



Rhodes Columns: Navigating the Medicare Part D Maze©

Dr. Linda Rhodes is a former Secretary of Aging for Pennsylvania. She oversaw one of the nation's largest prescription benefits for the elderly (PACE) and instituted the first *Therapeutic Drug Utilization Review* program of a third party Rx benefit protecting PACE's elderly beneficiaries from taking contra-indicated drugs. She's written four columns advising her readers at the Patriot-News in her weekly, *Our Parents, Ourselves*, feature on navigating the *Medicare Part D Maze*.

Q: How do you think our parents are reacting to signing up for Medicare Part D? Any thoughts on how to help them?

It's maddening. Think of what it's like to choose a cell phone plan. I don't know about you, but I hate figuring out what cell phone plan to buy: Does it have *rollover* minutes? What's their deal on *anytime* minutes? What's their coverage area? Roaming charges? Do they have *family talk*? We all know the routine. With about five major plans to choose from, comparison shopping is no walk in the park.

Now, imagine if there were over 100 plans to compare with lots more intricacies. That's what your parents are facing trying to sort through Medicare Part D drug plans that offer different co-pays with different *tiers* of cost sharing along with limits on the quantities they'll fill for certain drugs amidst a wide range of deductibles and premiums.

And then there are the formularies: Each plan will cover their own list of drugs and tell you which pharmacies they'll allow you to go to for your prescription. On top of all that, the insurer can make changes in mid-stream. Imagine if your cell phone carrier zapped the calling area you chose a few months into your plan because the company found it too expensive. They are obliged to give you sixty days advanced notice but you signed up for a year and can't leave until the year's end. Imagine if they got down to such detail as defining *family talk* as meaning you can talk to your spouse and kids but not to your sister. Are you mad yet? Well, that's pretty much as to how Medicare Part D is designed.

They've made one thing easy: No plan covers sleeping pills or anti-anxiety drugs. So, sleepless, anxiety-ridden nights over Medicare Part D are on *you*.

Who Medicare Part D helps

Anyone who qualifies for the 'extra help' benefit should apply. That means if you're a single person whose income is at or below \$14,355 per year or a couple at \$19,245 and your assets are below \$11,500 and \$23,000, respectively, then you'll pay an annual deductible of \$50 compared to others who will likely pay \$250. You'll also pay lower co-payments and you will not be affected by the so-called doughnut hole – a gap in coverage



from \$2,251 to \$5,100 in drug expenses. You need to apply through the Social Security Administration (800-772-1213).

It also makes sense for those who are spending more for prescriptions than what they'll pay out for premiums, a deductible and co-payments. Those suffering from chronic conditions spending hundreds of dollars every month to maintain their health will certainly find financial relief by enrolling in the program. Of course, that relief comes to a screeching halt when you hit \$2,251 to \$5,100 in out-of-pocket costs.

On the other hand, if you spend \$500 a year on prescription drugs you'll be spending close to \$200 *more* for the same drugs by signing up for a Part D plan. Here's how: You'll pay your first \$250 of drug expenses (your deductible) and an average of \$384 in premiums (\$32 per month.) You'll pay a co-pay of 25 percent for the rest of your \$250 worth of prescriptions or \$62.50. That means *with* the plan you'll pay \$696.50 -- but without it you'd pay \$500. Yet even in this instance, AARP and CMS are warning people to enroll so they won't be hit with a 1% penalty fee by signing up after May 15, 2006. But I'd rather pay an estimated penalty of \$3.84 added to my monthly premium to join a year later than to pay nearly \$700 for \$500 worth of medications.

Buyer Beware Points

- You have to meet the deductible and the thresholds every single year to become eligible for catastrophic coverage. None of this is cumulative and you'll always be faced with the gap in coverage between \$2,251 and \$5,100 in prescription expenses annually.
- Drug plans can change the amount of their co-pays and the drugs listed on their formularies every month. They must, however, give you sixty days advance notice. So don't assume that if you picked a plan based on a particular drug, it will continue to be covered while you're in the plan. Want out? Too bad, you can only switch plans between Nov 15th and December 31st.
- Look over their appeal process. Make sure it's easy to understand and easy for your physician to make an appeal on your behalf.
- Be wary of the lowest monthly premiums: Check to see if they're offset by higher deductibles, fewer drugs on the formulary, and/or higher co-pays."

