

The New Medicare Prescription Drug Coverage

What You Need to Know



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Medicare Prescription Drug Coverage

Medicare will soon offer insurance coverage to help people pay for prescription drugs. The new program, known as Medicare Part D, will start January 1, 2006.

This new program for getting drug coverage is different from the way most people now get coverage for other health services under Medicare. Because it's new, it may seem strange at first. But this booklet will help you understand it and help you through the decisions you have to make.

These are some things you need to know right away:

- > **Everyone on Medicare can get drug coverage.** No one can be denied for health reasons or level of income.
 - > **The program is voluntary.** You don't have to sign up. You may not need to if you already have good drug coverage from elsewhere.
 - > **There is no single Medicare drug plan.** To get coverage, you must enroll in one of the private drug plans Medicare has approved.
 - > **If you have a limited income,** Medicare will pay almost all your drug costs. (To learn more, see "Extra Help for People with Limited Incomes," page 18).
 - > **If your drug costs are very high,** a Medicare-approved plan will cover up to 95% of costs beyond a certain level in any one year.
 - > **Plans will vary,** including what drugs are covered and how much you will have to pay. So compare carefully.
- > **Medicare Part D drug coverage is not the same as the Medicare-approved drug discount cards** available in 2004 through 2005. That temporary program offered only discounted prices. The new program is permanent and offers insurance protection for drug costs now and in the future.

Whatever your circumstances, it's worth checking out what Medicare drug coverage offers. In this booklet you will learn:

- > how Medicare prescription drug coverage works.
- > how to decide if you need it.
- > how to find help picking a Medicare drug plan that meets your needs.
- > how to sign up.
- > where to go for help.

Extra Help

If your income is limited (less than \$14,355 a year for a single person or \$19,245 for a married couple living together in 2005) see "Extra Help for People with Limited Incomes," page 18. This section describes Medicare's special program that gives full drug coverage with low co-payments and low or no deductible, and explains how to apply for it. This extra help can greatly reduce drug costs for people who qualify.

How Does Medicare Prescription Drug Coverage Work?

Anyone in Medicare can get the new drug coverage, known as Medicare Part D. Being “in Medicare” means enrolled either in Medicare Part A (which covers hospital and some home health care as well as skilled nursing facility care) or Part B (doctor visits and other outpatient care).

If you do not want Medicare drug coverage, you do not have to sign up for it. But be careful. If you don’t sign up when you first can, and later change your mind, you may then have to pay more for it. (See more about this late penalty on page 7.)

To get Medicare drug coverage, you must enroll in one of the private insurance plans that Medicare has approved. The plans will vary in the coverage they offer and the payments they require, so you will have choices. But the overall value of each package must be at least as good as the “standard” Medicare prescription drug benefit, which is the minimum set by law.

How to pick a plan will be explained further on in this booklet. First you need to know how the Medicare drug coverage works.

Important Dates to Remember

October 1, 2005: Private insurers approved by Medicare will start to send people marketing information about their drug plans.

October 13, 2005: You can start comparing Medicare drug plans online at www.medicare.gov or by calling 1-800-633-4227.

November 15, 2005: First day you can sign up with a Medicare drug plan.

January 1, 2006: First day you can use Medicare’s drug coverage if you have already joined a plan.

May 15, 2006: Last day you can join a drug plan without paying a penalty, unless you qualify for an exception. (People not yet on Medicare will be able to sign up for drug coverage later when they first join the program.)

How much will Medicare prescription drug coverage cost me and what will I get in return?

The standard Medicare drug benefit offers insurance that will pay some of your drug expenses and will protect you against very high costs. If you have additional drug coverage—from an employer or a state pharmacy assistance program, for example—this will reduce your out-of-pocket expenses more.

During a calendar year, here's how the standard plan works:

Monthly Premium

The premium is the amount you pay each month to a Medicare drug plan sponsor to purchase drug coverage. The actual amount will depend on which plan sponsor you choose. The average premium for standard drug coverage in 2006 is expected to be about \$32. But some plans will charge more and some less.

This premium will be in addition to your monthly premium for Medicare Part B. You can choose to have the drug premium taken out of your Social Security check or pay it directly to your Medicare drug plan sponsor. Each person must pay a premium as an individual. There are no discounts for married couples.

Annual Deductible

The deductible is the amount you have to spend on drugs at the beginning of the calendar year before your coverage kicks in. In 2006, the deductible can be no higher than \$250, though some plans may set a lower limit.

Initial Coverage

In 2006, if you have signed up for Medicare's prescription drug coverage, you will pay a \$250 deductible toward the cost of your drugs. After you have paid this deductible, the plan will cover 75% of the next \$2,000 of your drug costs, and you will pay the remaining 25%. In other words, the plan will cover \$1,500 toward this amount, and you will pay \$500. At this point, you will have paid a total of \$750—your \$250 deductible, plus the \$500 just explained.

Coverage Gap

After the initial coverage limit described above, there is a gap in Medicare's coverage (also known as the "donut hole"). This means that in 2006 you could pay up to an additional \$2,850 before Medicare's coverage continues. While you are in this coverage gap, the plan will pay nothing toward your drug costs.

