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Medicare Prescription Drug Benefit

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The Medicare Prescription Modernization Act of 2003 gave elderly and disabled residents on Medicare access to drug coverage effective January 2006. Medicare prescription drug coverage (Medicare Part D) is available to everyone who has Medicare Part A and / or Part B.

Medicare Part D offers insurance coverage for prescription drugs through Medicare prescription drug plans or PDPs. Medicare has been working with insurance companies and other private companies to offer these plans in your area. Each PDP offers a formulary, which is a designated list of prescription medications that are covered by a Part D Plan. Covered Medicare prescription drugs may vary per plan. Plans must cover all, or substantially all, drugs in six categories: antidepressant, antipsychotic, anticonvulsant, antiretroviral, immunosuppressant and anti-cancer.

Medicare enrollment is voluntary. Coverage is provided through private prescription drug plans or PDPs and Medicare health plans through HMO's MA-PD (Medicare Advantage PDPs). There are special enrollment periods for beneficiaries to change their PDPs.

Medicare prescription drug coverage will change the standard benefit year to year, including deductible, initial coverage limit, out-of-pocket threshold and cost sharing.

The standard Medicare prescription drug coverage 2013:

$325 Deductible (Beneficiary pays $325)

- **CMS will pay 75%, beneficiary 25% of drug costs the next $2,645 (CMS pays $1983.75 beneficiary pays $661.25)**
- **Donut-Hole Pricing from $2,970.00 through $6,733.75 (plus a 50% brand discount) in the coverage gap. Beneficiary pays $3,763.75)**
- **True out-of-pocket spending (TrOOP) of $4,750.**
- **Catastrophic Limit-CMS will pay 95% of drug costs over $6,733.75 beneficiary pays the greater of 5% or $2.65 Generic/$6.60 Brand**
- **Premiums will be established in September 2012.**

Premiums will not count as part of TrOOP

The standard Medicare prescription drug coverage 2014:

The limits will be decreased for the first time in 2014

$310 (Deductible (Beneficiary pays $310)

- **CMS will pay 75%, beneficiary 25% of drug costs the next $2,540 (CMS pays $1905.00 beneficiary pays $635.00)**
- **Donut-Hole Pricing from $2,850.00 through $6,455.00 (plus a 52.5% brand discount) in the coverage gap. Beneficiary pays $3,605.00)**
- **True out-of-pocket spending (TrOOP) of $4,550.**
- **Catastrophic Limit-CMS will pay 95% of drug costs over $6,455.00 beneficiary pays the greater of 5% or $2.55 Generic/$6.35 Brand**
- **Premiums will be established in September 2013.**

Premiums will not count as part of TrOOP

Health Care Reform

On March 23, 2010 President Obama signed the Patient Protection and Affordable Care Act into law. In 2010, Part D enrollees received a $250 rebate when they reached the coverage gap. In 2011, Part D enrollees will receive a 50% discount on the total cost of their brand name drugs (for manufacturers that rebated with CMS) while in the coverage gap. The full retail cost of the drugs will still apply to getting out of the gap even though the pharmaceutical manufacturers paid for 50%. In 2014, Part D enrollees will receive a 52.5% the brand discount is 50% and the brand benefit is 2.5% and 28% generic reimbursement in the donut hole.

In 2011, enrollees paid a maximum of 93% co-pay on generic drugs while in the coverage gap. In 2012, the maximum decreased to 86% and in 2013 79%. In 2014 the maximum decreased to 72%. This discount continues incrementally until 2020, when the coverage gap closes and the beneficiary continues to pay 25% of the drug costs until the catastrophic coverage is reached.

Premiums will likely increase each year. You can choose to have the premium taken out of your monthly Social Security check (in addition to the Part B premium). However, CMS recommends paying premiums on a monthly basis with the coupon book. Some plans may offer an enhanced benefit, which would incur in a higher premium. Starting in January 2011, higher income beneficiaries will pay a higher Part B premium. The income thresholds are the same as those in the Part B income-related premium adjustment. Social Security will identify those beneficiaries that are subject to the premium adjustment based on the income data received from the IRS.

Low Income Residents

Many residents with limited income and resources will get additional assistance paying for their prescription drug coverage. If your income is below 100% of the federal poverty level ($11,490/Single or $15,510/Couple), you will not pay a premium or deductible and will have nominal/co-payments of $1.20/generic and $3.60/brand.

Medicare beneficiaries who have incomes below 133% of the federal poverty $15,282/Single or $20,628/Couple level and assets will pay no premium or deductible and have nominal co-payments of up to $2.55 or $6.35. There will be no coverage gap and no co-payments once their total drug spending reaches $6,455.00.

Medicare beneficiaries who have incomes below 150% of federal poverty level $17,235/Single or $23,265 will pay a sliding-scale premium subsidy that will be based on income. The partial subsidy parameters for these beneficiaries will have a reduced deductible of $63.00, and co-payments not to exceed 15% for prescription costs. There will be co-payments of $2.55/generic $6.35/brand once the total drug spending reaches $6,455.00

Savings and investments count as assets. A home, car, burial plot and/or life insurance policies do not count as assets.

