

## Medicare Part D Update—Still Confusing

*It is that time of year when seniors must again enter the maze—that's not high school seniors and corn mazes; it is senior citizens, eligible for Medicare, who must consider whether or not to enter the maze of Medicare Part D prescription drug plans and Medicare Advantage Plans.*

Each year on November 15, the open enrollment period for Medicare Part D plans begins and runs through December 31. During that time Medicare beneficiaries can re-enroll in their current plans, change to different plans, or enroll for the first time if they did not enroll during their initial eligibility periods. This is a particularly complicated process due to the number of options available and the extensive differences among plans. Each year plans can change their costs (monthly premiums and/or cost sharing) and/or what drugs they cover, so for Medicare beneficiaries, the annual review period is very important. While a plan may reduce its monthly premium, deductible, or co-pays, it may at the same time reduce or restrict the drugs or networks that it covers, making it a more expensive plan for a beneficiary than a plan with a higher premium or more extensive drug or network coverage. Careful review and comparison of the different plans is critical to finding the best match for a beneficiary's needs.

### 2009 Drug Plan Options:

In Michigan for the 2009 calendar year, there are 51 stand-alone drug plans, 95 Medicare Advantage Plans (plans offered by private companies that provide Medicare covered services and often extra benefits), and seven Medicare Special Needs Plans. Every plan is not available in every part of the state.

#### Among the 51 stand-alone drug plans:

- the monthly premiums range from \$14.80 to \$106.00,
- deductibles range from \$0 to \$295, and

- 13 plans offer some benefits in the coverage gap, often called the “donut hole” (discussed below), while 38 plans offer no benefits in the coverage gap.

#### Among the 95 Medicare Advantage plans:

- the monthly drug plan premiums range from \$0 to \$58.30,
- deductibles range from \$0 to \$295, and
- 40 plans offer some benefits in the coverage gap, while 55 offer no benefits in the coverage gap.

Generally, the higher the premium, the more likely a plan will have some benefits in the coverage gap. Information on the various drug plans with the ability to compare and sort plans by different key components is available at <http://www.medicare.gov/MPDPF/Public/Include/DataSection/Questions/SelectCounty.asp> for those who have access to a computer and the Internet. Assistance with understanding and comparing drug plans is also available from the Medicare/Medicaid Assistance Project (MMAAP). A MMAAP counselor in a beneficiary's community can be reached by calling 1-800-803-7174, or information is available on their Website at <http://www.mymmap.org>. Information is also available from Medicare by calling 1-800-MEDICARE (1-800-633-4227).

### Key parameters for the 2009 plan year:

When Medicare Part D was implemented, key federal parameters were established to provide the structure on which the private prescription drug plans would be built. Due to the flexibility

available to the private plans in designing their benefits, and the number of private plans, not all Medicare beneficiaries receive the same benefits or pay the same premiums. The standard benefit parameters include the following:

- A monthly premium,
- A deductible—\$295 in 2009, but some plans waive the deductible,
- Co-insurance of 25 percent up to the coverage gap (“donut hole”), some plans use specific co-payments instead, e.g., \$5 co-payment for all generic drugs, or \$20 co-payment for brand name drugs,
- Threshold of coverage gap—\$2,700 in total drug costs in 2009,
- Maximum out-of-pocket beneficiary cost to reach Catastrophic Coverage—\$4,350 in 2009, and
- Total drug spending required to reach Catastrophic Coverage—\$6,154 in 2009.

There are few plans that exactly reflect the established parameters, rather drug plans develop their own programs which must then be certified by the Centers for Medicare and Medicaid Services (CMS) as meeting at least the basic benefit specified by CMS. Each year, those parameters are updated by the Centers for Medicare and Medicaid Services, and each year, the deductible, threshold for the coverage gap, maximum out-of-pocket spending to reach Catastrophic Coverage, and total drug spending to reach Catastrophic Coverage all increase.