However, if you have extra coverage from a state program or elsewhere that adds to Medicare's, this may narrow or eliminate the gap. Some drug plans may offer similar extra coverage, probably for a higher premium. If you have limited income and qualify for Extra Help, you will not be affected by the coverage gap (see "Extra Help for People With Limited Incomes," page 18.)

Catastrophic Coverage

If you have drug expenses that go above the coverage gap, the plan covers up to 95% of the rest of your prescription costs until the end of the calendar year. There is no limit to

this coverage in any one year. It is called “catastrophic” because it is intended to protect you against very high drug bills. Under the standard drug benefit for 2006, catastrophic coverage begins after you’ve spent \$3,600 on drugs out-of-pocket over the course of the year, not including premiums. (\$3,600 = \$250 deductible + \$500 in copayments + \$2,850 in the coverage gap.) At this level, you will pay only \$2 a prescription for generic drugs and \$5 a prescription for brand name drugs, or 5% of the cost of each prescription—whichever is higher.

Who tracks my out-of-pocket expenses in the Medicare coverage gap? If you continue to get drugs through your Medicare drug plan during the gap, the plan will keep track. If you buy any from elsewhere, you must send the receipts to your plan. But only drugs that are covered by your plan will count toward the \$3,600 out-of-

pocket maximum (unless your plan has allowed you an exception for a drug it doesn’t usually cover). Also, any drugs bought from Canada or other foreign countries do not count. Once the maximum is reached, your plan automatically starts your catastrophic coverage.

What if another plan pays for my drugs in the coverage gap? Whoever provides your other drug insurance will work with your Medicare drug plan to ensure that you receive the correct coverage. However, not all kinds of extra coverage count towards the out-of-pocket maximum. If they don’t, it means it will take longer to qualify for catastrophic coverage. Drug costs that **do** count toward the out-of-pocket maximum include those that are paid for by a family member and some state pharmacy assistance programs. Those that **do not** count include costs

Medicare Drug Benefit At-a-Glance (Calendar Year 2006)

Prescription Drug Spending—(if you have no drug coverage other than Medicare)	Medicare-Approved Plan Pays	You Pay—(if you have no drug coverage other than Medicare)
\$0-\$250	\$0	Up to \$250 Deductible
\$250-\$2,250	75% of drug costs— Up to \$1,500	25% of drug costs— Up to \$500
\$2,250-\$5,100 Coverage Gap/Donut Hole	0% of drug costs—\$0	100% of drug costs— Up to \$2,850
Subtotal:	Up to \$1,500	Up to \$3,600 out-of-pocket
Over \$5,100 (Catastrophic Benefit)	95%	5% or \$2 copay/generic \$5 copay/brand name

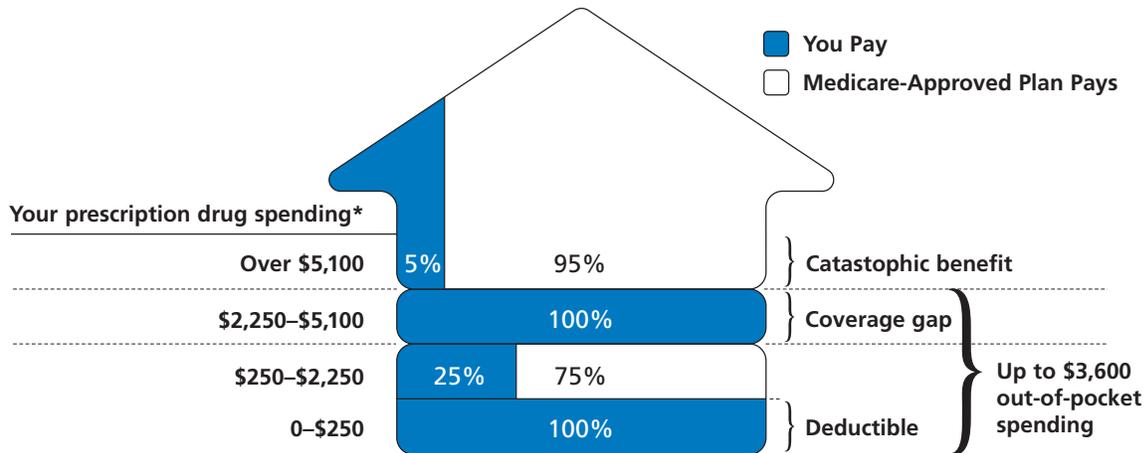
Note: Your premium (about \$32 per month/\$384 per year in 2006) is not included in what you pay as shown in the chart above.

paid by other insurance, including from employers, unions, workers compensation or any government programs such as veterans and military retiree benefits.

Can I delay reaching the Medicare coverage gap? Yes. Using lower-cost drugs will stretch your \$2,000 initial coverage. Ask your doctor if a generic drug or lower-cost brand name drug would work just as well for you as the one you now take.

Using these kinds of drugs could also reduce your copayments.

The chart on the previous page and below show the relationship of your drug expenses and Medicare prescription drug coverage. They describe only the standard coverage. Medicare drug plans may offer something different, but they must have at least the same overall value.



Note: Premiums not included.

* If you have no other prescription drug coverage.

What are Medicare drug plans and how do they work?

To get Medicare drug coverage, you must enroll in one of the private plans that Medicare has approved. A wide range of plans will be offered. Some will operate nationally, others only in certain regions of the country. You will be able to compare details of each plan available in your area, starting October 13, 2005.