If you feel you may qualify you may fill out an SSA application or you can also apply on www.ssa.gov and send via the Internet.

PAAD Pharmaceutical for the Aged and Disabled
2013: Residents with income less than $25,743/Single and $31,563/Couple

PAAD will utilize an electronic match program, measuring drug usage against formularies and benchmarked prescription drug plans. PAAD will send a mailing to each beneficiary informing them of the best-matched plan for their medications and their pharmacy. PAAD needs to be made aware of retirees with employer/union plans because enrollment into a Medicare Part D Plan may disenroll them from their employer coverage. As of July 1, 2010 PAAD co-payments have decreased to $5.00 Generic/$7.00 Brand.

The Medicare Part D Plan is primary and PAAD pays as secondary.

Senior Gold Residents
2013: $35,743/Single and $41,563/Couple

Senior Gold beneficiaries had to enroll in Medicare Part D effective July 1, 2008. A Senior Gold beneficiary can ask PAAD for assistance. PAAD will assist in doing a computer match on medications. Senior Gold recipients need to be made aware of retirees with employer/union plans because enrollment into a Medicare Part D Plan may disenroll them from their employer coverage.

The Medicare Part D Plan is primary and Senior Gold pays as secondary.

PAAD/Senior Gold income eligibility has not been announced for 2014. Please note the above criteria are at the 2013 income levels. Please visit www.njpaad.gov or www.njrsgold.gov or call 1-800-792-9745.

Union/Employer Benefits
Many employers who provide drug benefits may continue their drug coverage. Others may choose to help employees or retirees who enroll in a Part D Plan by paying some of the costs. Beneficiaries who have a prescription drug benefit with their employer/union should be notified if they have "creditable coverage." Creditable coverage indicates prescription coverage that is the same or better than the standard Medicare Part D Plan. If your former employer continues a plan that meets or exceeds the government standards, you won't have to worry about a late enrollment fee if you decide to join a Part D Plan in the future. If you do not receive a notice regarding the prescription benefit, please call the Benefits Administrator or Human Resources for information.

The company providing your employer or retiree drug coverage should let you know whether your drug coverage is at least as good as Medicare's standard drug coverage (creditable coverage). Be sure you have this information before deciding whether to enroll in the Medicare prescription drug benefit. If your current or former employer chooses to continue to offer prescription drug coverage you have three choices:

1. **If your current or retiree drug coverage covers at least as much as Medicare's basic coverage,** you may want to keep it and not buy Medicare drug coverage (if your coverage is at least as good as Medicare's drug coverage, you will not have to pay a premium penalty as long as you do not go for more than 63 days without creditable coverage). However, you may want to compare the cost and coverage of your current coverage (including premiums, co-pays and list of covered drugs) with the cost and coverage of Medicare private drug plans in your area, to see which offers you the best coverage for your money. (Keep in mind that if you drop your current drug coverage you may not be able to get it back in the future. Also, make sure you can drop your drug coverage without losing your hospital and doctor coverage as well.)

2. **If your current or retiree drug coverage covers less than Medicare's basic drug coverage,** you may want to drop it and buy Medicare drug coverage. If you have **not** joined a drug plan by May 15, 2006, you may need to pay a premium penalty. Note: Before making a decision, ask your employer if you can drop your drug coverage without losing your other supplemental insurance for doctor and hospital services. Once you drop your existing coverage, you may not be able to get it back.

3. **If your current or retiree coverage will fill in the gaps in Medicare's drug coverage,** you may want to keep it and enroll in the Medicare drug benefit as well. (Keep in mind, however, that you will still have to eventually spend $4, 550.00 dollars in out-of-pocket costs for Medicare covered drugs before your Medicare drug costs go down a lot—catastrophic coverage—because

payments made by other insurance do not count toward your out-of-pocket costs, even for covered drugs.

Once again, check with the company's Benefit Administrator or Human Resources department, before making any decisions about enrolling in a Medicare prescription drug benefit.

With the new Health Care law, beneficiaries will have access to standardized, easy to understand information about health plan benefits and coverage. Insurance companies and employers are now required to provide consumers in the private health insurance market with a brief summary of what a health insurance policy or employer plan covers, called a Summary of Benefits and Coverage (SBC).

Medigap Policy

If you presently have a Medigap policy with prescription drug coverage, you will need to make some decisions on how you want to get your prescription drug coverage in the future. Medigap plans unfortunately do not offer any prescription drug benefit. If you bought a Medigap plan before January 1, 2006, you may have limited prescription drug coverage, but beneficiaries may want to look into Medicare standard prescription drug coverage to avoid a 1% penalty premium.

Medicare Advantage Plan (Medicare Choice or Medicare Part C)

If you are in a Medicare Advantage Plan, you will usually get your Medicare prescription coverage from your plan. In most Medicare Advantage Plans, if you want to purchase prescription coverage and your plan offers it, you must get it from your Medicare Advantage Plan.

