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MED SUPP NEWS

SPECIALIZING IN MEDICARE SUPPLEMENTS, MEDICARE ADVANTAGE,
& THE NEW MEDICARE PRESCRIPTION DRUG PROGRAM OR PART D
Winter 2005-2006

Medicare Part D is Rolling

Many of you have now signed up for Medicare Part D. The sign-ups continue at a brisk pace. Please return your applications as soon as possible so I can get them processed and sent on to their respective home offices.

Let's focus on a general understanding of the various Part D plans. To review, the basic design chassis from the MMA (Medicare Modernization Act or 2003) is as follows.

- First \$250 of total prescription costs per year. This is the deductible that you pay. **\$250**
- The next \$2,000 of total drug costs. Medicare pays 75%. You pay 25%-----**\$500**
Now there has been \$2,250 in total drug costs.
- For the next \$2,850 of costs, you are in the "gap" for which there is no coverage. You pay-----**\$2,850**
- Now you have paid \$250 + \$500 + \$2,850 = **\$3,600**
- Now you are at the catastrophic level for which Medicare picks up at 95% for name brand drugs.

All forty some-odd plans available in each state are derived from this basic design. Here's where the fun begins. Medicare allowed companies to design plans with **no deductible**. That sounds very appealing, and in *some* situations a no deductible plan will be the best choice, but not in all cases.

If there is no deductible, then there will be co-pays and tiers. Maybe we should say tears. (pun intended) Most plans will have tier 1, tier 2, tier 3 drugs, and maybe tier 4 for specialty drugs.

In many cases the basic chassis (as long as one's total drug costs do not go into the "gap") will have the least out-of-pocket (OoP). Why is this? Simple, the co-pay schedule of the no deductible plans can easily run your OoP up more than the basic chassis where you pay 25% of drug costs after your \$250 deductible.

If you are taking only generics, then some of the no deductible plans may actually be the best way to go due to no or low co-pays. If you are taking a mix of generics and name brands, it helps to have someone run a calculator for you to help decide which plan is the best for you.

So which is the best plan? It depends on what your needs are. Can you figure this out? Well, yes you can if you're fairly good with numbers and can use calculators on various web sites.

Let me offer this analogy. Can I figure out my own tax returns? Well, I used to, but as it grew more and more complex, I bailed out. That was four years ago. Back in early 2002 I took everything that I had worked on so far for my 2001 tax returns and gave it to my new tax lady. I told her, "Just get it done." What a stress reliever that has been for me. I have freed myself up from hours of migraine-causing frustrations from those complicated IRS schedules. I gladly write her the check for her services.

I have heard people say that these new Prescription Drug Plans (PDPs) are confusing. Compared to the Federal tax code, these PDPs are simple. Admittedly, there are some other confusing aspects to the PDPs that I will address in the Q & A at the end of this section. However, if you like the number crunching and are math oriented, by all means go ahead and crunch the numbers.

On the other hand, if that isn't your thing, and you're stressing out just like I used to be with my taxes, then contact a knowledgeable and competent professional and ask for guidance. I'll be happy to oblige. Unlike my tax lady, I won't send you a bill.

After conducting several seminars and speaking with hundreds of people about the PDPs, I have come to the conclusion that some people are making it more difficult for themselves than it needs to be. To flip the light switch on, you don't need to know everything about electricity, electrons, volts, watts, amps and Ohm's Law. All you need to know is that if you flip the switch, the light comes on. Likewise, if you sign up for a PDP, you will get help with your prescription costs.

I've had people ask me questions about how the pharmacist gets paid by the plans, the difference in purity of generics and name brands, whether free samples will still be available, etc. etc. Those folks are getting mired down into too many details. And besides, those kinds of questions are for your doctor or pharmacist.

Now, there is an area of confusion, one that I have yet to get straight answers. What happens if you are on a Patient Assistance Program (PAP) with a particular pharmaceutical company?

Q: Are the PAPs continuing?

A: Some definitely are not. I have heard that Together Rx, for example, is not. Wyeth is not. However, others *may* be continuing...at least until May 15th, 2006.

Q: If I sign up for a Part D Plan, will I automatically be dumped from my PAP?

A: I have called SHIBA*, and as of this writing, I have not gotten a definitive answer. *In Idaho and Oregon this is Senior Health Insurance Benefit Assistance or Advisors. In other states it is known as SHIP or State Health Insurance Assistance Program. These programs are usually funded by the state insurance departments. The SHIBA or SHIP advisors are available to assist seniors with their choices and understanding of Medicare Part D and Medicare supplements. They can be very helpful, but they are not licensed agents.

Q: What about my free drug discount card that came with my Medicare supplement?

A: After May 15, 2006, put them away for thirty years. They someday may be as valuable as 1955 Mickey Mantle baseball cards.