Broadly, there are two kinds of Medicare plans offering drug coverage:

- > A “stand-alone” plan that offers only prescription drug coverage. This type may suit people who wish to stay in (or change to) the traditional Medicare fee-for-service program for their other health care coverage.
- > A Medicare Health Plan that offers comprehensive coverage for medical care plus coverage for prescription drugs. This type may suit people who prefer managed care.

Medicare Health Plans are alternatives to the traditional Medicare program. They have been in Medicare for several years and used to be known as Medicare+Choice plans (or Part C of the Medicare program). Now they are known as Medicare Advantage plans or just Medicare Health Plans.

Among the different kinds of health plans are: Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), Point of Service (POS) plan, private fee-for-service (PFFS). Most are variations of managed care. In some, you may use doctors only from the plan’s network—that is, doctors who have a contract with the plan. In others, you can also choose doctors from outside the network,

but you’ll likely pay more to do so.

Starting January 1, 2006, all Medicare Health Plans (except PFFSs) must offer at least one option that includes prescription drug coverage. If you select a PFFS Plan that does not include drug coverage, you can choose to get drug coverage separately from a stand-alone Medicare drug plan.

There will be a lot of variations among the plans in the drug coverage they offer. By law, it must be at least as good as the standard Medicare coverage in overall value. But there will be differences in the premiums and copayments they charge, which drugs they cover, what prices they charge for drugs, and which pharmacies they use. Those differences are important to know when you want to choose a plan (see page 15).

If you sign up for a plan, you’ll receive its prescription drug card. When you need to fill a prescription, you will show the card at the pharmacy (or send its number to a mail order pharmacy service). The pharmacist will use the card to access your information electronically. That’s how the pharmacist will know what to charge you—whether you still have part of your deductible to pay, whether or not you have extra coverage that affects what you will pay, what your copayment should be, and, finally, whether you are in Medicare’s coverage gap.

Now that you know how the new drug coverage works, you need to make a decision—sign up for it or not? Only you can make this decision, but you need to think it through carefully. These are things to consider.

Making a Decision About Medicare Prescription Drug Coverage

Do I really need prescription drug coverage now?

If you don't take any medications right now, or need them only occasionally, you're likely wondering if it's worth signing up. After all, you'd have to pay the premiums even if you didn't need any prescriptions.

But you also need to think about the future. Like any insurance, drug coverage gives you protection against high drug

costs if and when you need it. Here are some facts to consider. On average, someone age 75-79 will spend 25% more on drugs than someone 65-69. Also, almost one in five people with Medicare is projected to incur \$5,000 or more in drug costs during 2006.

Can I wait and sign up for Medicare drug coverage later when I need it?

You can. Medicare drug coverage is voluntary, so you can sign up if you like or not at all. **But** there may be a financial penalty if you want to enroll later than the time when you were first eligible.

With some exceptions, the penalty for signing up late is a higher premium—an extra 1% of the national average premium for each month (or 12% for each year) that you delay. The longer you wait to join up, the higher your premium will be. For example, if you delay eight years, you'll pay nearly double for the same coverage. The penalty adds up quickly, and you will have to pay it for as long as you have Medicare drug coverage.

If you are already on Medicare, the time to sign up without incurring a penalty is between November 15, 2005 and May 15, 2006. After this, most people won't get another chance until the next enrollment

period at the end of 2006. (People not yet on Medicare will be able to join a drug plan whenever they become eligible for Medicare.)

What if you don't sign up for Medicare drug coverage now because you already have coverage from an employer or some other source? If you someday lose that coverage, you won't have to pay a late penalty to join Medicare's program—provided that the coverage you lost was at least as good as Medicare's, as explained below.

An example of how the late penalty works:

Jill is already in Medicare and eligible to join a Medicare prescription drug plan in May 2006, but she doesn't. In November 2008, she decides to sign up for coverage beginning in 2009. She is 31 months late in enrolling, which means she has to pay the

late penalty. Here's what happens:

- > By 2009, the average national premium has risen to (let's say) \$46 a month. Jill's late enrollment penalty is computed at $1\% \times 31 \text{ months} \times \46 which comes to \$14.26 a month.
- > So Jill must pay \$14.26 in addition to the plan's premium. In 2009, her monthly premium is \$60.26 instead of \$46.
- > As the average premium rises in future years, so does the late penalty. In 2010, the average premium is (say) \$49, so Jill's late penalty will be $1\% \times 31 \text{ months} \times \49 which comes to \$15.19. Her total premium would be \$64.19 ($\$15.19 + \49).

What if I already have prescription drug coverage or discounts?

People right now use many different ways to help pay for their prescription drugs. You need to consider how what you have now may be affected by the new changes to Medicare, and how it compares with what you would get from Medicare drug coverage.

Read this if you have drug coverage from your current job or a retiree benefit

Your current or former employer or union will tell you if your present plan will change because of Medicare's new drug coverage. These are their main options:

- > They may continue to offer drug coverage as they do now. If so, check with your former employer or union to see whether your coverage is as good as Medicare's.
- > They may continue offering drug coverage through a new Medicare drug plan. You will need to enroll in this plan to maintain your employer's coverage.
- > They may offer drug coverage that adds to Medicare's, as some do for other health benefits you receive. You will

need to enroll in a Medicare drug plan, but your employer will cover some or all of your out-of-pocket costs.