### Low-Income Subsidy:

For those beneficiaries with low-incomes (less than 150 percent of poverty, \$15,600 for individuals in 2008) and limited resources, there is assistance available, but it does require a separate application. The low-income subsidy provides payment of up to a specific government-set benchmark premium amount for those with incomes less than 135 percent of poverty (\$14,040 for an individual). For beneficiaries with incomes between 135–150 percent of poverty, a sliding-scale subsidy is available, based on income. For 2009, the maximum low-income monthly subsidy amount is \$32.08, up from \$30.49 in 2008. The benchmark premium amount is recalculated each year. If a drug plan qualifies to enroll low-income beneficiaries but then increases its premiums from year to year and the new premium exceeds the amount of the federal subsidy, then the low-income beneficiaries enrolled in that plan are randomly reassigned to new drug plans

that meet the federal government’s subsidy limit, but may not meet the beneficiary’s drug needs due to excluded or restricted drugs. In 2009, fewer plans, 308, down from 508 plans in 2008, will qualify to accept enrollments of those beneficiaries who are eligible for the low-income subsidy. Beneficiaries may be unexpectedly enrolled in a new plan. In 2008, the Centers for Medicare and Medicaid Services (CMS) reported that nationwide 2.1 million beneficiaries were reassigned to plans that qualified for the federal subsidy payment. That number is expected to top one million beneficiaries for the 2009 plan year due to fewer plans qualifying. Beneficiaries are allowed to change plans if they can find a different plan that meets both their needs and qualifies for the federal subsidy.

### Coverage Gap:

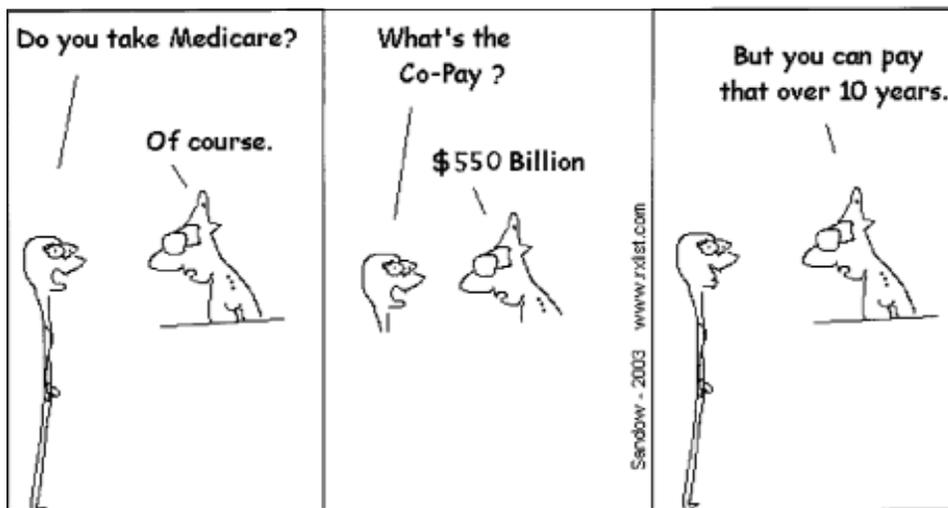
A concern for beneficiaries with high drug costs is the likelihood of reaching the coverage gap, also known as the “donut hole.” The coverage gap occurs when a beneficiary reaches a particular level of total drug spending, at which point the beneficiary is responsible for the full amount of drug costs, and continues until another threshold of drug cost is reached at which time the beneficiary qualifies for catastrophic coverage, where most costs are then covered by the plan. The coverage gap threshold is recalculated each year as is the size of the “donut hole.” The following chart displays the threshold for and size of the “donut hole,” as well as the amount of total drug spending to reach catastrophic coverage from 2006–2009.

### Medicare Part D Coverage Gap “Donut Hole”

Year	Threshold for Coverage Gap <sup>1</sup>	Size of Coverage Gap <sup>2</sup>	Amount to Reach Catastrophic Coverage <sup>1</sup>
2006	\$2,250	\$2,850	\$5,100
2007	\$2,400	\$3,051	\$5,451
2008	\$2,510	\$3,216	\$5,726
2009	\$2,700	\$3,454	\$6,154

<sup>1</sup> Represents total drug spending (including beneficiary and drug plan).

<sup>2</sup> No coverage for these costs; premiums must continue to be paid.



