

Retirees and Surviving Spouses:

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Medicare

Medicare Part D: The Sequel

On Nov. 15, open enrollment returns and Year Two brings new questions and answers.

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Millions of Medicare beneficiaries have made an effort to understand the Part D prescription drug benefit and choose a plan. Now it begins all over again. The annual open enrollment period—from Nov. 15 through Dec. 31—kicks off the second year of Medicare drug coverage, which begins Jan. 1.

Maybe you're shuddering at the thought of going through it again, or figuring that since you've already chosen a plan, you don't need to do it again. But most plans will change their costs and benefits in 2007, so it's important to compare your plan with others in your area, to be sure you choose the one that best meets your needs.

Going into Year Two, new questions arise. Here are answers that can help you—whether you're already signed up for a plan or are still considering it.

If You're Already in a Plan

Will my plan change next year?

Very likely. Plans can change their monthly premiums, annual deductibles, copayments and formularies (list of covered drugs) in each new calendar year. They may switch drugs from one price level ("tier") to another and change their "preferred" pharmacies. Also, your insurer may offer more plan choices for 2007, which may be different from the plan you have now.

How will I know if my plan changes?

Your plan should have informed you by Oct. 31 of important changes for 2007 in a letter called the Annual Notice of Change. If you haven't received one, call your plan and ask for it.

Will my costs rise next year?

It depends on the plan. Some will raise their premiums, and others will lower them. Every state will have at least one "stand-alone" plan—covering only drugs—with monthly premiums under \$20, but most stand-alones will cost between \$20 and \$40. Some Medicare Advantage plans that cover both drugs and medical services charge no premiums. In 2007 some plans will charge nothing for generic drugs, but many plans will raise copays for brand-name drugs.

If you haven't already done so, you may be able to lower your costs next year by talking to your doctor about less expensive drugs with lower copays that are equally effective for your medical condition.

I want to stay in my current plan. Must I re-enroll?

No. If your plan is still available in 2007 and you do nothing, you will be automatically re-enrolled. But it would be wise to compare the plan with others before making this decision.

If I decide to switch to another plan, what do I do?

You can enroll in a new plan online by visiting www.medicare.gov, by calling Medicare's help line at 1-800-633-4227 or by calling the plan directly or going to its website. This will automatically enroll you in the new plan. You do not need to disenroll from your current plan.

When can I switch to another plan?

If you're changing from one stand-alone plan to another, you must do so between Nov. 15 and Dec. 31.

If you're in a Medicare Advantage plan that covers drugs (MA-PD), you will also have from Jan. 1 through March 31 to change to a different MA-PD or to a stand-alone plan. If you're now in a stand-alone plan but wish to switch to an MA-PD, you also have until March 31 to make that change.

For a smooth transition to a new plan, Medicare advises people to switch early—preferably by Dec. 8—to ensure that their correct plan details will be in pharmacy computer systems by Jan. 1.

Will there be as many plans to choose from next year?

There will be more—at least 50 stand-alone drug plans in each state except Hawaii and Alaska, in addition to Medicare Advantage plans that offer drugs. Some new insurers will enter the market, and many existing ones will offer a wider choice of plans.

How do I compare plans?

The most reliable way is to use the Medicare Prescription Drug Plan Finder tool at www.medicare.gov or to call the Medicare help line and ask a customer representative to

compare plans for you.

Either way, you'll need to make a list of your drugs, their dosages and how often you take them. Feeding this information into the plan finder or giving it to a help-line representative will tell you how much you can expect to spend out of pocket next year under each plan. For a quick way of navigating the plan finder to determine the least expensive plan that covers all or most of your drugs, visit *AARP Bulletin's* ["Quick Route Through Medicare Drug Plan Finder."](#)

Other information that may be important to your decision—for example, convenient pharmacies, 90-day supplies by mail order, prior authorizations or other restrictions for your drugs and whether the plan is available nationally—is also available through the plan finder or the help line.

Can I avoid the "doughnut hole" next year?

More plans will offer coverage in the coverage gap—the doughnut hole—in 2007. Most cover only generic drugs in the gap, but at least one plan in every state covers both generics and some brand names. (The Humana Complete plan, the largest provider of full gap coverage in 2006, will cover only generics in the gap in 2007.)

Premiums for plans offering coverage in the gap are generally higher than average, ranging nationwide from \$25 to \$88 a month for generics only and from \$38 to \$110 a month for those that include brand names. But if you take many drugs, or very costly ones, such a plan may still prove less expensive overall. You can test this option by comparing plans as described above.

This year I got "exceptions" for some of my drugs. Will I have to request them again?

Exceptions are given when a plan agrees to cover specific drugs that are not on its formulary (or are restricted in some other way) after an enrollee's doctor affirms they are medically necessary.

If you stay with your current plan, it may "grandfather" exceptions you received in 2006 so you won't have to appeal again—or the plan may require you to request them again by a certain date. Your plan must inform you of its policy for 2007 in its Annual Notice of Change.

What about exceptions if I switch plans?

When comparing plans, you could look for one that doesn't require exceptions for your drugs. If the new plan does require them, you may have to reapply, with your doctor's support.

Under Medicare rules, any plan must cover at least a 30-day supply of your existing drugs in a transition period at the beginning of the year to allow time for a request to be made and considered.

Can my premium still be deducted from my Social Security check? I heard there were problems this year.

You'll still be able to have premiums deducted from your Social Security check if you want. (Glitches could arise in January, due to ongoing problems between Medicare and Social Security computer record systems.) Alternatively, you can arrange for your bank to pay premiums to your plan directly, or you can pay monthly by check.

My plan didn't pay for one of my drugs this year, saying it wasn't covered under Medicare. Will this happen next year, too?