- Only some Medicare PFFS (Private Fee-for-Service) Plans offer Medicare prescription drug coverage. If your Medicare PFFS doesn't offer prescription drug coverage, you can join a Medicare Prescription Drug Plan to add the prescription benefit.
- Medicare MSA (Medicare Medical Savings Account) Plans do not cover prescription drugs. If you have a Medicare MSA Plan, you can join a Medicare Prescription Drug Plan to get this coverage.

Note: If you currently have a Medicare Advantage Plan and enroll in a stand-alone Medicare Part D Plan, this could disenroll you from you Medicare Advantage plan. Beneficiaries need to check with their Medicare Advantage plans of their options.

Tricare

Your TRICARE coverage will remain the same and you will not have to join a Medicare drug benefit (Part D) to keep it. (Note: This is different from medical coverage under TRICARE, which requires you to enroll in Medicare Parts A and B.)

Since TRICARE coverage is more comprehensive than Medicare's drug coverage (so it is considered creditable) you may be better off keeping your TRICARE and not enrolling in the Medicare drug benefit. If you decide you want to enroll in the Medicare drug benefit later, you will not have to pay a penalty as long as you enroll within 63 days of dropping or losing TRICARE coverage. Contact TRICARE for more information.

> If you do join a Medicare private drug plan and keep TRICARE, Medicare will pay as primary and TRICARE will pay secondary.
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> **Note:** If you qualify for full extra help your co-pays for covered drugs may be less than if you just kept TRICARE. However, TRICARE's list of covered drugs could be broader than those of Medicare private drug plans in your area, and TRICARE will cover drugs not on its list at a higher copay.

Veterans Benefits

Your Department of Veterans Affairs (VA) drug coverage will remain the same, and you probably do not want to enroll in a Medicare private drug plan. VA coverage is more comprehensive than Medicare drug coverage. Also, Medicare only wraps around VA benefits in limited instances (only when you have VA permission to get services in a non-VA facility). Since VA pays first and Medicare pays second, you will not need Medicare to supplement your VA drug coverage. In addition, if you ever do want to enroll in the Medicare drug benefit later, VA drug coverage is "creditable coverage," so you will not have to pay a penalty as long as you enroll in the Medicare drug benefit within 63 days of losing VA benefits.

Note: With no premiums and no or limited co-pays for prescriptions, VA coverage is comparable to Medicare drug coverage with extra help.

You may want to join a Medicare private drug plan if you live very far from a VA facility and the Medicare private drug plan includes nearby pharmacies in its network, or if you live in a nursing home that does not accept your VA drug benefits.

Prescription Drug Plans
Attached please find a list of the Prescription Drug Plans offered in New Jersey. The plan names are attached with monthly premium and annual deductible. **If the premium with full low-income subsidy is indicated with a (dot), those plans will mesh with residents who are low-income subsidy (Medicaid).**

Coverage in the Gap
Some Prescription Drug Plans will provide a benefit in the coverage gap to cover generics and with the enhanced plans some brands. The plans will provide more information.

Enrolling in a Prescription Drug Plan
Medicare has provided an excellent source for choosing a Prescription Drug Plan at www.medicare.gov. You will need the effective date for Medicare A/B and the list of current medications.

Click on ***Compare Medicare Prescription Drug Plans*** and this will provide a list of Prescription Drug Plans with out-of-pocket costs. Annual Notice of Change

All Medicare Part D recipients should receive the Annual Notice of Change (ANOC) by September 30, 2013 from the individuals Prescription Drug Plan. The ANOC letter will provide beneficiaries with all changes that will occur in that drug's plan.

Reassignment Notices and Changes (BLUE Notice)
Medicare Part D recipients who are full benefit dual eligible (Medicare and Medicaid) and who were enrolled in a Medicare Part D Plan that will no longer provide low income subsidy will receive a letter from CMS printed this year on Blue paper. This letter will inform beneficiaries that CMS will reassign those recipients into a new drug plan (plan that will provide to low income subsidy recipients) unless they join a new plan on their own by December 31, 2013.

Chooser Letters (TAN Notice)
Medicare Part D recipients who are full benefit dual eligible who have picked or chosen a Medicare Part D Plan in 2013 and the plan is above the benchmark premium will be getting a Tan letter. This letter will inform beneficiaries or "choosers" because they are currently enrolled in a drug plan that they selected – the plan's premium is changing in 2014 and they will have to pay a portion of their plans premium, unless they join a new plan. If the choosers do not switch to another plan by January 1, 2014 they will be charged a fee. The fee is the difference in the new premium minus the benchmark premium for that state (New Jersey is $37.10.

Annual Election Period
The Annual Election Period has changed in 2011 from November 15 through December 31 to October 15 through December 7, 2013. If you already have a Medicare Part D Plan, this is your time to look back over 2013 and make an enrollment decision for your coverage in 2014. Medicare Part D Plans will send letters regarding formulary changes. If you make no decision, you will remain in the same plan as you elected in 2013. You should be receiving your "Medicare & You 2014" handbook or call 1-800-Medicare.

Partners is committed to keeping you apprised of new developments in the Medicare Part D program. Thank you and please call me with any questions.

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