

# THE MEDICARE PRESCRIPTION DRUG BENEFIT (PART D) FACT SHEET

## What are Medicare Parts A and B?

Medicare is a federal insurance program administered by the U.S. Department of Health and Human Services for people age 65 and older and certain disabled people. The program currently consists of two parts:

- Part A is Inpatient Hospital Insurance that covers inpatient hospital, home health, skilled nursing facility, psychiatric hospital and hospice care services. Premiums for Part A are determined by the individual's work history, as shown below:

<u>Quarters of Work History</u>	<u>Monthly Premium</u>
40+	None
30-39	\$206
< 30	\$375

- Part B is Supplemental Medical Insurance that covers doctor visits, outpatient services, some mental health services, durable medical equipment, some preventive services and home health visits not covered under Part A. The Part B monthly premium for 2005 is \$78.20.

## What is Medicare Part D?

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 (Public Law 108-173) enacted into law on December 8, 2003, amended the Social Security Act by establishing a new Part D: the Voluntary Prescription Drug Benefit Program. Effective January 1, 2006, the new program establishes an optional prescription drug benefit for individuals who are entitled to or enrolled in Medicare benefits under Medicare Part A and Part B.

In general, coverage for the new prescription drug benefit will be provided through private prescription drug plans (PDPs) that offer drug-only coverage, or through Medicare Advantage (MA) plans that offer integrated prescription drug and health care coverage. Prescription drug plans must offer a basic benefit and Medicare Advantage plans must offer either a basic benefit or broader coverage for no additional cost.

Part D will:

- Offer help for those with limited means, including various levels of assistance with premiums or deductibles
- Offer a choice of at least two drug plans that will cover both brand name and generic drugs
- Offer convenient access to pharmacies
- Guarantee that Medicare beneficiaries living in nursing facilities will be able to enroll in a drug plan and take advantage of the new benefit
- Ensure that beneficiaries who have both full Medicaid and Medicare benefits are automatically enrolled in a drug plan

## Who May be Covered by Part D?

Medicare's new prescription drug benefit will be available to everyone who is in Medicare regardless of their income, how they get their health care now or how they currently get their drug coverage.

## How will Part D affect Medicaid Recipients?

Medicare recipients who are currently enrolled in Medicaid (dual eligibles) will be automatically enrolled in and receive drug coverage through Medicare Part D, effective January 1, 2006. Medicaid will cease to provide drug coverage to dual eligibles effective December 31, 2005. These individuals will be notified of the changes in their prescription drug coverage in the Fall of 2005.

## How will Medicare Beneficiaries Enroll in Part D?

The process for enrollment into Medicare depends on whether an individual is enrolled in Medicaid.

- Individuals who are enrolled in Medicaid (dual eligibles) will be automatically enrolled into a Part D plan and no action is required on their part, though they do have the ability to opt out of the assigned plan and select another.
- Individuals who receive only Medicaid assistance with Medicare Parts A and B (not eligible for full Medicaid benefits) will have their enrollment into Part D facilitated. Information on their plan choices will be provided to them and if they fail to enroll in a Part D plan, they will be automatically assigned to a Part D plan.
- All other Medicare beneficiaries must select a Part D plan and enroll to receive prescription drug coverage. Initial enrollment in Part D starts November 15, 2005 but is not effective until the program begins on January 1, 2006.

## Key Definitions

*Clawback:* the popular term for the "phased-down state contributions" states must pay monthly to the Centers for Medicare and Medicaid Services to partly finance the Part D program for dual eligibles.

*Dual Eligible:* a person who is eligible for both Medicare and full Medicaid benefits.

*Low-income Subsidy:* a reduced out-of-pocket responsibility for Medicare Part D enrollees who are deemed to be low-income based on their income and assets.

*Prescription Drug Plan (PDP):* private drug plans that will administer the Part D program.

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## ***What Drugs Are Covered Under Part D?***

Plans are required to provide drugs in each therapeutic class or category but have flexibility to establish preferred drug lists. Generally speaking, drugs which are excluded under Medicaid or covered under Medicare Parts A or B are not covered under Medicare Part D.

## ***What are the Cost-sharing Obligations under Part D?***

The Part D premium is estimated to be \$35 per month, however, premium amounts can vary depending on the plan (PDP) selected. Some Medicare beneficiaries will also have deductibles and co-payments.

Under the standard benefit, Part D enrollees will:

- Pay the first \$250 in drug costs (deductible)
- Pay 25% of total drug costs between \$250 and \$2,250
- Pay 100% of drug costs between \$2,250 and \$5,100 in total drug costs, equal to \$3,600 in out-of-pocket expenses (known as the donut hole); and
- Pay the greater of \$2 for generics, \$5 for brand drugs, or 5% coinsurance after reaching the \$3,600 out-of-pocket limit.

Certain low-income beneficiaries will be eligible for a low-income subsidy that will reduce their cost-sharing responsibilities.

Institutionalized individuals in a nursing facility or intermediate care facility for the mentally retarded who receive Medicare and full Medicaid coverage will have no out of pocket expenses.

## ***What is the Low-Income Subsidy?***

Subsidies will be available to assist low-income beneficiaries. Part D provides premium subsidies and cost sharing subsidy amounts on a sliding scale basis depending upon an individual's income and resources/asset level.

- Medicare beneficiaries who receive comprehensive Medicaid coverage, referred to as "dually eligible," will have no monthly premium or deductibles.
- Medicare beneficiaries with income below 150% of the poverty level (\$1,197/single or \$1,604/couple per month in 2005) may be eligible for various levels of premium subsidies depending on their assets.

## ***How Will Eligibility for a Subsidy be Determined?***

Eligibility for a low-income subsidy can be determined either by the Social Security Administration (SSA) or by the State. SSA has developed an application and eligibility determination process that States are encouraged to use. The SSA process uses a simple application that can be completed on paper and mailed in or completed on the Internet or over the telephone.

## ***What are States' Obligations under Part D?***

States are responsible for several aspects of the Part D program:

- States must pay a monthly "clawback" to the federal government that starts as roughly 90 percent of the amount that the states would have paid for dual eligibles absent the Part D program. The percentage is phased down to 75 by CY 2015.
- States must determine eligibility for the low-income subsidy if requested. The federal social security administration will also determine eligibility.
- States must share monthly data with the federal government that includes information on the dual eligible population.

### ***Key Dates***

#### **2005**

January 28	Final Rules published
June 6	PDP bids due
July 1	States begin taking applications for the low-income subsidy
	States begin submitting data to CMS
September 14	Tentative date for approval of PDP
October 1	Marketing of Part D benefits begin
November 15	Open enrollment begins and lasts through May 15, 2006
December 31	Medicare beneficiaries' drug coverage through Medicaid ends

#### **2006**

January 1	Medicare begins providing prescription drug coverage through Medicare prescription drug plan
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### **Additional Information**

**Call Toll Free  
24 Hours a Day / 7 Days a Week  
1-800-MEDICARE  
(1-800-633-4227)**

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1-877-486-2048**

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