A few drugs are excluded from Medicare coverage by law. That doesn't mean the plans can't cover them—only that, if they do, Medicare will not reimburse them. Some plans will cover certain "excluded" drugs in 2007.

Once I'm in a plan, will I be locked into it for the whole year?

In most cases, yes. But in certain circumstances—for example, if you relocate out of your plan's service area, you move in or out of a nursing home, or your plan ceases service—you can get a special enrollment period to sign up with a new plan.

If You Are Not Yet in a Part D Plan

I could have signed up this year, but didn't. Can I still get Medicare drug coverage in 2007?

Yes, as long as you sign up with a Part D plan from Nov. 15 through Dec. 31. Your coverage will begin Jan. 1.

Will I have to pay a late penalty?

If you didn't sign up for Part D when you were first eligible (by May 15, 2006, for most people) and had no other drug coverage that was at least as good, you may be required to pay a penalty next year and in all future years. Unless Congress waives the penalty for this year only, you'll pay an estimated \$1.92 a month in 2007 on top of your regular premium.

I turn 65 in January. Can I get drug coverage for 2007?

You can sign up for Part D when you sign up for Part B (which covers doctor visits and outpatient services). Your special enrollment period lasts seven months (three months before the month you turn 65 and three months after it). Coverage will begin on the first day of the month after you enroll.

I'm in Medicare but have drug coverage from employer retiree benefits. Do I need to enroll

in Part D?

Your former employer or union should inform you whether your retiree drug coverage in 2007 will be "creditable," meaning as good as Medicare's. If it is creditable, you don't need to sign up for Part D and will not incur a late penalty if you later lose this coverage and join a Medicare plan at that point. If it isn't creditable, you should consider joining Part D by Dec. 31 to avoid a late penalty. However, you should also check carefully with your benefits administrator to find out whether joining Part D would affect your pension and medical coverage for you and/or your spouse under your retiree plan.

My employer's "creditable" drug coverage will terminate March 31. When should I sign up for Part D?

You should sign up during March, because your Medicare coverage will begin April 1. If you go more than 63 days without coverage after your employer plan ends, you will pay a late penalty.

I have good retiree drug coverage, but it costs too much. Can I enroll in Part D?

Yes, as long as you're eligible for Medicare. But, since leaving this plan would be your own decision, you can sign up for Part D only during annual enrollment, from Nov. 15 to Dec. 31. Check carefully with your benefits administrator to find out whether joining Part D would affect your pension and medical coverage for you and/or your spouse under your retiree plan.

I am over 65 and still working, with drug coverage from my employer health plan. Do I need Part D?

It depends on whether your coverage is "creditable." [See above.] Contact your benefits administrator to find out.

I'll soon be enrolling for the first time. How can I find out how Part D works?

See the "To Learn More" sidebar.

If You Qualify for Extra Help

"Extra Help" is a special part of the Medicare Part D program that offers drug coverage at low cost for qualified people with limited incomes and resources. If you receive Medicaid or SSI or your state pays your Medicare premiums, you should receive full Extra Help automatically. You may also apply if your monthly income is no more than \$1,225 for an individual or \$1,650 for a married couple and you have under \$11,500 (\$23,000 for a couple) in savings and investments.

Income limits will go up slightly in early 2007.

I'm receiving Extra Help now. Will I get it next year, too?

If you automatically got Extra Help this year, you should have received a letter from Medicare explaining your status for 2007. If you were approved for the benefit after applying, you should have received a letter from Social Security. If you're unsure what will happen, call Medicare or SSA as soon as possible.

I've been told I won't qualify in 2007. What can I do?

You can appeal if you don't agree. In addition, your state health insurance assistance program (SHIP) can tell you if there are other programs for getting drugs at low cost (see the "To Learn More" sidebar). Otherwise, you can still get some help under regular Medicare coverage.

In some circumstances—for example, if you qualified for Extra Help this year through a state medical spend-down program—you may become eligible again sometime in 2007.

I'll still get full Extra Help next year, but I've been told I may have to change plans. Why?

To get full Extra Help—which means paying no premiums—you have to be in a plan in which the premiums are below a certain amount. You have the option of staying in your current plan and paying the difference between this amount and the full premium or switching to another plan where you will not pay a premium.

Medicare Part D: Increased coverage limits and costs, 2006 and 2007

Each Medicare drug plan sets its own premiums and copayments. But each year Medicare sets new dollar limits on deductibles, coverage levels, catastrophic copays and the lesser amounts paid by people who qualify for Extra Help. Here's how they change in 2007:

Coverage levels and costs	Standard drug coverage		Full Extra Help coverage*	
	2006	2007	2006	2007
Premiums	specific to plan	specific to plan	\$0	\$0
Annual deductible	\$0 to \$250	\$0 to \$265	\$0	\$0
Copayments in the initial coverage period	According to plan cost tiers	According to plan cost tiers	\$1 to \$5	\$1 to \$5.35
Initial coverage limit (total costs paid by you and your plan)	\$2,250	\$2,400	No limit	No limit

from start of year)				
Coverage gap (if any)	100% of drug costs	100% of drug costs	No gap	No gap
Out-of-pocket limit (triggers eligibility for catastrophic coverage)	\$3,600	\$3,850	\$3,600	\$3,850 (does not affect most recipients)
Catastrophic copays:				
Generic	\$2	\$2.15	\$0	\$0
Brand name	\$5	\$5.35	\$0	\$0

* In 2007, people who receive some, but not full, Extra Help pay partial premiums, a \$53 annual deductible, 15 percent of the price of their drugs up to \$3,850, and catastrophic copays of \$2.15 or \$5.35. There is no gap in coverage.

Source: Centers for Medicare & Medicaid Services

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