comparing those benefits with what you have now.

30. What if I have individual insurance that I buy myself?

You can keep this type of insurance (nonmedigap, nongroup) that covers drugs and be in a Medicare drug plan, too. Your insurer must notify you whether your current coverage is "creditable" or not [see Q. 27].

If it is not creditable and you don't join a Medicare drug plan when you are first eligible, you will incur a late penalty if you join a plan in the future [see Q. 24].

If you do join a Medicare plan, you could use your individual insurance to supplement Medicare coverage. But any payments made by your insurer for drugs in the coverage gap would not count toward your out-of-pocket

limit that triggers catastrophic coverage [see Q. 39].

31. What if I get drugs from a Medicare Advantage plan?

Your plan will tell you what changes will be made in 2006. You can continue in this plan—but it's worth comparing it to others available in your area [see Qs. 42 and 43]. In 2006 there will be many more MA plans offering competitive rates and benefits.

32. What if I now get my drugs from abroad?

Buying drugs from Canada or other countries might cost less than Medicare drug coverage. But consider:

■ If your income is limited and you qualify for Extra Help [see page 25], you would save far more than by buying from abroad.

■ If your drug costs become very high, Medicare's catastrophic coverage would give greater protection than low foreign prices.

■ Drugs from abroad do not count as "creditable" coverage. So if your foreign supplies dry up and you join a Medicare drug plan later than when you first could, you'd pay a penalty [see Qs. 23 and 24].

Note: Medicare plans will not cover drugs purchased from abroad. Can you use such drugs in the coverage gap? You can—but be aware that those

costs will not count toward your out-of-pocket limit that triggers catastrophic coverage [see Q. 39].

33. What if I'm in a state pharmacy assistance program?

It may coordinate with Medicare drug coverage to give you greater savings. Check with your state program. Or contact your state health insurance counseling program (SHIP) for free help, as shown in the "For More Help" section on page 26. If you now get your drugs through Medicaid, you qualify automatically for Extra Help [see page 25].

34. What if I get free drugs from a drug manufacturer's patient assistance program?

You can still do so and have Medicare drug coverage too—as long as the manufacturer's program continues this help for people on Medicare. Check with the company.

35. What if I now have a Medicare drug discount card?

You can use this card only until May 15, 2006, or until you sign up for Medicare drug coverage, whichever is sooner. The TogetherRx card—a commercial card that gives people on Medicare discounted drugs made by several manufacturers—cannot be used after Dec. 31, 2005.

Case Study



Donna and J.R. Walton
Lillian, Ala.

Her costs are high; his are low

Forced to retire early after a stroke, Donna, 59, spends \$2,000 on drugs annually—all she can afford of the \$18,500 worth of drugs her doctor prescribes. J.R., 69, spends only \$600 for a few heart medications.

Under the standard Medicare benefit, J.R. would spend \$722, or \$122 more than he does now.

If Donna could afford to spend \$3,600 and trigger catastrophic coverage, she could buy all her drugs and save \$13,846. On her current budget she would pay \$1,616 to receive \$3,116 worth of drugs before hitting the coverage gap under standard Medicare. A higher-premium plan that fills in the gap would help her more.

The Gap

In and Out of the Doughnut Hole

The coverage gap in the middle of the standard drug benefit works like this: Once your total drug costs (what your plan has paid plus your deductible and copays) exceed \$2,250, Medicare will cover no more in the year until you've spent \$3,600 out of pocket. When you reach this limit, catastrophic drug coverage kicks in automatically and your plan will pay 95 percent of your remaining costs until the end of the year.

36. Will everyone fall into the gap?

No. People whose drugs cost no more than \$2,250 in 2006 will avoid it. For people who qualify for Extra Help [see page 25], there is no gap. People with extra coverage from a state pharmacy assistance program or employer/union benefits may be

covered for all or part of the gap. Also, many Medicare drug plans will offer coverage during the gap, often for a higher premium [see Q. 45].