- > They may drop your current drug coverage—maybe helping toward the cost of your Medicare drug premium, or perhaps giving no help at all.

The Medicare drug law offers employers large federal subsidies to continue their coverage. Recent surveys show that most employers are expected not to drop it.

How do I tell if my current coverage is better or worse than I could get from Medicare? Your employer or union must give you this important information. You should receive written notice saying whether or not your coverage is "creditable"—that is, at least as good as Medicare's. If you don't receive this information by the end of October 2005, call them and ask them to let you know in writing if you have creditable coverage. Keep this written notice in a safe place so that you can use it to document your coverage if you later decide to enroll in a Medicare prescription drug plan.

What happens if my employer drops my current drug coverage at some future date? You will then be able to enroll in a Medicare drug plan without incurring a late penalty—as long as the coverage you had was “creditable” and you sign up for a Medicare plan within 63 days of losing your previous coverage.

Read this if you have drug coverage from a Medigap plan

Some Medigap insurance plans (also known as Medicare Supplemental Insurance) help pay for prescription drugs and some do not.

If your Medigap plan **does not** cover drugs, you can keep it unchanged. And if you now decide you’d like to have drug coverage, you can also sign up for a Medicare drug plan.

Some Medigap plans **do** cover prescription drugs. You cannot have one of these Medigap plans and a Medicare prescription drug plan. You must choose between the two. However, you can decide to keep the Medigap policy, but drop the prescription drug coverage. Then, you can enroll in a Medicare prescription drug plan.

Keep in mind:

- > If you currently have Medigap, you can keep your Medigap drug coverage. But in future years if you change your mind and enroll in a Medicare drug plan instead, you will likely pay a late penalty. That’s because very few Medigap policies offer drug coverage that is as good as Medicare’s.
- > Starting in January 2006, no Medigap policies with drug coverage will be sold. This means that no new people will be able to enroll in a Medigap plan’s drug benefit. This could cause Medigap premiums to rise over time.

If you have a Medigap plan with prescription drug coverage, your Medigap insurer must send you a letter by mid-November to tell you how your policy’s drug coverage compares with Medicare’s. If you do not receive this letter, call your Medigap insurer and ask for it.

Read this if you have drug coverage from your state Medicaid program

If you get both Medicare and Medicaid, or you get Supplemental Security Income, or your state pays your Medicare premiums, you automatically qualify for extra help to pay almost all of your drug costs.

Beginning January 1, 2006, you will get your drugs from Medicare instead of Medicaid. (Note that the Medicaid program in your state may have a different name—for example Med-Cal in California, TennCare in Tennessee.) To learn more, see “Extra Help for People with Limited Incomes,” on page 18.

Read this if you get help now from a state pharmacy assistance program

If you are in a state-run pharmacy program (other than Medicaid) that helps you pay for prescription drugs, it may coordinate coverage with the new Medicare drug coverage to give you even greater savings. Each state will decide how its program will work with Medicare drug plans. You should check with your state program to find out what will happen. To learn more about the program, call your local Senior Health Insurance Assistance Program (SHIP) or your local Area Agency on Aging. See page 21 for contact information.

Read this if you have veterans or military retiree drug benefits

If you feel that the drug coverage you receive from the Veterans Administration health care system meets your needs and you decide not to join a Medicare drug plan now, you won't have to pay a higher monthly premium for your Medicare drug plan if you join later. Military retirees and their dependents enrolled in the TriCare senior pharmacy program can stay in it. TriCare's drug benefit is considered "creditable" coverage. If you have a limited income that qualifies you for Medicare's extra help in paying for drugs, see "Extra Help for People with Limited Incomes," page 18.

Read this if you get drugs from a Manufacturer's Patient Assistance Program

If you now get one or more of your drugs free or at low cost from one of the assistance programs run by prescription drug manufacturers, you may be able to continue to do so as well as have Medicare drug coverage—as long as you still qualify for the drug company's program. You'll need to check. Some companies may continue providing drugs to people in Medicare drug plans and some may not.

If you qualify for Medicare's Extra Help for people on limited incomes, you may not need to get drugs from a manufacturer any more. If you don't qualify for extra help, but you sign up for Medicare's standard drug coverage, you may be able to continue to get drugs from a manufacturer.

Read this if you now have a Medicare drug discount card

If you signed up for a Medicare-approved drug discount card, it is important to know that this program will stop in 2006.

You will be able to continue using your card until May 15, 2006 or until you sign up for Medicare drug coverage, whichever is sooner. After that, you will not be able to use it any more.

If you sign up for a Medicare prescription drug plan, you'll receive that plan's prescription drug card. Do not confuse your plan's prescription drug card with the Medicare-approved drug discount card you may have signed up for in 2004 or 2005.

Read this if you now buy low-cost drugs from Canada or other foreign countries

Although the practice is still illegal, many Americans have found relief from high U.S. prices by buying drugs from abroad, mainly Canada, where they usually cost less. Many now wonder if continuing to do so would be less costly than signing up for Medicare drug coverage. Here are things to consider:

- > What if Canada does not allow drugs to be exported? They haven't so far, but Canadian pharmacists have come under heavy commercial and political pressure to stop selling to Americans.
- > If you suddenly need very expensive drugs in the future or your total costs become very high, Medicare's catastrophic coverage would give far greater protection than low foreign prices.

