

PROTECTION & ADVOCACY, INC.

MEMORANDUM

TO: Information and Referral Advocates
FROM: Daniel Brzovic
RE: Medicare Prescription Drug Benefit
DATE: September 19, 2005

Here are some basic things you need to know now about the Medicare prescription drug benefit:

When does stuff start to happen?

January 1, 2006: The program begins. People must be enrolled in a Medicare Part D prescription drug plan in order to receive benefits under the plan.

November 15, 2005: Enrollment in the plans begins. People who have both Medicare and Medi-Cal (dual eligibles) can change enrollment from the plan that they are automatically enrolled in to a plan that they like better.

Mid-October 2005: Medicare starts notifying people about the availability of prescription drug plans. The various plans are described in the Medicare Handbook, mailed to all Medicare beneficiaries. Information about plans is also available on the internet. Dual eligibles are notified about the plan they have been automatically enrolled in.

Now: People with incomes below 150% of the federal poverty level (\$14,355 for an individual, \$19,245 for a couple) can sign up for a low-income subsidy.

What is a Medicare prescription drug plan?

A Medicare prescription drug plan is a plan offered by private insurance company and paid for, in part, by the federal government. If a Medicare beneficiary is in a managed care plan through Medicare (Medicare Advantage plan), the managed care plan will probably be the prescription drug plan. If a Medicare beneficiary is

not in a Medicare managed care plan, the prescription drug plan will be an insurance company that provides only prescription drug coverage to the Medicare beneficiary.

In California, there will be approximately 19 plans to choose from for people who are not part of a Medicare Advantage managed care plan. Most Medicare Advantage plans will also offer drug coverage to their members. However, only seven plans with a no-cost premium will be available for dual eligible (Medi-Cal/Medicare) and low-income subsidy beneficiaries who are not part of a Medicare Advantage plan.

What does the prescription drug plan provide?

The plan provides prescription drugs for Medicare beneficiaries. In the past, Medicare has not provided prescription drugs (in most cases) for people outside the hospital. Therefore, this is a big expansion of the Medicare program.

However for the more than 1 million Californians who receive both Medicare and Medi-Cal (dual eligibles), it is not a big expansion. It is a big shift. Most Medi-Cal drug coverage will be moved from the Medi-Cal program to the Medicare prescription drug plans. Therefore dual eligibles will have to enroll in a Medicare plan in order to keep the comprehensive drug coverage they now have under Medi-Cal. However, each plan might offer different coverage, or contract with different pharmacies, so people will have to be careful to sign up with the plan that best meets their needs. Also, benzodiazepines, weight-loss drugs and over-the-counter drugs will still be covered under the Medi-Cal program (because they are not covered under the Medicare prescription drug program) so people will have two plans: the Medicare plan and Medi-Cal for drugs not covered by the Medicare plan.

What will all this cost?

This is projected to cost the federal government \$850 billion over 10 years. (The original estimate was \$350 billion.)

Dual eligibles (Medicare beneficiaries who also have Medi-Cal) will not have to pay anything except a copayment of \$1 for generic drugs or \$3 for brand name drugs. (\$3/5 for some Medi-Cal beneficiaries with a share of cost.) Beneficiaries in long-term care will pay nothing.

People with incomes below 150% of the federal poverty level (\$14,355 for an individual, \$19,245 for a couple) can sign up for a low-income subsidy. This subsidy pays for some or all of the premiums and out-of-pocket costs for the program. The federal government refers to this program as “extra help.” Medi-Cal beneficiaries do not need to sign up. Medi-Cal beneficiaries will be enrolled automatically.

For everyone else, there will be a monthly premium, an annual deductible, and co-insurance.

The average monthly premium for Medicare prescription drug coverage will be \$25.41 in California. Premiums will vary from less than \$20.00 to \$35.00. For people in Medicare Advantage (managed care) plans, most premiums will be less than \$20.00. The \$25.41 average premium is less than the \$35 premium that was estimated before the legislation passed, and less than the \$37 premium that was estimated after the legislation passed.

Deductibles and co-insurance will vary based on the plan. The average annual deductible cannot exceed \$250, and average annual co-insurance cannot exceed 25% of the next \$2,000 in drug costs. A beneficiary must pay a total of \$3,600 annually out-of-pocket before catastrophic coverage kicks in. This is called the “donut hole” because the prescription drug plan pays nothing after the first \$2,250 in drug costs until the \$3,600 annual out-of-pocket is paid. Then, catastrophic coverage will cover 95% of drug costs after that.

Is the program voluntary?

Sort of. No one has to sign up, but if people don't, bad things will happen. For dual eligibles, Medi-Cal drug coverage will stop whether beneficiaries enroll in a Medicare prescription drug plan or not, so Medi-Cal beneficiaries must enroll in order to keep most drug coverage.

People who have private insurance or are enrolled in a managed care plan will probably be required to enroll in Medicare prescription drug plan as a condition of maintaining their insurance or their managed care plan. This is because the costs for the prescription drugs (other than the costs paid for by the beneficiary) will be paid for by the federal government.

How do I enroll in the low-income subsidy?

If you have Medi-Cal and have zero share of cost, do nothing. You are automatically enrolled. However, you should check to insure that the plan that you are automatically enrolled in meets your needs. If it does not, you can change plans.

If you do not have Medi-Cal you will have to fill out an application. The application is available from Social Security offices, county welfare departments and online. We recommend that you apply at the county welfare department because the county welfare department has to screen for Medi-Cal eligibility.

If you have Medi-Cal with a share of cost, you can either fill out an application, or you can meet your share of cost. If you meet your share of cost between September and December, you will be automatically enrolled in the low-income subsidy program for the following year.

What do people need to watch out for?

1. Does the prescription drug plan that I am enrolled in (or that I am considering) cover the drugs I need?

Drugs covered under the various plans can vary, so this is an important consideration. Get information from the plans or off of the internet about what drugs are covered.

2. Can I fill my prescription at my local pharmacy?

Make sure the drug plan you select lets you fill your prescription at the pharmacy you want to go to. Not all plans may have agreements with all pharmacies for filling prescriptions.

3. Are there additional costs for the drugs I need?

Deductibles and co-payments can vary depending on the plan. Make sure there is not a higher cost for the drugs you need. If there is, see if costs can be reduced by paying a higher monthly premium for the prescription drug coverage. You can do this even if you have Medi-Cal or the low-income subsidy and pay nothing for the basic premium.