



## THE MEDICARE PRESCRIPTION DRUG BENEFIT: DESCRIPTION AND RESOURCES

by Elizabeth Burger

In 2003, Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act (MMA). Among other initiatives, the legislation created a prescription drug benefit for Medicare participants. This Issue Brief offers a description of the new drug benefit and provides resources for Medicare beneficiaries who need assistance and information regarding the new benefit. Companion Issue Brief Number 05-04: *The Medicare Prescription Drug Act: Implications for Colorado*, describes Colorado's financial and administrative obligations with regard to the implementation of the MMA.

### The MMA Prescription Drug Benefit

The MMA adds a new Part D prescription drug benefit to Medicare. Medicare participants receive hospital benefits through Part A and medical insurance benefits through Part B. Medicare Part C regulates Medicare Advantage plans. The new Part D prescription drug coverage begins January 1, 2006.

**Participants must enroll in a prescription drug plan or Medicare Advantage plan.** Medicare participants must sign up for the Medicare Part D benefit to receive prescription drug coverage through Medicare. Medicare participants will receive the new Part D prescription drug benefit by enrolling either in a prescription drug plan administered by a private company (PDP) or in a Medicare Advantage plan. If beneficiaries choose to enroll in a PDP, they will continue to receive their current Medicare benefits through a fee-for-service model. Participants who join a Medicare Advantage plan may join an HMO or PPO to receive both their traditional Medicare benefits and their prescription drug benefits.

The MMA requires that Medicare participants have a choice of at least two plans.

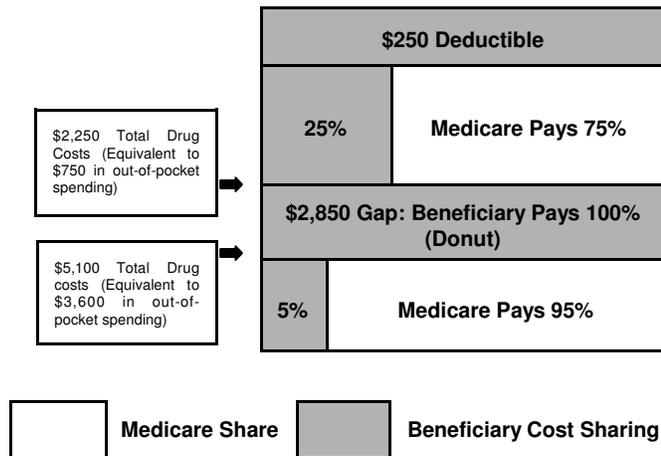
**Enrollment deadlines.** Medicare participants can begin enrolling in Part D beginning November 15, 2005, and must enroll by May 15, 2006. Those participants who miss the enrollment deadline will be forced to wait until November 15, 2006, to enroll in the plan and will face an increase in their Part D premiums of 1 percent for every month they waited to join a Part D plan. Participants who waited to enroll in Part D because they had similar or better prescription drug coverage through an employer or union will not have to pay the increased premium if they join a Part D plan after May 15, 2006. Those Medicare participants who also qualify for Medicaid (dual eligibles) will automatically be enrolled into a PDP if they don't choose one by December 31, 2005.

**Standard benefit design.** The MMA outlines the minimum amount of prescription drug coverage that must be offered through each drug plan. The plans can choose to offer only this standard minimum coverage, or may offer any alternative benefit design that is similar to the standard MMA benefit and does not increase the deductible or catastrophic threshold.

Under the standard benefit, Medicare participants are responsible for a \$250 annual deductible before Medicare covers any prescription drug expenses. After the deductible is met, Medicare will pay 75 percent of a participant's drug costs until the participant reaches a threshold of \$2,250 in total drug costs. At this point, participants are responsible for the entire cost of prescription drugs until they reach a "catastrophic" limit equal to \$5,100 in total drug costs.

After a participant reaches this limit, Medicare will pay 95 percent of the participant's total drug costs. Most participants will pay an estimated premium of \$32 to \$37 per month for the standard coverage, although the premium will vary from plan to plan. Figure I illustrates the standard drug benefit.

**Figure I: Medicare Drug Benefit**



### Low-Income Assistance

Medicare participants with limited resources and incomes under 150 percent of the Federal Poverty Level (\$14,355 for an individual in 2005) will receive assistance in paying Medicare Part D premiums, deductibles, and co-payments. In addition, dual eligibles will qualify for PDPs with no monthly premiums, no deductibles, and co-payments of \$1 to \$5 per prescription. Medicare participants can apply for low-income assistance at any local social security office or county department of social services. Medicare participants who apply at county departments of social services will also be screened for other public assistance programs, such as Medicaid or food stamps.

### Part D Resources

**Enrolling in a plan.** Medicare beneficiaries began receiving information about Medicare drug plans in October of 2005. Beginning November 15, 2005, participants can enroll in a PDP or Medicare Advantage plan through the following ways:

- by completing a paper application for the plan and mailing or faxing the application to the plan sponsor;

- by completing an application on a plan sponsor's website;
- by completing an application at Medicare's online enrollment center at [www.medicare.gov](http://www.medicare.gov); or
- by calling 1-800-MEDICARE.

**Information and assistance.** Medicare is providing a number of resources for Medicare participants who are interested in enrolling in Part D. At [www.medicare.gov](http://www.medicare.gov), participants can find numerous tools to compare PDPs and Medicare Advantage plans and estimate monthly prescription drug costs. Similar information can be accessed by dialing 1-800-MEDICARE.

Each state is required to maintain an office to assist Medicare participants. In Colorado, this office is called the Colorado Senior Health Insurance Assistance Program. This program has counselors trained to provide assistance to Medicare participants regarding both Medicare coverage and the new Part D benefit. Medicare recipients can reach their local representatives in the Colorado Senior Health Insurance Assistance Program by dialing 1-888-696-7213 or by visiting the following website: <http://www.dora.state.co.us/insurance/senior/senior.htm>

The Access to Benefits Coalition, a national organization that provides prescription drug information to Medicare participants, is working in conjunction with the Colorado Senior Health Insurance Assistance Program to help seniors understand the new drug benefit. Colorado residents can contact ABC-Colorado at 1-800-503-5190 for information on the Part D benefit.