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Many people on Medicare rely on prescription drugs to manage their health conditions and have been under increasing financial pressure because of the rising cost of their medications. In an effort to help the 43 million people on Medicare with their pharmacy bills, Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act, which created a new prescription drug benefit for people on Medicare.

This section offers general information about the Medicare drug benefit, advice for determining if the Medicare drug benefit is right for you, key considerations for selecting a Medicare drug plan that best meets your needs, and information about extra financial assistance with drug costs available for those with limited incomes.

The federal government is helping to cover the cost of the Medicare prescription drug benefit; however, private companies are administering the benefit on behalf of the government. Therefore, to get the Medicare prescription drug benefit, you and others on Medicare need to enroll for coverage under one of these plans.

There are two types of plans you can sign up for to get Medicare drug coverage:

- A Medicare prescription drug plan that just covers prescription drugs (and no other benefits) paired with the original Medicare program (the traditional fee-for-service program); or
- A Medicare Advantage plan, like a Medicare HMO or PPO, which covers all Medicare benefits, including prescription drugs.

The Medicare drug benefit is voluntary. If you currently have a generous source of drug coverage (e.g., from an employer or union, the Veterans Administration, etc.) you may want to keep that coverage rather than sign up for a Medicare prescription drug plan or a Medicare Advantage plan.

You can sign up (or switch plans) between November 15 and December 31 of each year, with drug coverage effective January 1 of the following year.

## **Understanding the Basics of the Medicare Prescription Drug Benefit**

As of January 1, 2006, Medicare helps pay for prescription drugs. For 2007 and future years, all people with Medicare, regardless of their medical history or income, have access to plans that offer drug coverage. The enrollment period will run from November 15 to December 31, and coverage will begin January 1 of the following year.

The Medicare drug benefit is expected to reduce drug costs for most enrollees and protect against catastrophic drug expenses, but it is not free. When you get Medicare prescription drug coverage, you pay a share of the costs and Medicare pays part of the costs. Your costs will vary depending on which plan you choose, but all plans must, at a minimum, provide you with a standard level of coverage.

### **Standard Coverage (the minimum coverage all drug plans must provide)**

If you join a drug plan in 2007 that offers the standard benefit, you will pay:

- A monthly premium which varies greatly depending on the plan you choose, but the average is \$27.35 a month in 2007
- The first \$265 of your prescription drug costs each year, called the 'deductible'

After you pay the yearly deductible, you will pay the following for the remainder of 2007:

- 25% of the total cost of covered drugs from \$265 to \$2,400, (your plan pays the other 75% of these costs); then
- 100% of the next \$3,051.25 in total drug costs (called the coverage gap or “doughnut hole,” you pay the full cost of your prescriptions out-of-pocket); then
- 5% of your drug costs (or a small copayments for the rest of the calendar year (known as catastrophic coverage) after you have spent a total of \$3,850 out of pocket.

Although this is the standard plan, many Medicare prescription drug plans offer a benefit package that differs from the standard. Most plans do not have a \$265 deductible and do not use a 25% coinsurance for each prescription filled. Instead, most plans impose different drug copayment amounts, depending on the medication. Typically, they charge substantially less for generic drugs than brand-name drugs.

Most of the Medicare drug plans *do* have a coverage gap. If you enroll in a plan with a coverage gap and have more than \$2,400 in total drug costs, you will pay the entire cost of your prescription drugs until you have spent \$3,850 for your prescriptions out-of-pocket, in addition to your monthly premiums. For tips on how to manage your spending in the coverage gap, see the [“How much will I have to pay for each of my prescriptions?”](#) section.

## Determining if the Medicare Drug Benefit is Right for You

Now that you’ve learned a little bit about the Medicare drug benefit, it’s time to decide whether the coverage is right for you.

The first thing to consider is whether you currently have drug coverage. If you do not have coverage, the Medicare drug benefit is worth your consideration. It is expected to reduce drug costs for most enrollees and protect against catastrophic drug expenses. For many people, the coverage could be a good deal because Medicare is subsidizing the cost. However, if you decide not to sign up, it is also important to be aware of the consequences of doing so.

