

Medicare Prescription Drug Primer

How Does the Medicare Prescription Drug Coverage Work?

Medicare prescription drug coverage is only available from private companies that have been approved by Medicare. All private companies that are approved to offer Medicare's prescription drug benefit must offer a minimum drug benefit, known as the Standard Medicare Drug Benefit. While plans have to offer prescription drug coverage at least as good as that standard benefit, many have designed their offerings differently, generally offering more benefits. We'll bring you up to speed on Medicare's standard benefit shortly. But first, in order to get Medicare prescription drug coverage you must enroll in a private drug plan.

There are two ways to access prescription drug benefits paid for by Medicare—by enrolling in either a stand-alone prescription drug plan or a Medicare Advantage plan.

Stand-alone Prescription Drug Plans (or PDP) are Medicare-approved plans that provide coverage only for prescription drugs. Upon enrolling in a PDP, you will receive your Medicare prescription drug benefits and pay a separate Part D premium to the plan. (The plan also receives funding from the government.) You then combine this coverage with your Original Medicare benefits and any other health care coverage.

Medicare Advantage Prescription Drug Plans (or MA-PDP) provide you with “one-stop shopping” for all your Medicare benefits, including hospitalization (Part A), medical services (Part B) and prescription drugs (Part D). These plans will also receive money from the government to pay for your benefits. Some plans will charge you a premium while others won't.

In both cases, insurers offering Medicare prescription drug coverage are required to provide at least the minimum standard benefit mandated by the Medicare program. See our *Weiss Ratings' Consumer Guide to Medicare Prescription Drug Coverage* for a list of stand-alone PDPs and Medicare Advantage prescription drug plans.

How Will Medicare Part D Affect My Other Coverage?

This new Medicare benefit will impact other existing coverage options. Keep in mind the following:

If you have **employer or union retirement coverage** that is considered to be at least as good or better than the Standard Medicare Prescription Drug Benefit (or so-called “creditable” coverage), chances are you’ll want to stick with it. However, the new Part D benefit gives all seniors a chance to consider alternatives to how they pay for their medications. Contact your former employer’s or union’s benefits administrator to determine whether it is “creditable,” if you’re not sure. If it is and you decide to enroll in Part D later, you won’t face a late fee or higher premium. Keep in mind though that if you drop your current drug coverage you may not get it back.

If you currently own one of the **Medigap** policies (H, I or J) that includes prescription drug coverage, you have several options. While you can retain the policy as is, the prescription drug coverage is limited and is not considered to be as good as the new Medicare benefit (not “creditable”). Coverage is limited to \$1,250 for H and I plans and \$3,000 a year for Plan J. If your drug costs rise beyond the policy’s limit, you will have to pay 100% of drug costs after that limit. Or you can choose to keep the policy but have the prescription drug benefits removed and your premium lowered. Another option: switch to a different Medigap policy (A, B, C or F) without additional underwriting, if offered by your insurer. In these last two cases, you can also enroll in a plan offering Medicare prescription drug coverage. Check our *Weiss Ratings’ Consumer Guide to Medicare Supplement Insurance* for more on recent Medigap policy changes.

If your state has and will continue to support a **State Pharmacy Assistance Program** (see the Appendix in our *Weiss Ratings’ Consumer Guide to Medicare Prescription Drug Coverage* for a list), you could be eligible for assistance to help you with the out-of-pocket costs Medicare’s new prescription drug program does not cover. With Medicare’s new Part D benefit, states with such assistance programs have redesigned these programs.

However, no two states' programs are alike. For example, one state may help qualifying residents to cover some of the monthly premiums they might face when enrolling in a drug plan. Another state may help pay for drugs only after a senior pays a certain amount out of pocket for drugs. Check out AARP Bulletin's state pharmacy assistance resource at www.aarp.org/bulletin to find out more, or contact your State Pharmacy Assistance Program. You can find contact information in the Appendix of our *Weiss Ratings' Consumer Guide to Medicare Prescription Drug Coverage*.