If you sign up for standard Medicare drug coverage, your plan will not cover drugs purchased from abroad. You may pay less for drugs in the coverage gap by buying from abroad, but they would not count toward your out-of-pocket maximum that qualifies you for catastrophic coverage if your drug costs become high.

Decisions, decisions—let’s look at some choices people can make

Here are some examples of how Medicare prescription drug plans can help people like you in just the first year of the program. These examples are of people who have no other drug coverage and do not qualify for Extra Help for people with limited incomes. They are based on a

standard Medicare prescription drug plan with an estimated monthly premium of \$32 and annual deductible of \$250 in 2006. Because individual plans can have different coverage features, these calculations may not apply to all plans.

Maria

Maria, a 67-year-old widow, earns a moderate income. She is generally healthy and she takes a few medications. She pays about \$2,000 per year for her prescription drugs (just over \$160 a month). In 2006, Maria would save \$928.50 under the standard Medicare prescription drug coverage.



Maria Will Pay

Maria’s Total Yearly Drug Costs in 2006

- > Without Medicare prescription drug coverage: \$2,000
 - > With Medicare prescription drug coverage, Maria pays \$1,071.50
- Here’s how it works:
 Maria’s deductible is \$250:

Once Maria has paid her \$250 deductible, she will still have \$1,750 in drug costs in 2006. The plan will pay 75% of this amount, or \$1,312.50. Maria will pay the remaining 25% which is \$437.50.

Don’t forget that Maria will also pay her monthly premium (\$32 per month) or about \$384 a year:

With a Medicare prescription drug plan, the total Maria will pay in 2006 is \$1,071.50.

Compare that amount to the \$2,000 Maria would have paid without Medicare’s prescription drug coverage—she saved **\$928.50**.

\$250.00	
(Amount paid so far) \$250.00	
+	
\$437.50	
(Amount paid so far) \$687.50	
+	
+\$384.00	
\$1,071.50	

Evan

Evan has a chronic condition that he controls with medicine. He spends about \$4,850 a year (just over \$400 a month) for his medicines. He will save quite a bit of money under the standard Medicare plan in 2006. Let's see how.

Evan's Total Drug Costs in 2006

- > Without Medicare prescription drug coverage: \$4,850
- > With Medicare prescription drug coverage, Evan pays \$3,734.

Here's how it works:

Evan's deductible is \$250:

Once Evan has paid his \$250 deductible, the cost of the rest of his drugs for the year is \$4,600. Medicare prescription drug coverage will pay 75% of his next \$2,000, so Medicare prescription drug coverage pays \$1,500. Evan pays the remaining 25% which is \$500:

At this point Evan enters the Coverage Gap. He will still have \$2,600 in drug costs this year. But Medicare prescription drug coverage will not pay any more of his drug costs unless he pays another \$2,850. Evan will not reach this amount in 2006. His drug coverage does not kick in again this year, so he will pay \$2,600 more himself.

Evan also pays his monthly premium (\$32 per month), which comes to about \$384 a year:

With Medicare prescription drug coverage, Evan's total payment for his drugs is \$3,734.

Compare that amount to the \$4,850 Evan would have paid without Medicare's prescription drug coverage—he saved **\$1,116**.



Evan Will Pay

	\$250.00	
(Amount paid so far)	\$250.00	
		+
	\$500.00	
(Amount paid so far)	\$750.00	
		+
	\$2,600.00	
(Amount paid so far)	\$3,350.00	
		+
	\$384.00	
	\$3,734.00	

Juan

Juan has a medical condition that requires regular treatment. To stay as healthy as possible, he takes many drugs to keep his condition under control. Each year, he spends about \$7,800 (\$650 a month) for medicines. He saves quite a bit of money under the standard Medicare prescription drug plan in 2006.



Juan's Total Drug Costs in 2006

- > Without Medicare prescription drug coverage: \$7,800
- > With Medicare prescription drug coverage, Juan pays \$4,179

Here's how it works:

Juan's deductible is \$250:

Once Juan has paid his \$250 deductible, the cost for the rest of his drugs for the year is \$7,550. The plan will pay 75% of his next \$2,000 in prescription drug costs. Therefore, the plan pays \$1,500 and Juan will pay the remaining 25%, or \$500.

At this point, Juan falls into the Coverage Gap. This means that Medicare prescription drug plan will not pay any more of his drug costs until he pays the next \$2,850.

So far, Juan has received \$5,100 in drugs. He has paid \$3,600 and the plan has paid \$1,500. He still needs another \$2,700 of medication this year. Because he is no longer in the coverage gap, the plan will pay 95% of his remaining drug costs or \$2,565. He will only have to pay 5% of the remaining costs of his prescriptions, or \$135.

Juan also pays his monthly premium (\$32 per month) or \$384 a year:

With Medicare prescription drug coverage, Juan will pay a total of \$4,119 for his prescriptions in 2006.

Compare that amount to the \$7,800 Juan would have paid without Medicare's prescription drug coverage—he saved **\$3,681**.