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For those who qualify for the low-income subsidy, there is no coverage gap. Their costs continued to be covered. Some drug plans provide limited coverage in the coverage gap, however, most do not. For 2009, of the 51 stand-alone drug plans, 13 offer some gap coverage, but 38 do not. Of the 95 Medicare Advantage Plans, 40 offer some gap coverage, 55 do not. According to a report published by the Kaiser Commission, most beneficiaries are enrolled in plans with no gap coverage (*The Medicare Part D Coverage Gap: Costs and Consequences in 2007*, August 2008). This report also found that of those who did not receive the low-income subsidy and filled one or more prescriptions during 2007, 26 percent, over one-fourth, had drug spending high enough to reach the coverage gap, and 15 percent of those beneficiaries had drug spending high enough to reach the catastrophic coverage level. The percentage of beneficiaries reaching the “donut hole” equates to 3.4 million people. Due to the dramatic drug cost increases for those who reach the “donut hole,” some enrollees modified their medication regimens or stopped taking prescribed drugs altogether according to the Kaiser Commission study. It is important to note that beneficiaries not receiving the low-income subsidy must continue to pay their monthly plan premiums while in the coverage gap even though the plan is not paying any of their drug costs during that time.

**“Donut Hole” Options:**

The federal government has published the following suggestions to avoid or delay entering the coverage gap or to cope with drug costs while in the coverage gap:

- **Consider switching to generics, over-the-counter (OTC), or other lower-cost drugs.** Ask your doctor about generic, OTC, or less-expensive brand-name

drugs that would work just as well as the ones you’re taking now. Cost saving information through the use of mail-order pharmacies, generic, or less-expensive brand-name drugs is also available in the Compare Medicare Prescription Drug Plans section of [www.medicare.gov](http://www.medicare.gov).

- **Keep using your Medicare drug plan card, even while in the coverage gap.** Using your drug plan card ensures that you’ll get the drug plan’s discounted rates and that the money you spend counts towards reaching catastrophic coverage.

- **Explore National and Community-Based Charitable**

**Programs that might offer assistance (such as the National Patient Advocate Foundation or the National Organization for Rare Disorders).**

These organizations may have programs that can help with your drug costs. Comprehensive information on Federal, state, and private assistance programs in your area is available on the BenefitsCheckUp ([www.benefitscheckup.org](http://www.benefitscheckup.org)) website.

- **Look into Pharmaceutical Assistance Programs (sometimes called Patient Assistance Programs) that may be offered by the manufacturers of the drugs you take.** Many of the major drug manufacturers are offering assistance programs for people enrolled in a Medicare drug plan. You can find out whether a Pharmaceutical Assistance Program is offered by the manufacturers of the drugs you take by visiting [www.medicare.gov](http://www.medicare.gov) on the web. Under “Medicare Spotlights,” select “Lower Your Costs During the Coverage Gap.”

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- **Apply for Extra Help.** If you have Medicare and have limited income and resources, you may qualify for extra help paying for your prescription drugs. Contact Social Security by visiting [www.socialsecurity.gov](http://www.socialsecurity.gov) on the web, or call 1-800-772-1213.
- **Review plan options during the open enrollment period.** If you want to switch to a plan that offers at least some type of coverage in the gap, you can do so from November 15–December 31 of each year. Your coverage will start January 1 of the following year.

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Revised February 2008

The Michigan Department of Community Health provides drug price comparisons on a website titled *MI Prescription Drug Prices* at <http://www.michigandrugprices.com/>. This website might be helpful to Medicare beneficiaries who are trying to reduce their drug costs or minimize the impact of the coverage gap. It is important to verify that the pharmacy with the lowest listed price is included in the provider network of the beneficiary's drug plan or Medicare Advantage plan.

While it may seem daunting, review of the Medicare Part D options is critical to finding the best plan with the most affordable premiums for the best drug coverage and pharmacy network to meet a

beneficiary's needs. For beneficiaries with high drug costs, finding an affordable plan with coverage in the "donut hole" may be critical to maintaining needed drug therapies. As indicated above, help with selecting a plan is available both by phone and through several websites.

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