How to do your homework

First, list all of your prescriptions and how much you currently pay for them each year. If any of these are anti-anxiety drugs, weight loss or weight gain medication or sleeping pills, cross them off your list as no plan will cover them. Then total your bill and decide if paying an annual premium of about \$384 and a \$250 annual deductible along with a 25 percent co-pay for the next \$2,000 in drug bills is cheaper.



If you have access to the Internet, go to Medicare's web site (www.medicare.gov) to find out what plans are offered in your area. You can then compare plans and find out which plans carry the drugs that you take. If you don't have online access, ask a family member, a friend or go to the library or your local senior center. If the web site isn't an option for you, then find a local volunteer from by calling your State Health Insurance Assistance Program (SHIP) by calling Eldercare Locator at 800-677-1116 or call Medicare at 800-633-4227.

You'll still need to call the plan to learn the specifics on their pricing for different tiers of cost sharing. For example, the popular and expensive drug *Celebrex* is often listed at the highest tier for co-pays and some plans won't even cover it. You'll also want to find out if the plan sets limits on the quantity of pills they'll dispense, if they impose 'Step Therapy' requiring you to use certain drugs prior to using more potent ones or higher dosages and if they require preauthorization. Yes, it's a lot of homework but depending upon your circumstances, the investment in time can be well worth it.

All of a sudden, comparing cell phone plans *is* a walk in the park.



Medicare Part D: The Nuts & Bolts of the Plan

Q My mom is frantic about this new Medicare Part D prescription benefit and quite frankly, I'm thoroughly confused. Can you shed any light on this?

A: Shedding light on this topic is almost like a deer caught in the headlights. Even if you have the bright lights of everything written about the new *Medicare Part D Prescription Plan* staring you in the face, you find yourself just standing there not able to act.

But your Mom does have to act and, she like millions of others will be hearing from private companies beginning this week that want her to sign up with their Medicare Drug Plan. To shed light on what she should do, this will be the first of three columns. Today, we'll start with my top ten list on the basics, next week I'll share tips on what questions to ask and what to consider when looking at a plan and the third week we'll review the "extra help" benefit for those with limited incomes.

Here's my "*Medicare Part D Prescription Coverage Nuts & Bolts*" top ten list:

1. It's not the *Medicare Drug Discount Card* that you might have signed up for during the last 24 months. This is entirely different and, in fact, on May 16, 2006 you can throw the discount card away -- it will have been phased out.
2. The soonest you can sign up for a plan is on November 15th, and the earliest you can receive coverage is January 1, 2006. The enrollment period ends May 15, 2006. If you sign up after that date, you'll pay a penalty in the form of higher premiums.
3. Signing-up is voluntary and everyone on Medicare is eligible. People with limited incomes (less than \$14,355 a year for a single person and \$19,245 for a married couple in 2005) may be eligible for "extra help" in paying their premiums and deductibles.
4. The standard plan is based on each calendar year. You'll likely pay a premium in 2006 of around \$32.00 per month. In addition, you'll pay your first \$250 of prescription costs which will count as your deductible. At this point your plan will start covering 75 percent of the next \$2,000 of your drug costs. And then you'll hit a major gap in coverage.
5. Beware of the doughnut hole: Once you've spent \$2,250 in drug costs (your \$250 deductible and up to the \$2,000 threshold of which the plan paid 75 percent) you'll enter the gap in coverage referred to as the



- “doughnut hole.” From \$2,251 in prescription costs all the way up to \$5,100, the plan will NOT cover your drugs. That’s right; you’ll pay 100 percent of your prescription costs incurred during this gap.
6. Drug benefit plans must offer a “Catastrophic Benefit” which kicks-in when your drug costs have gone over \$5,100 and then your insurer will pay 95 percent of the cost of your prescription. But here is the catch: you must reach this catastrophic limit EACH year.
 7. There’s no such thing as one national drug benefit plan. Private insurers will have received approval from Medicare to sell policies in your region and/or the nation. They can vary in what they offer but they all have to provide the basic standard benefits that Medicare requires. For example, some plans might offer you lower deductibles and reduced co-pays by charging a higher premium.
 8. Not all drugs will be covered! For example, benzodiazepines (e.g. sleeping medications and anti-anxiety drugs like Ativan or Xanax), weight loss or weight-gain drugs and over-the-counter drugs are NOT covered. Each plan can decide which drugs they will cover beyond what Medicare requires and they must provide you a list of these drugs referred to as a formulary. But here’s the thing: the plan can drop drugs on their list during the year you’ve signed on with them – all they have to do is give you sixty days advance notice. They may also require you to go to certain pharmacies in their network.
 9. Expect scam artists to come out of the wood work. Make sure that whatever plan you select illustrates the Medicare seal of approval, absolutely do not sign-up for a plan if someone comes knocking on your door to sell it, do not pay cash, if someone tells you that you must sign up immediately (you have up until May 15, 2006) or that your benefits will start before January 1, 2006 they are lying, if you receive an unsolicited call to sign-up for a plan don’t give them personal financial information and have them mail you material so you can verify if they are a legitimate plan. You can call the PA Insurance Department at 717-787-2317 and press “4” to find out if the company offering you a Drug Benefit Plan is licensed.
 10. Do your homework. You will be deluged with information and advertising. On October 13th 2005 you will be able to go to www.medicare.gov and compare plans online. You can also call Medicare at 800-633-4227. In Pennsylvania, feel free to call the APPRISE program at 800-783-7067 to find a volunteer near you who can provide unbiased advice on plans and where local seminars in your community will be held discussing the new