Juan Will Pay

\$250.00	
(Amount paid so far) \$250.00	
+	
\$500.00	
(Amount paid so far) \$750.00	
+	
\$2,850.00	
(Amount paid so far) \$3,600.00	
+	
\$135.00	
(Amount paid so far) \$3,735.00	
+	
\$384.00	
\$4,119.00	

Pam

Pam is in good health when she turns 68 years old in 2005. She has only \$530 in yearly drug costs. Pam realizes that, if she stays healthy, she will actually pay more for Medicare prescription drug coverage than she might get back the first year that she is eligible. Pam has a choice to make. Her choice is to hold off enrolling in a Medicare prescription drug plan and pay a penalty on her premium if she decides to enroll later or to enroll now and have peace of mind that she will be covered if her drug expenses increase in future years.



Pam's Total Drug Costs in 2006

- > Without Medicare prescription drug coverage: \$530
- > With Medicare prescription drug coverage, Pam pays \$704.

Here's how it works:

Pam's deductible is \$250:

Once Pam has reached her \$250 yearly deductible, Medicare will pay 75% of her costs for the next \$2,000 that she spends for drugs. She will spend only \$280 more before the end of the year. Medicare will pay 75% of this amount, or \$210.00. Pam will pay 25% of this amount, or \$70.

Pam also pays her monthly premium (\$32 each month), which comes to about \$384 a year:

With a Medicare prescription drug plan and prescription drug coverage, Pam's yearly out-of-pocket spending totals \$704.00.

For the extra cost of \$174, Pam decides to get Medicare prescription drug coverage when it is first offered. Although she will pay more than just the cost of the prescriptions at first, she has peace of mind knowing that Medicare's prescription drug coverage is insurance against rising drug costs in the future. And by signing up now, she will avoid having to pay a penalty in the form of higher yearly premiums if she waits to join later.

Compare that amount to the \$530 Pam pays without Medicare's prescription drug coverage—she pays **\$174 more.**

Pam Will Pay

	\$250.00
(Amount paid so far)	\$250.00
	+
	\$70.00
(Amount paid so far)	\$320.00
	+
	\$384.00
	\$704.00

Choosing a Medicare Prescription Drug Plan

If you decide to get Medicare drug coverage, you'll need to sign up for one of the drug plans approved by Medicare. You will have at least two different plans to choose from, and maybe many more, depending on where you live. In most cases, any plan you choose for 2006 will be the one you'll have to stay in for the entire year. So it is very important to find the plan that best meets your needs.

How will I know what is being offered by the different drug plans?

In October 2005, you will begin receiving mail from the Medicare-approved private companies that will offer drug plans in your area during 2006. They may also contact you by phone. Remember that each company will promote only its own plans. To make a real choice, you need to compare them.

Beginning October 13, 2005, you can compare drug plans online at www.medicare.gov. Medicare's website will allow you to compare the plans point by point, such as their premiums, copayments and which drugs they cover.

If you don't have access to the Internet, you can get the same kind of information by calling Medicare at 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. A customer representative will send you printed versions of details of all the plans that are available to you. This service, too, will be available after October 13, 2005.

Will a plan cover all the drugs I take?

Not necessarily. Each Medicare drug plan has a list of the prescription drugs it will cover. These lists are called formularies or preferred drug lists. When comparing plans, it's important to find the plans that cover all or most of the drugs you take.

If the plan you are considering does not cover all your drugs, talk to your doctor to see if your medicine can be switched to one that is in the plan. If not, talk to the plan sponsor about whether your specific medical situation makes you eligible for an exception that pays for a drug not on the plan's formulary. There are only a small number of prescription drugs, such as the anti-anxiety benzodiazepines and weight-loss products, that Medicare plans cannot currently cover because they are not allowed to under the law.

All plans are required to have an appeals process. You may appeal your plan's decision not to cover one of your drugs if your doctor can show that it is specifically necessary to your health.

It is possible for plans to change some of the drugs they cover during the year. Plans must provide you with information about these changes, if they apply to drugs you currently use, at least 60 days in advance.

Where can I get my prescriptions filled?

You must fill your prescriptions at a pharmacy that is in your drug plan's network, except in special circumstances. So looking at which pharmacies are used by each plan available to you is important when comparing them. Many plans will also offer a mail order service that will deliver drugs to your door.

What if I live in different states during a year?

A plan that is available nationally will cover you throughout the United States. If a regional plan offers mail order services, your drugs can be sent to a different address. You should make sure the plan you choose will allow you that option.

Who can help me make these decisions?

By the fall of 2005, if you're still uncertain whether Medicare prescription drug coverage is right for you, or confused by the drug plan choices you are offered, take your time. You don't have to decide by November 15, 2005, the very first day the initial enrollment period begins. You still have six months after that to enroll.

Your first resource is yourself. Start by making a list of all your prescription drugs. Beside each one, write the price you now pay. You can use this list to figure out what you pay for your drugs over the course of a year and how much you will save with Medicare coverage. You can also use it to check which Medicare drug plan formulary most closely matches the list of drugs you take.

Your second resource is family or friends. If you don't have access to the Internet, or are not familiar with searching for information online, ask a family member or friend who can do it for you.

Published information and one-on-one help: For different kinds of expert information and advice, look at "Where to go for More Help" on page 21.

Local groups: Churches, community centers, senior groups and others in many places will hold information sessions in the fall. Watch for notices in local newspapers, newsletters and bulletin boards.