37. How do I get drugs during the gap?

You can continue to get them through your plan at the discounts it

has negotiated. Your plan will track your expenses so they count toward the \$3,600 limit. If you buy covered drugs elsewhere, send receipts to the plan.

38. What counts toward my \$3,600 limit?

Your deductible; your copays; what you spend on drugs out of pocket

during the gap; and any payments for your drugs made by a family member or friend, a charitable group or a state pharmacy assistance program. In all cases, *only payments for drugs your plan covers (including any "exceptions" you receive) count toward the limit.*

39. What does not count toward my limit?

Your premiums; payments for drugs not covered by your plan; payments made by your plan, by an employer, union, federal agency or other group insurer; and

any drugs bought from Canada or other foreign countries.

40. Can I delay reaching the gap?

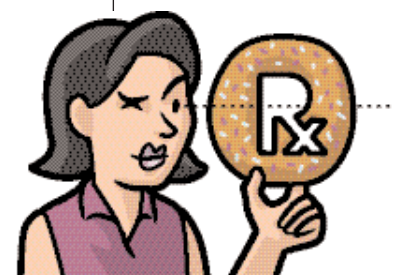
Yes. Using lower-cost drugs will make your initial coverage last longer. Ask your doctor if generics or less-expensive brand-name drugs would work just as well as the ones

you now take. Choosing these drugs could also reduce your copays. (For information on how similar drugs compare in ef-

fectiveness, go to www.aarp.org/health/comparedrugs or to the Consumer Union's site www.crbestbuydrugs.org.)

41. How will I know where I am in relation to the gap?

The monthly statement you receive from your plan must include this information.



Q+A

Choosing a Plan

To get Medicare drug coverage, you must enroll in one of the drug plans approved by Medicare. You will have plenty to choose from.



42. How will I know what different plans offer? You will receive many promotions for Medicare drug plans in your area, but to make a real choice you need to compare them carefully point by point. You can do this online at Medicare's website, www.medicare.gov. Or call Medicare at (800) 633-4227 and ask them to compare the plans for you.

43. How do I compare "stand-alone" plans with Medicare Advantage (MA) plans? The critical question is what kind of *medical* services you want. Joining an MA plan means going to the doctors and hospitals in its regional network (or paying more to go out of network). Traditional fee-for-service Medicare allows you to see any providers that accept Medicare patients, anywhere in the country.

So deciding first how you prefer to have your medical care delivered will considerably narrow your choices. These are other points to consider:

- Traditional Medicare doesn't cover outpatient drugs, so you'd need to join a stand-alone plan (which offers only

drugs) to add coverage. You cannot join an MA plan as well as stay in traditional Medicare.

- Most MA plans offer medical and drug coverage as a managed care package, so it's important to compare them in their entirety.

- You can choose both an MA plan and a stand-alone drug plan *only* if the MA plan does not offer drugs.

- If you're already in an MA plan that covers drugs, be aware that enrolling in a stand-alone plan would automatically transfer you out of your MA plan and back to traditional Medicare.

- Beyond May 15, 2006, if you stay in an MA plan that does *not* cover drugs, you will pay a penalty if you later join a drug plan [see Qs. 23 and 24].

44. What if I can't find a plan that covers all my drugs? Find a plan that covers most of your drugs, especially expensive ones. Then talk to your doctor to see if any of the others can be switched to similar drugs that are covered by the plan. Also, your specific medical condition may qualify you for an exception that pays for a drug not

on the plan's formulary. Once you've joined a plan, you can appeal for an exception with your doctor's support.

45. Should I consider a plan with extra coverage? It may save a lot out of pocket if your drug costs are high enough to take you into the coverage gap but not high enough to get out of it. Some plans will cover some or all of those costs, often for a higher premium. The extra coverage may be for both generic and brand-name drugs, or for generics only.

But if your costs are very high, be aware that any extra coverage from a plan will not count toward your \$3,600 out-of-pocket spending limit in the gap—and so will delay the beginning of more generous catastrophic coverage [see Qs. 38 and 39].

