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New Year, New Benefit: Demystifying Medicare Part D

On January 1, 2006, the Medicare Part D Drug Benefit program went into effect, ushering in the biggest change to the Medicare program since its inception in 1965. The Centers for Medicare & Medicaid Services (CMS) and countless health-related advocacy organizations spent the better part of last year educating the public about Part D, and in anticipation of the January 1 launch, GNYHA hosted several member briefings to explain the benefit and how it might affect hospitals and patients in New York State. Yet, enrollment in the new program remains low, and both providers and patients have raised myriad questions about how to use it. This issue of *Health Care News In-Depth* presents some basic facts that every provider should know to help patients make informed decisions about enrolling in Medicare's new drug coverage program.

As of January 2006, only about 1 million of Medicare's 42 million beneficiaries nationwide have signed up for the new Medicare Part D Drug Benefit. (Another 10.6 million beneficiaries have been enrolled automatically through Medicaid or Medicare Advantage plans.) Moreover, the benefit's complex eligibility and enrollment requirements have left many Medicare beneficiaries—and their caregivers and health care providers—uncertain about how to take advantage of this new coverage. Significantly, Medicare Part D affects every beneficiary differently, as plan options, premiums, and copayments differ by state, by income level, and even by residence for those living in long term care facilities.

Eligibility and Types of Plans

All Medicare beneficiaries who are entitled to Medicare Part A and/or enrolled in Part B are eligible to receive the Medicare Part D Drug Benefit. However, it is a voluntary benefit, so beneficiaries must enroll themselves into a Medicare prescription drug plan in order to receive Medicare drug coverage. The only exceptions are for Medicare beneficiaries who also qualify for Medicaid, known as "dual eligibles," who must now receive their drug benefits through Medicare Part D rather than Medicaid. Dual eligibles who did not enroll in a plan as of Jan. 1, 2006, were randomly assigned and auto-enrolled into a plan by Medicare.

While the new benefit took effect on Jan. 1, eligible beneficiaries may still enroll without penalty through May 15, 2006, and may choose to receive Medicare drug coverage through either 1) a stand-alone prescription drug plan (PDP) for drug coverage only, with the balance of Medicare benefits provided through the fee-for-service program, or 2) a participating Medicare Advantage (MA) plan—such as an HMO or a regional Preferred Provider Organization (PPO)—that provides drug coverage in addition to all other Medicare benefits. If beneficiaries who are currently enrolled in an MA plan choose a stand-alone PDP for drug coverage, they will be disenrolled from the MA managed care program and receive fee-for-service benefits in addition to stand-alone drug benefits. All participating PDPs are required by law to cover at least two drugs in each therapeutic class or category of covered Part D drugs and must provide an exception/appeals process for drugs not covered on their formulary.

Premiums and Other Costs

Beneficiaries who enroll in a Medicare Part D plan—whether a PDP or MA plan—will have to pay a monthly premium as well as an annual deductible and copayments for their covered drugs under the standard benefit design. All prescription drug plans must follow either the standard benefit design or an alternative benefit structure that is actuarially equivalent—or at least as good as—the standard benefit, although some plans are eliminating the deductible and/or reducing the beneficiary cost-sharing amounts. In addition, drug plans are allowed to use various cost controls such as tiered cost-sharing—charging different copayments for different types or classes of drugs—and prior authorization.

In 2006, the national average monthly premium for this standard benefit is around $32, but premiums vary substantially by plan and by region, and are expected to rise. For 2006, NYS's monthly premiums range from $4.10 to $85.02; in NJ, they are between $4.43 and $66.53. In addition to the monthly premium, beneficiaries are required to pay an annual deductible of $250 per year. After the beneficiary has met the deductible, Medicare will cover 75% of the drug costs between $250 and $2,250. The beneficiary must pay the remaining 25% , as well as 100% of the drug costs between $2,250 and $5,100 (commonly referred to as the "donut hole"). After the beneficiary has incurred $3,600 in out-of-pocket expenses (in addition to the monthly premium), the benefit's catastrophic coverage takes over, with Medicare covering 95% of the drug costs above $5,100 and the beneficiary covering the residual 5%. These cost-sharing requirements for Part D are in addition to the amounts that beneficiaries currently pay for Parts A and

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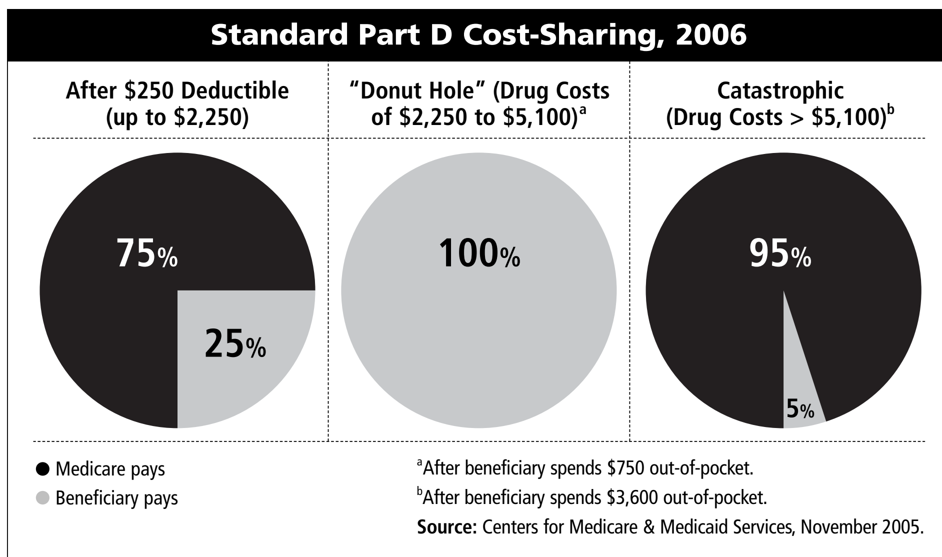

[a]After beneficiary spends $750 out-of-pocket.
[b]After beneficiary spends $3,600 out-of-pocket.
Source: Centers for Medicare & Medicaid Services, November 2005.