Joining a Medicare Prescription Drug Plan

If you've thought things through and decided you want Medicare prescription drug coverage, and you've chosen a plan that suits your needs, it's very easy to sign up.

- > You can enroll on the phone by calling Medicare at 1-800-633-4227.
- > You can enroll online by going to www.medicare.gov.
- > Or you can call the plan of your choice directly by phoning the number provided on the plan sponsor's marketing brochure or located through its details posted on www.medicare.gov.

You can enroll at any time from November 15, 2005 through May 15, 2006.

After May 15, 2006, most people who are already in Medicare will not have another opportunity to enroll until the following November and will be penalized for signing up late. There will be exceptions—for

example, if you move out of your plan's service area, or if you lose creditable drug coverage from another source through no fault of your own.

People who are not yet eligible for Medicare, but will become eligible in or after March 2006, will be able to enroll in a drug coverage plan during their initial enrollment period that extends for seven months—three months before and three months after the month they become eligible for Medicare. Younger individuals receiving disability insurance benefits may also enroll three months before and three months after they become initially entitled to Medicare.

Medicare will start covering your drugs at the beginning of the month after you enrolled in a Medicare drug plan. If you sign up by December 31, 2005, your coverage will start January 1, 2006.

Extra Help for People with Limited Incomes

The new Medicare prescription drug program offers extra financial help for people with limited incomes and assets. You may qualify for this extra help if your income is below \$14,355 a year (or \$19,245 if you are married and living with your spouse—and more if you have dependent children or grandchildren living with you), and if your assets are below \$11,500 (or \$23,000 if you are married). Your assets include things like bank accounts, stocks, bonds and life insurance policies. They do *not* include the house you live in, your cars and other personal possessions such as your furniture or jewelry.

If you have very limited income, you will have no coverage gap, will pay no premiums or deductibles, and will have copayments for each prescription of \$1 or \$2 for generics and \$3 or \$5 for brand-name drugs. If you have slightly higher income you will have no coverage gap, will pay a reduced monthly premium that will vary depending on your income and where you live, and a reduced deductible of \$50 a year. Your copayments will be 15 percent of the cost of each prescription.

You may already be receiving some form of government assistance that makes you automatically eligible for the Extra Help—for example, **Medicaid**, a **Medicare Savings Program** that pays your Medicare

Part B premium, or **Supplemental Security Income (SSI)**. If so, you will automatically be able to get extra help and need not apply.

If you do not participate in one of these government programs but think you may qualify for the Extra Help based on your limited income and assets, you will need to apply for it with the Social Security Administration. You can apply on your own or, if you prefer, someone else can help you. This includes a family member, friend, caregiver, legal representative, social worker or a counselor who helps people with health insurance issues. The application can be made:

- **By Mail**—Get an application from the Social Security Administration. Fill it out and mail it to the Social Security Administration. If you are married, both you and your spouse must apply separately. Send the application to:

Social Security Administration
Wilkes-Barre Data Operations Center
P.O. Box 1020
Wilkes-Barre, PA 18767-9910
- **By Phone**—Call the Social Security Administration at 1-800-772-1213 (TTY: 1-800-325-0778). A Social Security worker will complete the application with you over the phone.

- **By Internet**—You may apply online through the Social Security Administration’s website at www.socialsecurity.gov. No signature is required.
- **In Person**—You may apply by going to your local Social Security or Medicaid office, or to a nonprofit agency such as your State Health Insurance Assistance Program (SHIP) where a counselor can give you free personal help. (To find addresses and phone numbers, see “Where To Go For More Help” on page 21).

The Social Security Administration will inform you whether or not you qualify for the Extra Help. If you do qualify, you will still need to choose a Medicare prescription drug plan during the open enrollment

period, November 15, 2005 to May 15, 2006. If you qualify and don’t choose a plan, you will be automatically enrolled in one.

If the Social Security Administration determines that you are not eligible for Extra Help, you may appeal their decision. You can still enroll in a Medicare drug plan to get the standard level of Medicare prescription drug coverage, even while the decision about Extra Help is being appealed.

To learn more about the Extra Help with paying for Medicare’s drug coverage, see AARP’s companion booklet *The New Medicare Prescription Drug Coverage: Extra Help for People With Limited Incomes*.

How can I avoid being scammed?

Here are some things you can do to protect yourself against fraud:

Know what's allowed: The companies approved by Medicare are allowed to market their prescription drug plans over the telephone and by mail, but not door to door. If anyone comes to your door uninvited, it's probably a scam.

Spot and avoid the scam: Scammers may pretend to be from a Medicare drug plan sponsor to get your financial information. If anyone calls or shows up at your door, never give your Medicare ID number, bank account or credit card numbers or any other personal details. If they ask for this information, it's probably a scam.

Check it out: If you get calls just to tell you about a plan, you can ask the caller for the name of his or her company. Then call Medicare (1-800-633-4227) to see if the company is approved by Medicare in your area. If you're interested in finding out more about the company, ask Medicare for the plan's contact information. You can call them yourself.

Report possible fraud: If you suspect fraud, report it. Call Medicare (at the number above). In your state, you can call your state attorney general's office or consumer protection agency.