### What to Consider When Deciding to Sign Up

- Do you currently have drug coverage? Is it as generous as standard Medicare drug coverage? Will it be available next year?
- Do you spend a lot on drugs?
- Are you likely to spend more than \$3,850/year on prescription drugs?

## Assessing Your Current Source of Drug Coverage (if you have one)

Many people on Medicare have supplemental drug coverage, and if this is true for you, you should consider your current coverage and what that means for you in deciding whether to sign up for the Medicare drug benefit.

The following is a list of scenarios that may fit your current supplemental coverage situation and help you decide whether to sign up for a Medicare drug plan.

### Do you get your drug coverage from a former or current employer or union?

In general, benefits offered by employers are more generous than the standard Medicare drug benefit. You should have received a letter from your former or current employer letting you know whether your coverage is “creditable,” which means as generous as the standard Medicare prescription drug benefit. If you did not receive this information, contact your employer.

If your employer says your drug plan meets this test, you can either keep your employer health plan or enroll in a Medicare prescription drug plan. Compare the benefits offered under your employer plan with the benefits offered by Medicare drug plans in your area so you can be sure which plan is best for you.

If your employer plan does not meet the “creditable coverage” test, you may want to consider a Medicare plan for your drug coverage so you don’t face a [late enrollment penalty](#) down the road.

If your “creditable” retiree coverage ends or you retire and are not offered retiree health benefits, you can then enroll in a Medicare prescription drug plan. You will not have to pay a late enrollment penalty as long as you join a Medicare plan within 63 days after your employer coverage ends.

Tip
If you receive Rx coverage from an employer plan, you cannot receive the extra help available to people with low incomes under the Medicare drug benefit. People with low incomes should consider all of the options carefully before making a decision.

It is also important to point out a couple of things about employer coverage that are important to consider when making your choice about the Medicare drug benefit:

- Employer plans usually include other benefits besides drug coverage, so you should consider not only the drug coverage but all health care benefits offered by the employer plan.
- If you decide to drop your employer coverage, you will probably not be able to rejoin the plan in the future, so make sure you think through your decision.
- A final concern is whether you may qualify for additional help that is available to people with limited incomes and resources. This help can be quite valuable but is not available to you if you keep your employer coverage.

**Do you currently have a Medigap supplemental policy and does it pay for prescription drugs?**

*If you are currently covered by a Medigap policy with no drug coverage (Plans A-G), you may want to keep your current Medigap policy and sign up for a Medicare drug plan. You would then have original fee-for-service Medicare for basic benefits, a Medicare prescription drug plan, and a Medigap policy to fill the gaps, all of which require a monthly premium. Another option would be to switch to a Medicare HMO or PPO, which would cover all Medicare benefits, including prescription drugs.*

*If you are currently covered by a Medigap policy with prescription drug coverage (Plans H, I or J), these policies are generally not considered “creditable,” which means the drug coverage is typically not as generous as the standard Medicare drug benefit. If your Medigap drug coverage is not as generous as the standard Medicare drug benefit, you will face a [late enrollment penalty](#) if you decide to sign up for Medicare drug coverage in the future. In 2006, many people elected to switch to a Medigap policy without prescription drug coverage (Plans A-G, or H, I, and J without drug coverage) and enrolled in a Medicare drug plan.*

Another option would be to switch from traditional Medicare to a Medicare Advantage plan, like a Medicare HMO or PPO, which would cover all Medicare benefits, including prescription drugs. With this option, you could save money by dropping Medigap altogether but could face restrictions on the doctors, specialists, and hospitals you can use under the plan.

There are two relatively new Medigap plans (K and L). These plans do not offer prescription drug coverage but are plans with high deductibles meant to cover catastrophic costs. As with Medigap plans A through J, you may join one of these plans, keep original Medicare, and join a Medicare drug plan to receive traditional Medicare benefits, catastrophic coverage protection, and prescription drug coverage.

## **Are you currently enrolled in a Medicare Advantage (MA) plan or Medicare Health Plan (HMO, PPO, POS or PFFS plan)?**

If so, you should have received information from your plan explaining what your options are for prescription drug coverage. If your plan covers prescription drugs, you can stay with your current Medicare Advantage plan and continue to receive all Medicare benefits through your plan, including drug coverage.