Medicare Part D benefit. If you live in another state, call Eldercare Locator at 800-677-1116 to find a SHIP volunteer program nearest you.



Medicare Part D: What to look for

Q: My Dad has been receiving brochures on different prescription plans being offered as a part of this new Medicare Part D drug coverage benefit. What should he be looking for?

A: Your Dad's first step is to assess any other prescription benefit he has currently. If your Dad is employed, has been receiving a retiree prescription benefit from his old employer or union then he should know that they have options. For example, these plans can offer drug coverage through the new Medicare benefit which means your Dad will need to enroll with Medicare Part D to continue receiving his benefit, or they may ask him to enroll in Part D and will cover some or all of his out-of-pocket expenses. Some may drop coverage; others may tell you that your Dad's benefit will remain unchanged. No matter what they decide to do – they must inform your Dad of how his current coverage will be affected and that letter must come to him by the end of October 2005. Go over this letter! If he hasn't received it by the end of the month, call the company or union to ask for it. In this written notice, he'll be told if his plan is "creditable." If he has creditable coverage that means the plan is at least as good as Medicare's Part D plan.

Now, if your father has a Medi-gap policy with prescription coverage, they too, have to inform him by mid-November as to whether or not what they offer is as good as Medicare's Plan D (creditable). If it is, he could opt to keep it but be aware that after January 2006, no **new** Medi-gap policies with drug coverage will be sold. Thus, with fewer enrollees, some experts predict premium rates will go up. And remember, if the rates go up and your Dad wants to get out and opt for a Medicare Part D plan, he'll pay a penalty in higher premiums if he signs up after May 15, 2006. This does not mean he should drop his Medi-gap coverage which is also known as Medicare Supplemental Insurance: this picks up the gap between what Medicare reimburses for medical expenses and what the provider charges which is usually around a 20 percent gap. He'll want to keep his Medi-gap plan but evaluate whether or not he wants the prescription benefit, if he even has one.

If your Dad is a military retiree with TriCare's senior drug benefit, it is considered creditable, so he can simply remain in it. In future years, if your Dad wants to opt for another Part D plan, he will NOT be penalized for signing up later.



His second step is to review his prescription buying history and determine his current out-of-pocket expenses. He'll need to weigh this against what Medicare Part D plans require:

- The deductible he'll have to pay which is the first \$250 in prescription costs every year.
- The annual premium he'll pay which will be about \$384 per year.
- The 25 percent co-pay he'll pay for his next \$251 to \$2,250 in prescription costs he'll incur.
- The 100 percent out-of-pocket expenses he'll pay for the next \$2,251 to \$5,100 in prescription costs he'll incur. (This is what is called the doughnut hole).
- The 5 percent co-pay he'll pay for all prescription costs over \$5,101.

Two cautionary notes: None of this is cumulative, in other words these deductibles and co-pays kick-in at the beginning of *each* year. When you weigh whether or not this is a bargain for you, also consider that if you wait, you will face a penalty for signing up later estimated at one percent of the current premium times the number of months late (from May 15, 2006). On the other hand, if you have no prescription costs right now, you may find that the penalty may not be that great a factor when you weigh it against an annual premium of about \$384 and a \$250 deductible or an out-of-pocket expense of \$634 for the year that you do not have now.

Third step is to compare plans which you can do by going to Medicare's web site at www.medicare.gov and view plans side-by-side or you can give them a call at 800-633-4227. When you look over these plans, make sure you review the list of drugs they cover to see if they match up with your Dad's needs. Every plan will have a different list of drugs that they cover known as a formulary. Also see if your local pharmacy is on their list of participating pharmacies in their network.

