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Finding The Me in Medicare

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On Dec. 8, President Bush signed into law the largest expansion of the Medicare program since it was created in 1965 -- the "Part D" prescription drug benefit. Putting aside the fuss over what this addition is going to cost, what does it really mean to seniors and their families? Using reader questions (paraphrased here) as a guide, we address some points about the new benefit:

I must have been distracted by the holidays, because I hardly noticed when this law was passed. What's it all about?

The 678-page Medicare Prescription Drug, Improvement and Modernization Act of 2003 covers a lot of ground, but the most significant change is that Medicare will begin offering optional prescription drug coverage in 2006. As an interim measure, Medicare-approved prescription discount cards will become available in a few months.

"There's great potential for confusion this year," says Patricia Neuman, vice president of the Kaiser Family Foundation, a national nonprofit group that offers information and analysis on health issues. Beneficiaries expecting the discount cards to give them full prescription benefits will be greatly disappointed when they go to the pharmacy.

First things first -- what are these cards going to do for me?

If you are a Medicare beneficiary (and not getting prescription benefits under Medicaid), you'll be able to enroll in a pharmacy discount plan offered by a private company. For \$30 per year or less, you will be able to purchase a discount card with Medicare's seal of approval on it. These cards are expected to save seniors, on average, 10 to 15 percent on their prescription drug costs.

You'll have a choice of at least two cards, so you may want to comparison-shop. Enrollment starts in May, and the discount programs will go into effect in June.

What makes this plan any better than the prescription discount card I already have?

For many people, nothing. These cards will work pretty much the same as many prescription cards already available to seniors, says AARP lobbyist Kirsten Sloane, "so the average beneficiary will want to shop around [before deciding whether to sign up]. Different cards will likely pay different amounts for different drugs. It's just "another option for lowering the costs of some drugs," explains Sloane.

The seniors who will benefit the most, say experts, are those who have low incomes but don't qualify for Medicaid. If your income in 2003 was \$12,123 or less (\$16,362 or less for a married couple), you may qualify for a \$600 credit on your discount card. In addition, Medicare will pay your enrollment fee.

I already have a prescription discount card. Will I lose that if I get the Medicare discount card? If not, can I get both a Medicare discount and my other discount

on a prescription?

No and no. "Beneficiaries may only have one Medicare-approved drug discount card," Medicare spokeswoman Leslie Norwalk responded by e-mail to a Washington Post query, "but beneficiaries may retain other cards they currently have. However, discounts and rebates come from price concessions that manufacturers and pharmacies provide, which are meant to apply only once for any purchase." That means you won't be permitted to double the discount by using two cards for the same purchase. Advised Norwalk, "The beneficiary should use the card with the lowest price for the drug being purchased."

Right now, I get many of my medications free or at very low cost, because the state funds a program where my doctor gets my meds from the pharmaceutical companies for me. Could I still get the discount card and the \$600 credit?

Yes, provided you meet income guidelines. "What you are describing is a state pharmacy assistance program, not Medicaid or some other type of prescription drug benefit," says Norwalk. If you are enrolled in Medicare Part A and/or Part B, and don't have Medicaid drug coverage, then you may qualify for the discount card. You may also qualify for the \$600 credit if you meet the other financial criteria.

What about the real prescription drug benefit that goes into effect in 2006? How will that work? And what the heck is a "doughnut hole"?

Starting in 2006, Medicare beneficiaries will have the option of signing up for prescription plans offered by private companies as well as all-inclusive managed care plans that cover prescription drugs.

The prescription plans generally will have premiums of about \$35 per month (\$420 per year), with \$250 deductibles. (That means you pay for the first \$250 worth of prescriptions out of your pocket.)

After you've met the deductible, Medicare will pay 75 percent of your prescription drug costs up to \$2,250. You'll be responsible for the other 25 percent.

Then comes what critics call the doughnut hole: For any prescription costs beyond \$2,250, you will have to pay 100 percent of those bills out of your pocket until you've spent \$3,600 -- in other words, until your total prescription costs have reached \$5,100.

Once your out-of-pocket prescription expenses exceed \$3,600, Medicare will pay 95 percent of any additional costs.

Hmm . . . that's kind of confusing. Can you give some examples?

Sure. Let's say Liza gets just one \$20 prescription drug each month, for a total of \$240 per year. Since the deductible is \$250, she would not receive any Medicare Part D benefits.

Rick has about \$1,000 in prescription drug costs each year. He'd pay the first \$250 out of his pocket. Of the remaining \$750, Medicare Part D (the new benefit) would pay 75 percent, or \$562.50, and Rick would pay \$187.50. So out of \$1,000 in prescription costs, Rick would pay \$437.50 and Medicare would pay \$562.50.

Another person, Jean, spends \$10,000 per year on prescription drugs.

