

Medicare PART D Prescription Drug Program Frequently Asked Questions

Where did Medicare Part D come from?

Medicare Part D plans have their origin in the Medicare Prescription Drug, Improvement, and Modernization Act which was passed on December 8, 2003, and was first launched January 1, 2006. The Centers for Medicare and Medicaid Services (CMS) is responsible for the administration of the Medicare Part D prescription drug program.

What does it provide?

The Medicare Part D prescription drug program is a voluntary program that provides insurance coverage for prescription drugs to Medicare beneficiaries. In partnership with private insurance companies or pharmacies qualified plans are offered. The program has many consumer protections and you will be responsible for monthly premiums and some cost sharing.

Who is Eligible?

Americans age 65 and older, or eligible disabled citizens who enroll in Medicare Part A, are eligible for Medicare Part D coverage. Eligible members can enroll in a plan during an Initial Open Enrollment Period (when they first become eligible for Medicare), a Special Enrollment Period (for those leaving group coverage) or annually during the Annual Enrollment Period.

How does it work?

All Part D plans are structured the same with four different stages of coverage levels. Different coverage levels are met based on one's prescription drug costs during the calendar year. There is flexibility in how benefits are paid and which medications carriers choose to cover. (See the attached Medicare Part D model that illustrates the legislated framework).

How much does a Part D Plan cost?

In 2017 there will be 24 plans available in California ranging in price from \$17 to over \$160 per month. Medicare Beneficiaries with higher incomes may pay higher premiums. (See IRMAA income chart enclosed or contact Social Security to see if IRMAA applies to you).

What if I don't enroll?

Though the Part D Program is voluntary, there is a penalty for not enrolling when first eligible and without having "creditable" drug coverage. Perhaps more importantly, if you choose to delay your enrollment you will have to wait for the Annual Enrollment Period (AEP) to enroll in a plan with a start date of Jan. 1 of the following year. The AEP is from October 15 through December 7. Exceptions to these rules apply for those who come off of "creditable" drug coverage.

Can I Change My Plan?

The Part D plan you enroll in will run through the remainder of that calendar year. During the AEP mentioned above, you can evaluate plans for the coming calendar year and make a plan change if desired. The new

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plan will start January 1 of the next year. If you don't change plans you will automatically be re-enrolled in your current plan and be subject to any changes in rates and benefits. In some cases carriers can drop plans from the program in which case you will be notified well in advance.

Can I cancel my plan?

In most cases, you can only disenroll in a Part D drug plan during the Annual Election Period which is from October 15 – December 7. The cancellation of your coverage would be effective December 31.

What is a drug formulary?

A drug formulary is a list of prescription medications that are covered under the plan. When medications prescribed are not listed in a plan's formulary, your cost sharing will be higher or the drug plan will not pay for these medications unless an exception is granted.

What is the Coverage Gap or "donut hole"?

All Medicare drug plans have a coverage gap or "donut hole" (see attached Benchmark). This is the point in the year when you and your plan have spent \$3,700 in covered medications (excluding deductible if there is one). **You are then responsible for paying 100% of your medications until your share of costs have reached \$4,950. Note: discounts are provided in the donut hole for generic and brand name drugs.** (See Medicare Part D Benchmark). Some plans provide limited coverage in the "donut hole".

How is Healthcare reform changing Part D?

In 2017, Part D enrollees will receive a 60% discount on the total cost of their **brand name** drugs purchased while in the donut hole. Of the 60%, 50% is paid by the drug manufacturers and 10% is paid by the plan. Enrollees will pay a maximum of 51% co-pay (the plan will pay 49%) on generic drugs purchased while in the coverage gap. Note: the 50% discount paid by the manufacturer for brand name drugs will count toward the members out of pocket. By 2020, government subsidies, discounts from drug companies and plan coverage are projected to cover 75% of medications in the coverage gap.

How do I choose a plan?

Since plans vary in premiums, benefits and covered drugs it is important to select a plan that best suits your *specific* medication needs. Medicare offers an online tool called a Plan Finder that allows you to enter your personal drug information. It then ranks the plans in order by lowest estimated annual out-of-pocket costs. The Plan Finder is available on Medicare's web site, www.medicare.gov. Free phone support from a Medicare representative is also available at 1-800-633-4227.

How We Can Help You

For those who enroll in a Medicare Supplement plan with us, we provide one free Medicare Part D consultation. This includes a personalized evaluation of Part D plans and a plan recommendation. Before we can begin, please complete and return the enclosed Prescription Drug Form.

Our fax number is 415-898-0877

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