46. What if I use few or no drugs right now? A plan with the lowest premium in your area would keep costs to a minimum while providing coverage you might need later on. A plan with a zero annual deductible would cover even very low drug costs immediately.

47. What if I live in different states during a year? A national plan would cover you throughout the United States. If a regional plan offers mail-order services, your drugs could be sent to a temporary address—but make sure the plan allows that option.

48. Should a married couple choose the same plan? Not necessarily. Each spouse should consider plans separately, according to the drugs she or he takes.

49. Who can help me make these decisions? Here's a tip: *Take your time.* You don't have to decide by the first day of enrollment, Nov. 15. You still have six weeks (till Dec. 31) if you want drug coverage to start Jan. 1—or six months till the final deadline (May 15) to sign up for 2006.

Meanwhile, make a list of the drugs you're taking now, so that you can more easily compare plans. Discuss plan choices with family and friends. Check newspapers and bulletin boards for local help sessions. [For expert sources of help, see page 26.]

Glossary

The following are definitions of key terms used in Medicare prescription drug coverage:

Catastrophic coverage: Medicare covers almost all your costs after you've spent \$3,600 out of pocket in a year.

Copayment: The amount you pay toward each prescription.

Coverage: The amount your plan pays toward your drug costs.

Coverage gap ("doughnut hole"): The gap between initial and catastrophic coverage, a period in which you may pay 100 percent of your drug costs.

"Creditable" coverage: Drug coverage offered by others that is at least as good as standard Medicare coverage.

Deductible: The amount you pay each year before coverage kicks in.

Extra Help: A special program offering low costs and continuous coverage to people with limited incomes who qualify.

Formulary (preferred drug list): The drugs that a plan covers.

Generics: Drugs that have the same medical effect as brand-name drugs but usually cost less.

Initial coverage: The amount your plan pays prior to the coverage gap.

Late penalty: The extra amount you pay in premiums if you do not sign up for Medicare drug coverage when you first become eligible, unless you already have "creditable" coverage from elsewhere.

Medicare drug plans: Medicare-approved private insurance plans that offer drug coverage.

Medicare Part D: The official name of the drug program.

Medigap: Insurance that covers many out-of-pocket costs in Medicare.

Out-of-pocket spending: How much you pay for drugs from your own money.

Premium: What you pay a drug plan each month for coverage.

Standard Medicare drug coverage: The minimum required by law. Plans can offer better benefits and lower costs.

Total drug costs: What you pay plus what your plan pays for drugs.

Limited Income

Extra Help Paying for Drugs

A special part of Medicare drug coverage gives more assistance to people with limited incomes. If you qualify, you will receive full coverage for the year and pay very little for your drugs.

■ If you now receive Medicaid or SSI or if your state pays your Medicare premiums, you'll pay no premium or deductible for Medicare drug coverage. Your copays for each prescription will be \$1 or \$2 for generics, \$3 or \$5 for brand-name drugs and nothing for catastrophic coverage. Many people in nursing homes will pay nothing for drugs.

■ If your 2005 income is no higher than \$12,919 (or \$17,320 for a married couple living together), and your assets are no more than \$7,500 (\$12,000 for a couple), you'll pay no premium or deductible. Your copays will be \$2 for generics, \$5 for brand-name drugs and nothing for catastrophic coverage.

■ If your 2005 income is no higher than \$14,355 (\$19,245 for a couple), and your assets are no more than \$11,500 (\$23,000 for a couple), you'll pay a monthly premium of \$0 to \$35 depending on income, an annual deductible of \$50, 15 percent of the cost of each prescription, and \$2 or \$5 for each prescription at the catastrophic level of coverage.

you live in Alaska or Hawaii, have dependent relatives living with you or have certain earnings that don't count.

ference between the average and that plan's premium.

57. What if I can't get all my drugs or can't afford the costs? Medicaid programs in some states will continue to supply drugs that a Medicare drug plan doesn't cover. Some state pharmacy assistance programs will pay all or some out-of-pocket costs.

58. Will Extra Help affect other benefits I get? Food stamps and housing assistance may decrease, but the savings on drugs will still leave you better off.