All plans must offer an appeal process to allow your physician to request a specific medication that may not be on their formulary. Review it and make sure it is easy to understand and easy for your physician to make an appeal.

You can also receive unbiased advice by talking with a State Health Insurance Program (SHIP) trained volunteer by calling Eldercare Locator at 800-677-1116 to find a volunteer nearest you and to also learn of seminars being held on Medicare Part D in your community.



Medicare Part D: Extra Help

Q: I've heard that some people can qualify for financial assistance in paying for their premiums with the new Medicare Part D prescription plan. How do I know if my Mom qualifies?

A: What you are referring to is called the "Extra Help" benefit of Medicare Part D. There are several levels of eligibility and each provides different forms of financial assistance. If your income as a single person is above \$14,355 per year or is above \$19,245 as a couple, then you won't qualify for *any* of the levels. The Social Security Administration, the agency charged with determining eligibility, will count money from work, Social Security, retirement benefits, alimony, rental property, and worker's compensation as income. Please be advised that this is not an all inclusive list, they may deem other sources of financial revenue as income.

Your mother must also meet an asset or resource test to qualify. If her assets are below \$11,500 as a single person or \$23,000 as a couple, then she may qualify. What's an asset? Life insurance policies, bank accounts, investments, stocks, bonds and income-generating real estate property will be considered assets. On the other hand, your mother's home, car, and personal possessions like furniture or even jewelry will not be counted towards the asset or resource test.

So, if she gets past the eligibility and asset test, now what? She needs to fill out an application and submit it to the Social Security Administration. She can call them at 800-772-1213 and an operator will help her fill it out over the phone or she can ask them to mail it to her. She can also go over to her local Social Security office and apply or go online at www.socialsecurity.gov and fill it out. They will let her know what level of coverage she'll receive which is dependent upon her income and resources. For example, if her income is between \$12,920 and \$14,355 and she has met the asset test of \$11,500 or less then she'll pay a reduced monthly premium based upon a sliding scale determined by her income, pay an annual deductible of \$50 (as opposed to \$250), and a 15 percent co-pay of the cost of each prescription. Furthermore, she won't be affected by any gap in her insurance coverage known as the "doughnut hole." If she is a Medicaid beneficiary, receives SSI or she receives state assistance to pay her Medicare premiums then she won't pay *any* premium but will pay very small co-pays for prescriptions ranging from \$1 to \$2 for generics and \$3 to \$5 for brand medications. And again, she won't be affected by the doughnut hole in coverage.

Over the past several months, the Social Security Administration has been sending out letters and application forms to people that they think *may* qualify, so if your mom received one of these letters and comes under the income and asset



thresholds I described above, it may be in her best interest to apply. But please be aware that they sent letters to twice as many people as are likely eligible.

If you are currently a Medicaid beneficiary, receive government assistance with your Medicare Part B premium or receive SSI you are *automatically* eligible. You do need, however, to enroll in a Medicare Part D plan. If you do not enroll, then Medicare will automatically enroll you into a plan. They cannot, however, sign you up for a plan that charges premiums. Why would you bother to choose a plan rather than just let Medicare pick for you? Because each plan has its own list of drugs that they cover (formulary) and a list of pharmacies you must use in their network. So, you'll want to enroll in a plan that covers drugs you take and allows you to go to a pharmacy of your choosing.

Take your time in making a decision and please don't let people frighten you into signing up for something you may not need. The 1 percent penalty for signing up after May 15, 2006 should not be the most driving factor forcing you to enroll into a plan. Take advantage of your state's State Health Insurance Program of unbiased volunteers to assist you. Call the Eldercare Locator to find volunteers near you at 800-677-1116.

A special note for older Pennsylvanians:

Now for some advice to those who are enrolled in PACE or PACENET – Pennsylvania's prescription benefit for the elderly. Tom Snedden the Director of the program will be sending you a letter this week advising you to hold off making any decisions on **enrolling** in a Medicare Part D Plan. Over the coming months, the Department of Aging will be working with selected Medicare prescription plans to offer a combined benefit that will enable PACE/PACENET to continue to offer prescription benefits to eligible Pennsylvanians. As long as you remain in either program, you will NOT be subject to any premium penalties if you don't **enroll** in a Medicare drug plan by May 15, 2006. Mr. Snedden will assure you that, "You will continue to receive the same prescription coverage in the same way as you have in the past."