If your Medicare Advantage plan does *not* cover prescription drugs, you can keep your current coverage, but you will face a late enrollment penalty if you decide to switch to a Medicare stand-alone drug plan or Medicare Advantage plan that covers prescription drugs (called a Medicare Advantage prescription drug (MA-PD) plan) in the future. If you choose an MA-PD plan, you will continue to pay the monthly Part B Medicare premium and may pay another premium for additional benefits, such as the new prescription drug benefit.

If you are dissatisfied with your MA-PD plan and want to switch to another Medicare Advantage plan with prescription drug coverage, you are allowed to switch to another MA-PD once between November 15 and March 31.

If you decide to disenroll from your Medicare Advantage plan and opt for health coverage through traditional Medicare, you will need to decide whether to sign up for a stand-alone plan that provides the Medicare prescription drug benefit. If you choose traditional Medicare with a stand-alone drug plan, you will pay both a monthly Part B premium and a premium for your Part D plan (unless you qualify for Medicaid or other programs that help low-income beneficiaries).

## **Does Medicaid help pay for your medical care?**

As of January 1, 2006, Medicaid stopped providing basic prescription drug coverage to people who are covered under both Medicare and Medicaid. If you have both Medicare and Medicaid, your drug coverage is provided by a Medicare prescription drug plan.



If you have Medicare and Medicaid coverage, you most likely were automatically enrolled in a Medicare prescription drug plan in 2006 to prevent any possible gaps in your drug coverage. For 2007, some people with Medicare and Medicaid will be reassigned to new plans because their 2006 plan is no longer participating or no longer a plan that serves low-income Medicare beneficiaries. If you are reassigned to a new plan, you should receive a card with the name of the Medicare drug plan that you are enrolled in for 2007. If you need to fill a prescription and are not sure which plan you are in, bring along your Medicare and Medicaid cards

to the pharmacy and the pharmacist should be able to tell you which plan you are in and which of your drugs are covered by the plan.

If the Medicare drug plan you are in does not cover some of your medications, you can switch to another Medicare drug plan offered in your area that is better suited to your medication needs. However, before switching plans, check to see if the plan that you prefer would require you to pay an additional premium. In general, Medicare pays the full monthly premium for people with Medicare and Medicaid but only up to a certain amount. If you were to enroll in a higher premium plan, you would have to pay a share of the monthly premium for the more expensive plan.

For more information on extra help paying for a prescription drug plan, see [Extra Help for Those with Low Incomes](#).

## Understanding the Late Enrollment Penalty

If you do not have "creditable" prescription drug coverage from another source, such as an employer plan or the Veterans' Administration, and do not sign up for a Medicare drug plan when you are first eligible, you will most likely be charged a premium penalty for late enrollment. The late enrollment penalty is based on the number of months you delay enrollment after you are first eligible to sign up for a Medicare drug plan. The premium penalty will increase the cost of your prescription drug coverage for as long as you are enrolled in a Medicare drug plan.

Here is how it is expected to work:

- If you were eligible to join a Medicare prescription drug plan in 2006 but waited to enroll until the 2007 open enrollment period, November 15 – December 31, 2006, you would face an enrollment penalty if you did not have creditable coverage prior to signing up for a Medicare prescription drug plan. The late enrollment penalty is 1% of the national average Part D premium (\$27.35 for 2007) for each month you do not have creditable drug coverage. In this case, the late enrollment penalty would be 7% (or 1% for each of the 7 months from June through December) of \$27.35 or \$1.91. Going forward, your monthly premium would be \$1.91 higher than your plan's monthly premium for 2007.
- If you wait to join a Medicare drug plan until December 2007 and do not have creditable prescription drug coverage prior to signing up, you will face a late enrollment penalty. In 2008 when your prescription drug coverage begins, you would have to pay 19% (1% for each month you were without creditable prescription drug coverage) of the national average premium for 2008 each month, in addition to your plan's monthly premium.

## Assessing What Type of Plan Is Best for You

There are two general types of Medicare drug plans being offered, and you may want to consider which type of plan is best for you before making a decision.