59. What if I don't qualify? You may get similar or better help from a state pharmacy assistance program if your state has one. Otherwise, you can sign up for regular Medicare drug coverage.

60. Who can help me? Anyone can help you apply for Extra Help or apply on your behalf. For free personal help with your options (including information on state pharmacy assistance and other programs), contact your state health insurance counseling program (SHIP), through the phone number in "For More Help" on page 26.

50. How do I know if I qualify? If you are in the first group above, you qualify automatically. Otherwise, you can apply by contacting the Social Security Administration at (800) 772-1213 or online at www.socialsecurity.gov or in person at your local SSA office. SSA will notify you whether or not you qualify. You have the right to appeal a "no" decision.

51. What counts as income? It includes Social Security, wages, dividends, rental property, workers' compensation and education grants. It does *not* include cash or credit acquired through a reverse mortgage.

52. What counts as assets? They include bank accounts and the value of investments, life insurance policies, and extra real estate. They do *not* include your home, vehicles, burial plots or personal possessions, or \$1,500 in savings intended for funeral expenses.

53. What if my income is a little too high? It's still worth applying. The limit is higher if

54. What if my assets are a little too high? SSA rules do not prevent you spending down or giving away some savings to reduce them below the limit. Only what you have when you apply is counted. But spending down may affect your eligibility for other programs (such as Medicaid), should you need them within a few years.

55. What if I'm married but we live apart? You count as single if you're separated or your spouse's stay in a nursing home is likely to be permanent. Check with SSA to be sure.

56. How will I get my drugs? By enrolling in a Medicare drug plan [see Qs. 42 and 61]. If you got drugs through Medicaid in 2005, you'll get them through a Medicare plan from Jan. 1.

You will have many plans to choose from—but to guarantee a zero premium, you must choose a plan with a premium that is below the regional average. (Call Medicare to find out.) If you choose a more expensive plan, you must pay the dif-

Case Study



Dorothy Smith

Topeka, Kan.

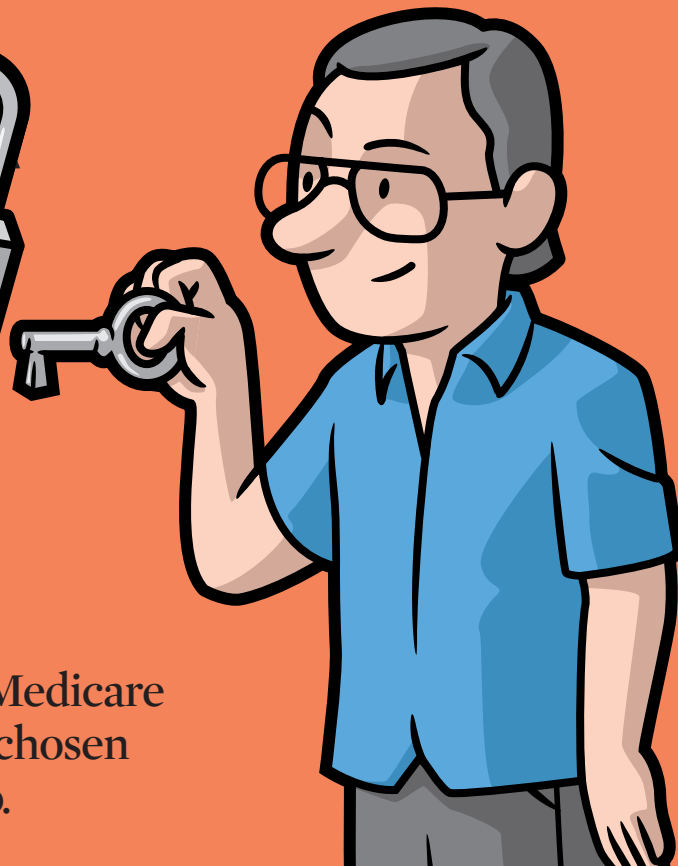
When income is limited

A former state employee, Dorothy, 82, relies on Social Security. Her drugs now cost \$2,400 a year. But she qualifies for Extra Help for people with limited incomes—so next year she'll pay just \$276. With no premium or deductible to pay under Extra Help, her only expense would be copays of \$2 each for four generic drugs and \$5 each for three brand names. So in 2006 she will save \$2,124, or 88.5 percent of her present costs.