A Look at Three Plans

Let's look at three companies' plans. We'll simply call them **Brand X**, **Brand Y**, and **Brand Z**.

All four brands have Plan A, Plan B, and Plan C. There are certainly other brands, but I think that three is enough to study for now.

- Stage 1—The \$250 deductible or co-pays
- Stage 2—The next \$2,000—you pay 25% or co-pays ...or tiers with co-pays
- Stage 3—You enter the \$2,850 gap
- Stage 4—Catastrophic after total drug costs hit \$5,100

Brand X	Plan A	Plan B	Plan C
Stage 1	No deductible in any plan		
Tier 1	\$12 co-pay for generics	\$5 co-pay for generics	\$5 co-pay for generics
Tier 2	\$45 co-pay Preferred brand	\$25 co-pay Preferred brand	\$25 co-pay Preferred Brand
Tier 3	n/a	\$65 co-pay Brand drugs	\$63 co-pay Brand drugs

Brand Y	Plan A	Plan B	Plan C
Stage 1	\$250 ded.	\$250 ded.	\$100 ded.
Tier 1	\$0 co-pay Generics	\$4 co-pay generics	\$4 co-pay generics
Tier 2	25% co-ins. (formulary preferred brands all 3 plans)	\$20 co-pay	\$25 co-pay
Tier 3	45% co-ins. (formulary brands all 3 plans)	\$40 co-pay	\$50 co-pay

Brand Z	Plan A	Plan B	Plan C
Stage 1	No deductible in any plan		
Tier 1	\$7.50 co-pay Generics	\$7.50 co-pay generics	\$7.50 co-pay generics
Tier 2	(\$22.50 co-pay all 3 plans) In network pharmacy, i.e. preferred brands		

Tier 3	\$52.65 co-pay	\$67.50 co-pay	\$52.50 co-pay
	Assume this to be non-preferred brands		
Tier 4	(33% co-insurance all 3 plans)		
Stage 3--Plan C, only, of Brand X	gives you generic coverage in "the gap".		

Notes: 1) These tables are for covered drugs only. There are uncovered drugs. I have omitted some of the wording from the companies' summary of benefits brochures due to space limitations. Check their literature for complete details. 2) Not all brands are available at every pharmacy.

Comments: We have now looked at 9 plans of the 40+ that are available in each state. Of these 12, there are some of them that have a particular quality that may make it the best choice for your situation. If you are still shopping, please contact me for assistance.

Medicare Advantage

Overshadowed by the rollout of Part D, is Medicare Advantage (or just MA for short). MA is still Medicare and you still pay your Medicare Part B premium, but the difference is that Medicare pays a private insurance company a monthly enrollment fee for everyone who is enrolled in the program.

Let's say you are enrolled with *Wonder Care*, a fictitious name, of course. When you see your doctor or are hospitalized or have other Medicare allowed expenses, *Wonder Care* is the primary payer rather than Medicare.

Because Medicare has upped the amount they pay to the MA companies, they have some attractive premiums, as low as \$0, \$25, or \$85 per month in selected counties. The availability will vary from county to county, even within a given state, but not all counties have these plans available.

MA will have more deductibles and co-pays compared to traditional Medicare supplements. It will not be for everyone, but it will work well for others. It just depends on your situation and needs. For further info, please check for more information on the next page.

For those now signed up for Part D

If don't have your wallet I.D. card as of Jan. 1, 2006, check with your company to make sure you are on the system before going to your pharmacy.

Items of Interest and Referral Form

Section I. Over the past several years I have received several referrals from many of you. Thank you very much. For this newsletter, I'm making a more formal request. Are there neighbors, friends, or others that you associate with that you believe would appreciate having me contact them? If so, please list those names, addresses (if available), and phone numbers. Let them know that I will be contacting them. Thank you.

Section II. There may be other areas of interest for you. If so, please check the appropriate items.

_____ I still need to be signed up for a **Medicare Part D Prescription Plan**. Please call.

_____ My supplement rates have gone up. Is there **lower cost** coverage available? *

_____ Am I eligible for converting to the lower cost **Plan G** for my Medicare supplement? *

_____ I would like to know more about the new **Medicare Advantage** programs. Please keep in mind that not all plans are available in every county.

_____ I have heard about the inexpensive **Short Term Care** policies. Please contact me.

_____ Please contact me about **Long Term Care** insurance.

_____ Am interested in **Final Expense** or burial insurance.

_____ I've heard about **Deferred or Indexed Annuities**. These insurance instruments give you tax deferred growth, guarantee of principal, guaranteed minimum interest, and have some unique estate planning qualities. I want to know more.

* If you are past 65, you must medically qualify.

Your Name

Phone

Mailing address Physical address if different

Date of birth

City _____ State _____ Zip _____

Spouse's name and date of birth

Email (Optional) _____