

Steve's Comments and Explanations About Medicare's New Prescription Drug Coverage Plan

I encourage everyone who is eligible to enroll in the government's new prescription drug plan for seniors, even if you are not taking any pills right now. A recent study by the AARP found that brand-name drug wholesale prices rose at twice the rate of inflation in the past year. (See "Trends in Manufacturer Prices of Brand Name Prescription Drugs Used by Older Americans – 2nd Quarter 2005 Update," AARP Public Policy Institute, October, 2005. (http://assets.aarp.org/rgcenter/health/dd_128drugprices.pdf.) If you are eligible, you may sign up as soon as November 15, 2005. The plan starts on January 1, 2006.

You are permanently penalized with higher rates if you do not sign up by May 15, 2006. The only exception to this penalty is if you currently have prescription drug coverage by an employer or union and receive a letter from them certifying that coverage under your current plan is equal or better than Medicare.

The new plan is referred to as "Medicare Part D." Unfortunately, the plan is very confusing and complicated. It involves a monthly payment, a deductible, co-payments for individual drug purchases, a "doughnut hole" during which no benefits are paid, and "catastrophic" coverage that will cover most costs for seniors who must regularly take very expensive prescriptions. The plan is being implemented and offered by private insurance companies in your state on a competitive basis.

As usual, if you have questions, you may contact me at (312) 558-1479 or at scschurr@steveschurr.com. Below are answers to some of the most commonly-asked questions.

Who is eligible?

Anyone over 65 years of age who is eligible for the previously existing Medicare plans is eligible for the new drug plan. Disabled and impoverished individuals who have health care through Medicaid are also eligible for the plan.

Are there income limits?

No, all seniors are eligible.

Without special assistance, how much will I have to pay out-of-pocket?

You will pay an average monthly premium of approximately \$32.20. You will also pay the first \$250 of your drug expenses. After that, you will pay 25% of your drug expenses until your total expenses reach \$2,250. After that, you enter what is called the “doughnut hole”, and you will pay ALL of your drug expenses until your total expenditures reach \$5,100. By this time, you will have spent \$3,600 out-of-pocket. At this point, the “catastrophic” coverage kicks in and you pay only 5% of all drug expenses for the rest of the year. As I explain below, low income beneficiaries will not have to pay all these fees.

What help is available for low-income beneficiaries?

Beneficiaries with incomes of up to 150% of the poverty level are eligible for special assistance. You will still have to make a small co-payment each time you receive medication. If you are eligible for Medicaid or Medicare Savings Programs you will automatically be enrolled in this plan. Otherwise, you must complete a five-page form and disclose all your assets to get special assistance. This form is hard to understand. If you need help, contact me.

Are all drugs covered by Medicare Part D?

Not all drugs are covered by the specific plans offered by providers under Medicare Part D. The law requires each plan to cover at least two drugs out of each “class” or type of drug, but the actual drugs that are covered will vary from plan to plan. “Generic”, or non-brand-name drugs, might be cheaper under certain plans. I recommend that you make a list of the drugs that you are currently taking. This will help you evaluate the offerings of the various plans.

Specific plans offered by providers might restrict you as to what pharmacies you may purchase your drugs from. When considering plans, make certain that the pharmacy that is convenient for you is participating.

I have a list of the current plans that are available in Illinois and Indiana. Contact me if you need help in choosing.

What if I have prescription drug coverage through a job, my spouse's job, or a retirement plan?

The company or the union must send you a letter by November 15, 2005 certifying that your current drug coverage is "creditable", meaning that it is equal or better than the Medicare plan. In that case, you can stay on your current plan. The government will pay subsidies to your company or union. Keep this letter, because if you later become ineligible for company or union coverage, you will not be penalized for signing up late for Medicare.

What if I currently have a Medigap plan that covers prescription drugs?

You can keep the current plan, but I recommend you switch over to Medicare Part D because the "catastrophic" coverage (5% copays after \$5,100) is probably better than your Medigap plan.

What if I am a veteran?

You can have coverage by both the Veteran's Administration (VA) and Medicare Part D. The VA might cover certain drugs not covered by Medicare.

In conclusion, Medicare Part D is very complicated and confusing, but I strongly recommend that you take the time to figure out what plan is best for you.