

## **THE NEW MEDICARE DRUG PROGRAM**

### **Part D: The RX Benefit**

The new RX benefit from Medicare is being distributed and administered through the private insurance market (carriers). Part D can either be added to Supp-to-Medicare plans for an extra premium (ie.\$32/mo.) or be included in plans offered by the private carriers for no extra premium (ie.current senior HMOs or new Blue Cross Freedom PPO).

Seniors must sign up for Part D during a 7-month period from date of eligibility or incur penalties, unless they are on health plans with “credible coverage”. For existing Medicare members, the 7-month period begins November 1, 2005. “Credible coverage” means that their current individual or group health plans offer drug benefits at least comparable to those under the new Medicare drug program. The penalties are 7% of the original Part D cost during year 1, 19% during year 2 and 37% during year 3 and thereafter. This additional cost is imposed by Medicare for the duration of the plan.

Existing PPO Supp-to-Medicare plans that offer RX benefits (ie. H, I, J) will only be available to existing members (grandfathered) and no longer offered to new members; these plans will either be terminated or changed to eliminate the current RX benefits for new members. Existing members on H, I, or J plans will likely change to an adjusted H, I or J plan that excludes the RX benefit for less premium or to another PPO senior plan and add Part D for a total premium savings.

Word of caution: some Medicare officials are indicating that seniors on HMO Supp-to-Medicare plans could lose their current coverage if they enroll in a new drug plan offered by another organization. So, seniors should check with their current carrier first. Part D drug benefits will be rolled into the current HMO senior plans at no extra cost.

The Part D benefit will have a new formulary devised by Medicare and will offer two drugs for each therapeutic class of drugs. Seniors may not find all the drugs recommended by their doctors on this formulary, in which case seniors would have to pay out-of-pocket for those drugs.

The Part D benefit will save between 40% and 60% on drug costs vs. out-of-pocket retail costs. Under the benefit formula, the member pays annually as follows: (Layer 1) \$250 deductible (generic or brand); (Layer 2) 25% of drug costs up to member's share of \$500 (total drug costs of \$2,250); (Layer 3) 100% of drug costs up to member's share of \$2,850 (total drug costs of \$5,100); (Layer 4) 5% of drug costs above member's share of \$3,600 (above total drug costs of \$5,100). This compares favorably with Senior PPO Classic J plan where the member pays a \$250 deductible, then pays 50% of drug costs to a maximum benefit of \$3,000 and for \$200/mo. of added premium.

Blue Cross is coming out with 2 new senior Freedom PPO plans containing deductibles, co-pays and co-insurances for small premiums (ie. \$7/mo. and \$32/mo). These plans will have the Part D drug benefit built into the plans. The provider directory will be the same large PPO directory that Blue Cross currently offers the non-seniors.

Private carriers, like Blue Cross, will also be offering separate drug benefit plans for seniors that satisfy the Part D benefit of Medicare. The premiums will vary. Stay tuned!