

December 2005

## **MEDICARE PART D What You Don't Know Could Cost You**

### **What Individuals Eligible for Medicare Need to Know**

You may have heard about Medicare's new prescription drug coverage, and wondered how it will affect you or a retired family member. Starting January 1, 2006, new Medicare prescription drug coverage ("Part D") will be available to everyone with Medicare. The coverage will be provided by private insurance companies. People with Medicare can enroll in a Part D plan from November 15, 2005 through May 15, 2006. All Part D plans will provide at least a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium.

However, if you have existing prescription drug coverage that, on average, is as good as Part D, you can choose to forego joining a Part D plan until a later date. Each year after 2006, you will have the opportunity to enroll in a Medicare prescription drug plan between November 15th and December 31st. A couple of factors should be considered before determining whether to join a Part D plan. If you do decide to enroll in a Part D plan and drop your employer's prescription drug coverage, you may not be able to get this coverage back. You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

You should also know that if you drop or lose your current coverage and don't enroll in Part D coverage after the current coverage ends, you may have to pay more later in order to join. If after May 15, 2006, you go 63 days or longer without prescription drug coverage that is at least as good as Part D coverage; your monthly premium will go up at least 1 percent per month for every month after May 15, 2006 that were not covered. For example, if you go nineteen months without coverage, your premium will always be at least 19 percent higher than what most other people pay. You'll have to pay this higher premium as long as you have Medicare coverage. In addition, you may have to wait until the following November to enroll.

Your health care plan is required to give you notice about your coverage and whether it is as good as Medicare coverage no later than November 15, 2005.

## **What Employers Who Provide Group Health Plans Need to Know**

If you sponsor a group health plan that has prescription drug coverage, you are required to give a disclosure notice about the new Part D coverage to the plan's enrollees who are also covered by Medicare. Because a plan provider cannot easily determine whether an enrollee is covered by Medicare (they, or a covered family member, could be eligible for Medicare as a result of a disability or through Social Security benefits) it is prudent to give notice to all plan beneficiaries. The Disclosure Notice must be provided by November 15, 2005. Additionally, you are required to provide The Centers for Medicare and Medicaid Services ("CMS") with a copy of the Disclosure Notice by November 15, 2005 and upon certain triggering events thereafter. Sample Disclosure Notices are available on CMS's website, but it is important to make sure the Disclosure Notice is tailored to your specific plan.

The critical disclosure to enrollees is whether the plan is "creditable". A plan is creditable if the "actuarial value" of the coverage equals or exceeds the value of Part D coverage. Because actuarial value is not an easy or inexpensive calculation, CMS has provided an alternative test for determining whether coverage is creditable. A prescription drug plan is deemed to be creditable if it:

- 1) Provides coverage for brand and generic prescriptions;
- 2) Provides reasonable access to retail providers and, optionally, for mail order coverage;
- 3) The plan is designed to pay on average at least 60% of participants' prescription drug expenses; and
- 4) Satisfies at least one of the following:
  - a. The prescription drug coverage has no annual benefit maximum benefit or a maximum annual benefit payable by the plan of at least \$25,000, or
  - b. The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least \$2,000 per Medicare eligible individual in 2006.
  - c. For entities that have integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000 and has no less than a \$1,000,000 lifetime combined benefit maximum.

**For more information about your options under  
Medicare prescription drug coverage...**

- Contact Michele Shuster of Mac Murray, Cook, Petersen & Shuster at [mshuster@mcpslaw.com](mailto:mshuster@mcpslaw.com) or 614-939-9955
- Visit [www.medicare.gov](http://www.medicare.gov)
- Call your State Health Insurance Assistance Program
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.