### Medicare Prescription Drug Plan (PDP)

The first type of plan, called a Medicare prescription drug plan (PDP), covers prescription drugs and no other benefits. These plans, offered by Medicare-approved private companies, are generally best for people who need drug coverage but prefer to get their other benefits, such as doctor's visits, from the traditional fee-for-service Medicare program. There are at least 40 prescription drug plans offered in most states, so there are several choices for you to consider.



With a PDP, you receive prescription drug insurance directly from the Medicare-approved private plan, but you continue to use the doctors and hospitals that you have been using under traditional Medicare. While prescription drug plans generally have a similar structure to the standard Medicare drug benefit, the plans vary in their premiums, deductibles, formularies, and cost-sharing arrangements.

### Medicare Advantage (MA) Plan

The second type of plan, called a Medicare Advantage plan, covers all Medicare benefits, as well as the Medicare drug benefit. These plans are also sponsored by private insurance companies and include HMOs, PPOs and private fee-for-service plans.

Medicare Advantage plans sometimes offer additional benefits to what traditional Medicare offers, but the plans typically impose restrictions on which doctors and hospitals enrollees may visit. In some areas, there are dozens of Medicare Advantage plans available. The drug coverage through Medicare Advantage plans also differs in the premiums, deductibles, formularies, and cost-sharing that is required. For more information on MA plans, see [Medicare Advantage Plans](#).

## Choosing a Medicare Drug Plan: Consider the Following Questions

If you choose to enroll in a Medicare prescription drug plan or switch plans you will want to compare the various features of plans available in your area. Plans set their own premium and benefits within certain guidelines established by Medicare. There are important differences between plans including premiums, deductibles, which drugs are covered, and how much you will pay to fill specific prescription drugs. There may also be differences in the availability of pharmacies across participating plans so it is important to do your homework before signing up for a plan. Consider the following questions when selecting a Medicare drug plan.

### Are my prescription medications on the plan's list of covered drugs?

Each plan has a formulary – a list of drugs covered by the plan. Although all plans must meet Medicare's requirements to cover at least two drugs in each therapeutic class or category, formularies vary across plans and some may not cover all of the drugs that you take.

Formularies might also include some restrictions on what you have to do to get the drugs you take, including getting your doctor and the plan to approve the medication you take (prior authorization), getting you to take other, similar drugs before taking one that has been prescribed to you (step therapy), and how many pills you can get at a time (quantity limits).

Plans are expected to provide access to a "broad range of medically appropriate drugs," including a majority of drugs within the following classes: antidepressants, antipsychotics, anticonvulsants, antiretrovirals, immunosuppressants, and antineoplastics. Use the Formulary Finder for Prescription Drug Plans to identify plans in your area that cover your drugs (<http://plancompare.medicare.gov/formularyfinder/selectstate.asp>).

Drug plans can change the drugs they cover or the prices that they charge for them during the year. If your plan makes midyear changes to a covered drug that you are currently taking, the change will not affect you for the remainder of the calendar year. However, the following year these changes would apply unless you get special permission from the plan for continued coverage of the drug.

If your doctor thinks you need a drug that isn't on the list, or if one of your drugs is being taken off the list, you or your doctor can apply for an exception or appeal the decision. Plans are required to provide information to enrollees on how to do this. Check with the plan for more information.

## Tip

### Before choosing a plan, find out:

- Which of your drugs are covered by the plan;
- How much you will pay for your prescriptions, particularly your most expensive medications;
- Does the plan impose any restrictions on the specific drugs you take, like the number of prescriptions you fill or how many pills you can get at a time.

## Tip

Before starting your research, make a list of drugs and dosages you are currently taking so you can use this to help pick a plan. If you select a plan that does not cover all of your drugs, your doctor or pharmacist may be able to suggest a generic version or a different medication covered by your plan.

## How much will I have to pay for each of my prescriptions?

After checking to see whether your drugs are included on the formulary, you will want to know how much the plan charges for each medication. You may be required to pay different amounts for different drugs on the formulary because plans may have rules about which drugs are covered in different drug price categories. Often plans will have two or three levels (known as tiers) of copayments. Typically, they charge less for generics than brand-name drugs.

