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. To help you understand this new benefit, AARP has two basic publications: The New Medicare Prescription Drug Coverage: What You Need to Know, and The New Medicare Prescription Drug Coverage: Extra Help for People With Limited Income, and a series of supplemental facts sheets that provide more in-depth information about the new benefit. The New Medicare Prescription Drug Benefit: A Glossary of Terms is one of these fact sheets.

**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.

**BENEFICIARY**—The name for a person who has health care insurance through the Medicare or Medicaid program.

**CO-PAYMENT**—A part of a prescription drug’s cost that you pay out of your pocket. This is generally a fixed amount for each prescription.

**COST SHARING**—The same as a Co-payment.

**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 until your drug costs reach the catastrophic amount. In 2006, you will reach the coverage gap when the total cost of your drugs is more than $2,250. There will then be no coverage for drug costs until your out-of-pocket drug costs reach $5,100.
$3,600—which is the catastrophic spending level for 2006. These spending levels are indexed to increases in drug costs so they are expected to rise in the future.

Note: Prescription drug plans may vary in the benefits they provide (or don’t provide) in the coverage gap. Some may choose to offer coverage for generic drugs only, for instance, while others may choose not to offer any drug coverage at all. Yet others may provide complete coverage with no gap—although the premium may be significantly higher for those who do.

CREDITABLE COVERAGE—Drug coverage offered by other plans—such as a former employer or union, a government plan such as VA, TRICARE, or CHAMPVA—that gives you coverage at least as good as the standard Medicare prescription drug plan. Those who have creditable coverage will not be charged a late enrollment penalty if they stay with their current coverage and later enroll in a Medicare prescription drug plan. Entities that provide coverage are required to notify individuals about whether their drug coverage meets the creditable coverage criteria annually. If, and/or when, the coverage is no longer considered creditable coverage, there is a 63-day window for you to enroll in a Medicare prescription drug program without incurring a premium penalty.

DEDUCTIBLE—The amount you must pay each year for your medicine or medical treatment before your insurance starts to pay your drug expenses.

DONUT HOLE—Another term for the Coverage Gap.

FORMULARY—A list of drugs that are covered by a drug plan. Also known as a “preferred drug list.”

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 May, 2006, the initial enrollment period for Medicare prescription drug coverage is three months before and three months after the month you become eligible for Medicare.

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 low-income children, parents
and pregnant women, older people, and people with disabilities. An individual or family must meet certain income and asset requirements to be eligible for Medicaid. *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 center.

**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, formally called Medicare Advantage.

**MEDICARE SUPPLEMENTAL INSURANCE**—Another name for Medigap.

**MEDIGAP**—(also known as Medicare Supplemental Policies)—A specific type of insurance policy that helps you pay for the costs not covered by Medicare. There are currently 10 nationally standardized Medigap policies from A through J, and two new plans (K and L) are being added. Also, starting in January, 2006, no new H, I, and J policies with drug benefits can be sold. These policies must follow federal and state laws. Each standard plan with drug benefits has a different set of benefits. Of the standard plans, only plans H, I, J, sold prior to 2006, offer prescription drug coverage. Some people have Medigap policies sold before benefits were standardized, and three states (MA, MN, WI) allow insurers to offer different Medigap plans. Most prescription drug coverage will not be considered “creditable coverage” for purposes of the new Medicare prescription drug coverage.

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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, you pay this amount yourself (not including the amount your prescription drug company or Medicare 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 federally funded, state-based program that offers one-on-one counseling and assistance to people with Medicare. The name for this program may vary from state to state (some go by the title “Senior Health Insurance Assistance Program, for instance). 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 can also get the number of your local SHIP by calling 1-800-MEDICARE.

STATE PHARMACY ASSISTANCE PROGRAMS (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 both what you pay and what Medicare pays.

WRAP-AROUND COVERAGE—A type of coverage that might be provided by an employer, union, or state pharmacy assistance program that pays for some prescription drug costs not covered by the new Medicare prescription drug plans.

For our FREE educational guide, visit www.aarp.org/medicarerx or call 1-888-OUR-AARP (1-888-687-2277).