Where to Go for More Help

Medicare will give you more information as the new prescription drug program starts. Each October, new information will be available. Fifteen days before the annual enrollment period, people who are on Medicare will get a list of plans in their area and a comparison of the coverage options of each plan. Use this information to decide which plan meets your needs.

There are many resources you can use to get additional information and assistance.

- > **Medicare** has a website (www.medicare.gov) and a toll-free telephone number (1-800-MEDICARE, or 1-800-633-4227; or TTY 877-486-2048).
- > If you prefer to get help in person, counseling programs can provide direct assistance. To find a counseling program, contact your local **State Health Insurance Assistance Program** (SHIP). You can contact your local SHIP program by going online to www.shiptalk.org and selecting your state. This will give you a website for your state and a toll-free number to call where someone can help you.
- > You may also want to contact your local **Area Agency on Aging** for more specific information about your state. To find the closest location, call the Administration on Aging's Eldercare Locator at 1-800-677-1116 or go online at www.eldercare.gov and follow the steps on screen to find help with "Health Insurance Counseling."
- > **Social Security** has a website (www.socialsecurity.gov) and a toll-free number (1-800-772-1213 or TTY 800-325-0778) for questions about Extra Help for people with limited incomes.
- > **AARP** also has a website (www.aarp.org) and a toll-free number 1-888-OUR-AARP (1-888-687-2277) that can provide you with additional information.

Key Words and Definitions

Annual Enrollment Period—The period each year that you can enroll in or change to another drug plan to receive Medicare prescription drug coverage, typically November 15 to December 31 of each year.

Area Agency on Aging—Local agencies that coordinate and support a wide range of home- and community-based services, including information and referral, benefits counseling, home-delivered meals, transportation, employment services, senior centers, adult day care, and a long-term care ombudsman program.

Copayment—A part of a prescription's cost that you pay out of your pocket. A fixed amount for each prescription.

Coinsurance—A share of a prescription's cost that you pay out of your pocket. The amount is a percentage of the price of the drug.

Coverage Gap—The stage in Medicare prescription drug coverage when you have to pay all of your own drug costs.

Creditable Coverage—Drug coverage offered by other plans, such as a current or former employer or union, that gives you coverage at least as good as the standard Medicare prescription drug coverage.

Deductible—The amount you must pay each year for your medicine or medical treatment before your insurance starts to pay your costs.

Donut Hole—Another term for the Coverage Gap.

Formulary—A list of drugs that are covered by a drug plan.

Initial Enrollment Period—The initial enrollment period for those currently on Medicare is from November 15, 2005 to May 15, 2006. For those newly eligible for Medicare in or after March 2006, the initial enrollment period for Medicare prescription drug coverage is three months before and three months after the month they turn 65.

- Late Enrollment Penalty**—The extra amount you have to pay in premiums if you decide not to enroll in a Medicare prescription drug plan when you first become eligible. The penalty is 1% of the premium for each month you wait. This penalty amount will continue every month as long as you are in a Medicare prescription drug plan.
- Medicaid**—A joint federal/state-funded program, run by your state, that provides help with medical expenses for families, older people, and people with disabilities. Note: the Medicaid program in your state may have another name.
- Medicare Part A**—The part of Medicare that primarily covers much of the cost of hospital care, home health, or a skilled nursing facility.
- Medicare Part B**—The part of Medicare that covers most of the cost of your doctor visits, outpatient care, and other services.
- Medicare Part C**—Also known as Medicare Health Plans (formally, “Medicare+Choice” and “Medicare Advantage”). These are Medicare-approved private insurance plans, including HMOs, PPOs, private fee-for-service plans, and medical saving accounts. These plans may or may not include prescription drug coverage.
- Medicare Part D**—Also known as Medicare prescription drug coverage. This is Medicare’s new insurance coverage to help people in Medicare pay for their prescription drugs.
- Medicare Prescription Drug Coverage**—Another name for Medicare Part D.
- Medicare Advantage**—Another name for Medicare Part C.
- Medicare+Choice**—An earlier name for Medicare Part C.
- Medicare Health Plans**—A way to get Medicare coverage through a private health plan. Also known as Medicare Part C or Medicare Advantage.
- Medicare Supplemental Insurance**—Another name for Medigap.
- Medigap**—A specific type of insurance policy that supplements the coverage you receive from Medicare. Individuals without retiree or union health benefits sometimes buy these to insure against costs not covered by Medicare.

Out-of-Pocket Spending—The amount of money that you pay for your covered drugs from your own money. If you have insurance coverage for drugs, this is the amount you pay yourself (not including the amount your prescription drug company or the plan pays).

Preferred Drug List—Another word for “formulary.”

Premium—The amount you pay each month to receive insurance coverage.

State Health Insurance Assistance Program (SHIP)—A state program that offers one-on-one counseling and assistance to people with Medicare and their families. The name for this program may vary from state to state.

State Pharmacy Assistance Program (SPAP)—A state-run program, separate from Medicaid, that provides drug coverage and may coordinate that coverage with Medicare prescription drug plans for maximum saving to eligible residents.

Total Drug Costs—The total amount paid for your medicines. It includes what you pay and also what Medicare pays.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.



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For more information about Medicare's prescription
drug coverage, visit AARP's website at www.aarp.org,
or call 1-888-OUR-AARP (1-888-687-2277).

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