If you sign up for a Medicare drug plan that does not cover all of your prescriptions, the money that you spend out of pocket for drugs not covered by your plan will not count toward the \$3,850 out-of-pocket spending limit needed to get catastrophic coverage.

If you think you could end up with expenses high enough to reach the doughnut hole, you might want to consider ways you can control costs in the benefit gap. Here are a few suggestions:

1. While the majority of Medicare drug plans have a gap in coverage, there are some plans with some coverage in the doughnut hole. Typically, these plans have higher monthly premiums and cover only generics in the gap.
2. If you enroll in a Medicare drug plan that has a doughnut hole, try to find out how much you will pay for each of your prescriptions when you reach the benefit gap. This information varies from plan to plan, but it is available on [www.Medicare.gov](http://www.Medicare.gov) & and by calling your Medicare drug plan.
3. If you enroll in a Medicare drug plan with a doughnut hole, plan ahead so you can anticipate and prepare to pay for your prescriptions later in the year, when you will be charged for the entire cost of your drugs. You should receive monthly statements from your Medicare prescription drug plan with information about your drug expenses. If you do not receive these statements, contact your plan so you are not caught off-guard at the pharmacy counter.

## Is my regular pharmacy in the plan's network?

Drug plans must contract with pharmacies in your area, but they do not have to contract with all pharmacies. Before signing up with a plan, check to make sure the pharmacies in the plan are convenient to you, especially if you have a particular pharmacy where you fill your prescriptions. Some plans also allow you to get your prescriptions through the mail at a lower cost than purchasing them at a retail pharmacy.

If you're not sure which plans include your local pharmacy in their network, ask your pharmacist for a list of plans they are accepting. If you fill a prescription at a pharmacy that is not in your plan's network, you may be charged more for your drugs, so be sure your plan has a pharmacy close by. If you go to a pharmacy that is not in your plan's network, be sure to keep track of your prescription drug expenses because a portion of these costs *do* count toward the \$3,850 out-of-pocket limit. Save your receipts and submit the claims to your drug plan.

## Tip for Snowbirds

Many of the companies that offer Medicare prescription drug plans operate throughout the country. Before you choose a drug plan, be sure to ask if the plan is offered in the locations where you spend time and if the pharmacies that are convenient to you in both locations are part of the plan's network.

## Getting Started on Choosing a Medicare Drug Plan

Here are a few questions and answers to get you started:

- 1. How do I choose a Medicare drug plan?** Check to see if drugs that you take – especially your most expensive drugs – are covered by the plans offered in your area. Compare the price for each of your prescriptions. Check to see if your local pharmacy is in the plan's network. And, of course, compare monthly premiums.
- 2. When can I enroll in a plan?** You have until December 31, 2006 to enroll in a plan that offers coverage beginning January 2007. After December 31, you will generally have to wait until November 2007 to sign up for drug coverage for 2008.
- 3. How do I enroll? Do I enroll directly with Medicare?** You can enroll directly with the plan over the phone, on the plan's website, or by filling out and mailing in an application. You can also enroll in most plans through Medicare's online enrollment center at [www.Medicare.gov](http://www.Medicare.gov) or by calling 1-800-MEDICARE.

### Using Information Sources to Select a Plan

There are a number of useful information sources that can help you learn more about the plans serving your area and help you compare plans so that you can select one that works best for you.

**The Medicare & You 2007 Handbook** (<http://www.medicare.gov/spotlights.asp#medicare2007>)  
The handbook, which is mailed to all people on Medicare, is a great place to start researching plans. The handbook lists plans in your area and includes basic information on the plans, like premiums, deductibles, and cost-sharing information.

#### Medicare.gov, the Official Medicare Website

In order to compare plans or find out more information about a particular plan, you can visit Medicare's Prescription Drug Plan Finder website at [www.Medicare.gov](http://www.Medicare.gov). The website offers detailed information on monthly premium amounts and the deductible. It also lists what drugs are covered under the plan and at what level (or tier), meaning how much you pay for each individual drug, depending on how the plan structures its benefit and formulary (list of covered drugs).