- Jean will pay:

\$250 deductible

25 percent of the next \$2,000 (\$2,250 minus \$250), or \$500

100 percent of the next \$2,850 (the doughnut hole between \$2,250 and \$5,100)

5 percent of her remaining \$4,900, or \$245
\$3,845 total

- Medicare Part D will pay:

75 percent of costs between \$250 and \$2,250, or \$1,500

95 percent of costs above \$5,100, or \$4,655

\$6,155 total

So Jean's total savings would be \$6,155.

The Kaiser Family Foundation offers an online calculator that will tell you how much you're likely to save under the prescription benefit. Go to

www.kff.org/medicare/rxdrugscalculator.cfm
<<http://www.kff.org/medicare/rxdrugscalculator.cfm>>.

So if my prescription drug costs aren't very high when the program starts in 2006, I should probably put off joining, right?

Well, there's a bit of a gamble involved. Unless you have equal or better prescription drug coverage elsewhere (say, through a group health plan or Medicaid), there will be a 1 percent penalty on the premium for every month that you delay enrolling. If you wait, say, five years, your premiums will be 60 percent higher -- \$672 per year, instead of \$420 -- for the rest of your life. (If you delay because you have other drug coverage, you won't be penalized.)

How does Medigap insurance fit in there?

If you already have Medigap coverage (private health insurance to fill gaps in Medicare coverage) with a prescription benefit, you'll have the option of keeping that instead of joining Part D. However, no new Medigap policies with prescription coverage will be sold after Jan. 1, 2006. If you join the new prescription plan, you won't be allowed to renew your Medigap plan with drug coverage.

I'm a retiree who gets both Federal Employees Health Benefits (FEHB) and Medicare. What happens to my FEHB prescription coverage under the new Medicare prescription plan?

If you enroll in Part D Medicare, that will become your primary prescription coverage, and your FEHB plan will become your secondary, explains Abby Block, a deputy associate director at the Office of Personnel Management (OPM), which runs the retirees' program. (Right now, if you have both Medicare Part B and FEHB, Part B is your primary plan -- but because it doesn't have a prescription benefit, your FEHB plan pays for your prescriptions.) If you choose not to enroll in Part D, you will continue to be covered by FEHB. However, emphasizes Block, there is no way of knowing now what that coverage will look like. OPM negotiates every summer for the following year's benefits, so the 2006 FEHB prescription coverage won't even be negotiated until the summer of 2005.

What changes are being made that benefit low-income people?

Once the prescription benefit goes into effect in 2006, there will be substantially more assistance available for low-income beneficiaries. AARP estimates that about 13.4 million low-income seniors are going to get prescription drug coverage with modest or no premiums or deductibles.

The benefits will be awarded on a sliding scale, based on income and assets. The asset test is the same as used for the Supplemental Security Income program, a federal assistance program for low-income blind, disabled and elderly people. Primarily, it looks at the beneficiary's financial assets -- cash, stocks, bonds, etc. -- says AARP's Sloane.

Are there any other changes to Medicare that I should know about?

Yes. The most important include:

- Regional Preferred Provider Organizations (PPOs) will be added as another Medicare managed care option. In a PPO, members generally agree to use only doctors who belong to a particular network, but they don't need referrals.

- Beginning in 2007, seniors with adjusted gross incomes over \$80,000 (\$160,000 for couples) will pay higher premiums for Medicare Part B coverage, based on a sliding scale. The changes will be phased in, but by 2011, seniors with incomes over \$200,000 per year will pay 80 percent of the Part B premium. Currently, everyone pays 25 percent and Medicare subsidizes the other 75 percent.

- Starting in 2005, Part B will provide a few more preventive benefits, including a one-time initial preventive physical exam, screening blood tests for early detection of cardiovascular diseases and diabetes screening tests for at-risk beneficiaries.

- Starting immediately, Americans can set aside money for medical expenses in tax-free health savings accounts, if they have insurance deductibles of at least \$1,000 for a single person or \$2,000 for a family.

I got a phone call from a telemarketer selling Medicare prescription drug cards. Is this legit?

No! This is a scam. Medicare drug cards will not be sold via any telemarketer or door-to-door salesman, officials say.

Do not give out your bank account, credit card or Medicare information to these people. Report any such calls to the Inspector General's Medicare fraud hot line at 800-HHS-TIPS (800-447-8477).

Beginning in April, the legitimate drug-card sponsors will be listed on the Medicare Web site at

www.medicare.gov/AssistancePrograms
<<http://www.medicare.gov/AssistancePrograms>>.

I want more information about how the new Medicare changes will affect me and my loved ones.

Some great information is provided online by Medicare (www.medicare.gov/medicarereform <<http://www.medicare.gov/medicarereform>>), AARP (www.aarp.org/prescriptiondrugs <<http://www.aarp.org/prescriptiondrugs>>) and the Kaiser Family Foundation (www.kff.org/medicare <<http://www.kff.org/medicare>>).

Lisa Barrett Mann last wrote for the Health section about pyloric stenosis.