B. However, dual eligibles and individuals who qualify for a low-income subsidy will receive full or partial assistance to meet these costs. For example, the copayments for dual eligibles in the community are limited to $1 or $3 per prescription depending on the class of drug, and are waived for institutionalized long term care residents who are dual eligibles.

Enrollment

Beneficiaries may enroll by calling 1-800-MEDICARE or on-line at **www.medicare.gov**.

Part D's Impact on State Finances

Prior to the enactment of Part D, state Medicaid programs (funded jointly by states and the Federal government) were the common source of prescription drug benefits for dual eligibles. Although Part D will now supply drugs for dual eligibles, states will have to pay Medicare what CMS determines they would have spent on the Medicaid drug benefit in the absence of Part D. In addition, certain classes of drugs such as benzodiazepines and barbiturates are excluded from the Medicare drug benefit—and if state Medicaid programs make these and certain over-the-counter drugs available, they must do so through state-Federal Medicaid spending. Finally, NYS and NJ will provide a wrap-around benefit at 100% state expense to ensure that dual eligibles receive medically necessary drugs even if they are denied by their Medicare drug plan. Thus, the NYS government projects that it may actually spend more despite Part D for its roughly 550,000 dual eligibles. Drug benefits for other categories of Medicaid clients remain the same.

Only the Medicare beneficiary, or his or her legally authorized representative, is allowed to complete the enrollment application. After the initial enrollment period ends on May 15, 2006, the annual enrollment period will be from November 15 to December 31 of each year. A penalty fee equal to 1% of the average monthly premium for each month that a beneficiary delays enrollment after May 15, 2006, will be added to the monthly premium. Once incurred, this penalty will be added to the monthly premium as long as the beneficiary is enrolled in Part D. If the beneficiary joining Part D after May 15, 2006, had existing drug coverage that is deemed "creditable," or as good as the standard benefit—such as TRICARE or NYS's Elderly Pharmaceutical Insurance Coverage Program—the penalty will be waived.

Dual Eligibles: As noted above, dual-eligible beneficiaries who did not enroll in a plan were auto-enrolled by Medicare into a drug plan as of Jan. 1, 2006. To ensure that dual eligibles do not experience a coverage gap, Medicare hired two contractors to provide facilitated enrollment for dual-eligible beneficiaries who go to a pharmacy and are not enrolled in a Part D plan. This assistance is critical because dual eligibles who are not enrolled in a Part D plan or who terminate their enrollment will automatically lose their regular Medicaid benefits, since NYS requires dual eligibles to participate in Medicare as a condition of eligibility for Medicaid. In addition, dual eligibles are exempt from the standard enrollment periods and may change plans at any time during the year.

Financial Assistance

Medicare will provide additional premium and cost-sharing assistance for beneficiaries who have limited income and resources. While dual eligibles and individuals who qualify for Qualified Medicare Beneficiary or Specified Low-Income Medicare Beneficiary coverage automatically qualify for such a subsidy, all other beneficiaries with limited incomes must apply for the extra assistance separately. According to CMS, nearly one in three beneficiaries will qualify for extra help. The on-line application for the low-income subsidy is on the Social Security Administration's Web site at **https://s044a90.ssa.gov/apps6z/i1020/main.html**. For tips on how to apply for this assistance, go to **www.medicarerights.org /drughelp.html**.

Additionally, the Part D benefit is designed to work with other types of existing drug coverage by subsidizing existing employer-sponsored plans and allowing state pharmacy assistance programs to supplement Part D coverage for eligible beneficiaries. ■

Additional Help With Medicare Part D

To learn more about the Medicare Part D Drug Benefit and how to enroll, call 1-800-MEDICARE or visit the following Web sites:

www.medicare.gov/pdphome.asp
The official Medicare Web site for the Part D benefit.

www.cms.hhs.gov/MedlearnProducts/23_drugcoverage.asp
Medicare prescription drug coverage information for providers. Lists PDP and MA plans by state and compares their benefits. Also allows providers to search by beneficiary to determine the plan, if any, in which the beneficiary is enrolled.

www.health.state.ny.us/health_care/medicaid/program/update/2005/dec2005spec.htm
The NYS Department of Health guide to the Part D impact on Medicaid providers and full-benefit dual-eligible recipients.

www.medicarerights.org/drughelp.html
Up-to-date information about the Part D benefit from the Medicare Rights Center.

http://benefitscheckup.org
A decision-support and enrollment service provided by the National Council on Aging.

www.hiicap.state.ny.us/
Health Insurance Information, Counseling and Assistance Program of New York State.