The Prescription Drug Plan Finder can be used in various ways:

- You can enter your zip code and what type of plan you are interested in, and the tool shows you a list of all of the plans in your area. From there, you can research the individual plan's features.
- Or you can narrow your search by entering your list of drugs and/or your preferences for the amount you would pay for the premium and deductible, whether the plan offers mail order, and what pharmacy you prefer.

Either way you navigate the site, you are able to get contact information for the plans and even sign up for most plans through [www.Medicare.gov](http://www.Medicare.gov).

### **1-800-MEDICARE, the Official Medicare Hotline**

The Medicare program operates a toll-free hotline (1-800-MEDICARE) to answer your questions about the drug benefit and the plans that serve your area. If you do not have internet access to use the Prescription Drug Plan Finder on the Medicare website, you may call 1-800-MEDICARE for similar information. If you provide the Medicare operator with your zip code and a list of your drugs and dosages, the Medicare program will mail you comparison plan information from the [Medicare.gov](http://www.Medicare.gov) website.

### **Medicare Drug Plan Sponsors**

You will likely receive information from some of the private plans that are offering the Medicare drug benefit in your area. You may also want to contact the plan sponsors directly so you can get answers to specific questions you may have about the drug coverage they provide. The *Medicare & You* handbook contains contact information for the plans. You can call them and, upon request, they will give you information on their formularies and cost-sharing information. In addition, some of the plans have their formularies posted on their websites. The organizations can also enroll you into one of their plans on the phone, online, or through a paper application.

### **State Health Insurance Assistance Programs and Community Organizations**

You can also get help in finding the best plan for you by calling your State Health Insurance Assistance Program. See [Additional Resources](#) for phone numbers and websites in your state.

Other community-based groups may hold information sessions or health fairs at local senior centers, libraries, government centers or other community areas that may also be helpful. Some events may be sponsored by companies offering plans in your area or brokers that sell policies for plans. Make sure to find out who is sponsoring the events, so you can know who is presenting the information and whether it is educational or marketing information.

Making an informed decision will take some work on your part, but hopefully it will pay off with good drug coverage at a reasonable price.

## **Important Dates for the Medicare Prescription Drug Benefit**

### **October 2006**

Medicare beneficiaries receive *Medicare & You 2007* handbook and Medicare.gov is updated with 2007 plan information

### **November 15, 2006**

First day to sign up for a Medicare drug plan for 2007 or switch plans for those enrolled in 2006

### **December 31, 2006**

Last day to sign up for Medicare prescription drug plan for 2007

### **January 1, 2007**

Drug coverage begins for those who signed up for 2007 and those continuing coverage from 2006

## Enrolling in a Plan

There are a number of ways that you can sign up for a Medicare drug plan:

- **Mail in or fax a paper application.** Contact the company offering the drug plan you select and request that they send you an application. Once you fill out the application, mail or fax it back to the company.
- **Visit the plan's website.** Log on to the drug plan's website. You may be able to sign up directly online.
- **Visit Medicare's website.** You are also able to enroll in most drug plans at [www.Medicare.gov](http://www.Medicare.gov) through Medicare's online enrollment center. Drug plan participation in Medicare's enrollment center is voluntary, so not all plans offer this option. To enroll in a plan online you have to provide your Social Security number and the number on your Medicare card.

Once your enrollment is processed, the company offering the drug plan will send you an acknowledgement letter confirming your enrollment. This letter serves as your proof of insurance until your membership card arrives 3 to 5 weeks later. Take that letter with you to the pharmacy if you need to fill a prescription before your membership card arrives. Along with the card, you will receive a member handbook, a list of covered drugs, a pharmacy provider directory, complaint and appeal procedures, and other important information about being a plan member.

## Changing Plans During the Year

In 2007 and beyond, the annual coordinated election period runs from November 15 through December 31 of the prior year and the drug coverage is effective January 1. During these periods you may sign up for a plan or, if already enrolled in a plan, switch to another one. In most cases, you will not be allowed to make a change outside of these designated time periods.