How to Sign Up

If you've decided to get Medicare drug coverage and have chosen a plan, it's easy to sign up.



61. How can I enroll?

- On the phone by calling Medicare at (800) 633-4227; TTY (877) 486-2048.
- Online at www.medicare.gov.
- Or by contacting the plan of your choice at its website or at the phone number provided in its brochure or on Medicare's website.

62. When can I enroll?

If you're already on Medicare, you can enroll in a drug plan any time from Nov. 15, 2005, through May 15, 2006.

If you are not yet on Medicare but will become eligible in or after March 2006, you'll be able to join a drug plan during your seven-month initial Medicare enrollment period.

63. What if I enroll in one plan but then find another I prefer?

You can change your mind at any time from Nov. 15 through Dec. 31, 2005. After that, you will have one more opportunity to switch before May 15, 2006—or two chances if you didn't enroll at all before Jan. 1. Enrolling in another plan automatically

cancels your enrollment in a previous one. (Note: You may have more chances to change plans if you're in a Medicare Advantage plan or qualify for Extra Help, where different rules apply.)

64. Can I be turned down?

Only in a few circumstances—for example, if you're not eligible for Medicare or don't live in the service area of a plan you try to join. If you're denied but think you are eligible, call Medicare at the number above.

65. When will my drug coverage start?

If you've joined a plan by Dec. 31, 2005, coverage will start Jan. 1, 2006. After that, it will begin on the first day of the month after you enrolled.

*** How you can avoid being scammed.** Scammers may pretend to be from a Medicare drug plan to get your financial information. Here's what you need to know to protect yourself:

- Companies approved by Medicare

can market their plans by mail and over the phone, but not door to door. They can also promote plans and enroll people at pharmacies and other public places.

- Approved companies cannot call your number if it is registered on an official Do Not Call list.

- Approved companies cannot ask you to enroll on the phone if they have initiated the call—you must call them. Call Medicare at (800) 633-4227 to verify the name and phone number of a plan if you're not sure.

- Do not give out your Medicare ID, Social Security number, bank account or credit card numbers, or other financial details to anyone who calls. A legitimate caller won't ask.

- Don't believe anyone who says signing up is required by law, that you'll lose other Medicare benefits if you don't or that there is a fee for enrolling.
- Report possible fraud to Medicare or to your state attorney general's office or consumer protection agency.

To order black-and-white reprints of this report, call (866) 888-3723.



For More Help

- Medicare's telephone hotline: **(800) 633-4227**. TTY users should call **(877) 486-2048**.
- Medicare's official website: www.medicare.gov. Includes comparison of drug plans, cost estimator and fact sheets in several languages.
- For questions about Extra Help, go to www.socialsecurity.gov or call **(800) 772-1213**. TTY users should call **(800) 325-0778**.
- For the phone number of your state health insurance counseling program (SHIP), go to www.shiptalk.org or call **(800) 677-1116**.
- For free AARP booklets "The New Medicare Prescription Drug Coverage: What You Need to Know" and "Extra Help for People With Limited Incomes," call **(888) 687-2277** or go online to www.aarp.org/medicarerx.

Both booklets are available in English or Spanish.

- For more detailed Q&As, go to www.aarp.org/bulletin or to the Medicare Rights Center at www.medicarerights.org.



Important Dates To Remember

- Nov. 15, 2005:** First day to sign up for Medicare drug coverage by joining an approved drug plan.
- Jan. 1, 2006:** First day you can use Medicare drug coverage if you've already joined a drug plan.
- May 15, 2006:** Last day to join a drug plan without a penalty unless you qualify for an exception. If you are not yet eligible for Medicare, you'll be able to sign up for drug coverage when you join the Medicare program.