For this reason, if you are already enrolled in a plan, you may want to re-evaluate your plan options during the annual enrollment period (November 15 - December 31) each year. Plans may change the list of drugs they cover, their premiums, amounts charged for drugs, and coverage in the coverage gap from year to year. While you may be satisfied with your current plan, be sure to check whether coverage will stay the same for the following year. If your plan is making benefit changes, you may want to see if there are other plans that better suit your needs and preferences.

Individuals who have Medicaid benefits, including help from Medicaid paying the Medicare Part B premium and those who reside in nursing homes are able to switch plans on a monthly basis during the year. In addition, people who move to another state where their plan is not available and those whose "creditable" drug coverage is terminated also are able to switch plans during the year.

### Tip

If you change your permanent residence and no longer live within the plan's service area, you have up to four months to select a new plan as long as you notify your former plan prior to your move date. The special enrollment period begins the month prior to your move and continues through the month of your move and up to two months following your relocation.

## Extra Help for Those With Limited Incomes

Medicare provides extra help paying for prescription drug costs for people with limited income and resources. If your income is below \$15,315 (\$20,535 if married) and your resources are less than \$11,710 (\$23,410 if married) you may be eligible for additional assistance. Those who qualify get help paying for their drug plan's monthly premium, yearly deductible, and prescription copayments or coinsurance. The amount of extra help is based on income and resources (including savings and stocks, but not counting a home or car). The following descriptions are intended to help you get an idea of whether you are eligible for extra help.

### Important Information for People on Medicare Who Also Get Help from Medicaid

If you have both Medicare and Medicaid your drug benefits are provided by a Medicare prescription drug plan, instead of Medicaid. You are not required to pay monthly premiums or a deductible, but depending on your income and whether you live in a nursing home, you could pay copayments of up to \$5.35 for each of your prescription medications in 2007.

**If your yearly income is *below* the poverty level (\$10,210 for an individual; \$13,690 for a couple in 2007),** you pay \$1 for generic drugs and \$3.10 for brand-name drugs in 2007. After total drug spending reaches \$5,451.25, you do not have to pay anything for your prescription drugs.

**If your yearly income is *equal to or above* the poverty level (\$10,210 for an individual; \$13,690 for a couple in 2007),** you pay \$2.15 for generic drugs and \$5.35 for brand-name drugs in 2007. After total drug spending reaches \$5,451.25, you do not have to pay anything for your prescription drugs.

## Which Resources are Counted?

### *Resources that are counted:*

- Stocks, bonds, certificates of deposit, mutual fund shares
- Mortgages, promissory notes
- Checking and savings accounts
- Retirement accounts, 401k and IRAs
- Property in addition to your primary home
- Whole life insurance policy with value greater than \$1,500

### *Resources that are not counted:*

- Primary home
- Automobile
- Whole life insurance policy with value up to \$1,500
- Personal belongings such as jewelry or household goods
- Machinery and livestock
- Non-cash business property
- Certain housing assistance
- Victims' compensation payments

Note: Resource levels allow up to \$1,500 for funeral and burial expenses.

## Medicare Prescription Drug Benefit Subsidies for Low-Income Beneficiaries, 2007

Low-Income Subsidy Level	Monthly Premium	Annual Deductible	Copayments
Individuals with Medicare and Medicaid	\$0	\$0	\$1-\$2.15/generic \$3.10-\$5.35/brand-name; no copays after total drug spending reaches \$5,451.25
Individuals with Medicare and Medicaid in nursing homes	\$0	\$0	No copays
Individuals with income <135% of poverty and resources <\$7,620/individual; \$12,190/couple	\$0	\$0	\$2.15/generic \$5.35/brand-name; no copays after total drug spending reaches \$5,451.25
Individuals with income 135%-150% of poverty and resources <\$11,710/individual; \$23,410/couple	sliding scale up to \$27.35*	\$53	15% of total costs up to \$5,451.25; \$2.15/generic \$5.35/brand-name thereafter
<small>Note: Resources include \$1,500/individual and \$3,000/couple for funeral or burial expenses. *\$27.35 is the national monthly Part D base beneficiary premium for 2007. SOURCE: Kaiser Family Foundation summary of Medicare prescription drug benefit low-income subsidies in 2007.</small>			

Regardless of your yearly income, **if you are on Medicaid and in a nursing home** (such as a skilled nursing facility or intermediate care facility), you do not pay anything for your prescription drugs.

### Others with Limited Incomes and Resources

If you do not have prescription drug coverage from Medicaid but have limited income and resources, you may still be eligible for additional help paying for your Medicare prescription drug coverage.

**If your yearly income is below 135% of the poverty level (\$13,784 for an individual; \$18,482 for a couple in 2007) and your resources are less than \$7,620 for an individual or \$12,190 for a couple**, you pay no monthly premiums and no deductible. You pay \$2.15 for generic drugs and \$5.35 for brand-name drugs and have no other costs during the benefit gap. After total drug spending reaches \$5,451.25, you do not have to pay anything for your prescription drugs in 2007.

**If your yearly income is between 135% and 150% of the poverty level (\$13,784 and \$15,315 for an individual; \$18,482 and \$20,535 for a couple in 2007) and your resources are below \$11,710 for an individual and \$23,410 for a couple**, you pay reduced monthly premiums and a \$50 deductible. You pay 15% of the costs of your prescription drugs until total drug spending reaches \$5,451.25, at which point, you pay \$2.15 for generic drugs and \$5.35 for brand-name drugs in 2007.

In general, resources are defined as any assets you may have that can be converted to cash within 20 days. This includes stocks, bonds, checking and savings accounts, retirement accounts, property (other than your primary home), and whole life insurance policies with values greater than \$1,500.

The resource test *does not* count your primary home, car, life insurance policies with values up to \$1,500, or personal items like jewelry and household goods. The resource limit allows for savings of up to \$1,500 for funeral and burial expenses.

### **Who Should Apply for Extra Help?**

People who receive full Medicaid benefits are automatically eligible for extra help with their drug costs and do not need to apply separately for the extra help.

People who receive any help from Medicaid paying their Medicare premiums or receive Supplemental Security Income automatically get the extra help paying for the prescription drug benefit and do not need to apply separately. However, it is necessary to enroll in a Medicare prescription drug plan.

People who do not receive any assistance from Medicaid but have limited income and resources are encouraged to apply for extra help and enroll in a Medicare drug plan.

### **Receiving Extra Help**

Receiving assistance with the Medicare drug benefit is generally a two-step process for most people with limited incomes (although these steps can be completed in any order):

1. You need to apply for extra help based on your income and resources; and
2. You must sign up for a prescription drug plan to begin using the benefit.

### **Applying for Extra Help**

Applications for extra help are available from your local Social Security Administration (SSA) or Medicaid office (see [Additional Resources](#) for contact information). You can also submit an application online through SSA's website at [www.ssa.gov](http://www.ssa.gov).

There is no charge for applying, even if you don't qualify. You need to provide information about your income and resources but do not need to provide any documentation confirming that information. If you do not have all of the information available, fill out what you know and mail the application back. Someone from SSA will call you and help you complete the rest of the application over the phone or follow up with any further questions.

### **Signing Up for a Drug Plan**

The second step is to join a prescription drug plan. In general, Medicare pays the full monthly premium for people receiving extra help but only up to a certain amount. You should check to make sure the plan you want does not charge a premium above the amount that Medicare will pay. If you enroll in a higher premium plan, you would have to pay a share of the monthly premium for the more expensive plan. Contact the individual plan or call 1-800-MEDICARE to find out which plans provide coverage to those qualifying for extra help.

Anyone who has been determined eligible for extra help but is not enrolled in a prescription drug plan by December 31, 2006, will be automatically enrolled in a plan which will begin coverage on January 1, 2007. If the plan Medicare chooses for them doesn't meet their needs, they can switch plans once before December 31, 2007. Those who qualify for extra help may want to choose a plan which meets their specific drug needs and enroll as soon as possible rather than wait to be auto-assigned.

People who no longer qualify for low-income assistance in 2007, have a one time special enrollment period from January 1, 2007 through March 31, 2007 when they can enroll in a plan, change plans, or drop coverage one time.