



Medicare: Issue of the Day

January 20, 2004

BETTER BENEFITS – MORE CHOICES

*Good News about the Medicare Prescription Drug, Improvement
and Modernization Act of 2003!*

The New Prescription Drug Benefit: Bidding and Premiums:

- ✧ Under the new drug benefit in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), beneficiary premiums will be determined through a competitive bidding process.
- ✧ The process involves three steps:
 - Step 1: All plans will submit a bid for the cost of providing the drug benefit to a typical beneficiary in the service area. The typical beneficiary is a statistical average of age and health status for the nation.
 - Step 2: Centers for Medicare and Medicaid Services (CMS) will review the bids, and all approved bids will be compiled into a national weighted average. The weights will be the plans' enrollment shares in the prior year.
 - Step 3: Premiums will be set at 25.5 percent of the national weighted average plus or minus any difference between the plan's bid and the average. In this final calculation, **the average will be adjusted for any geographic differences in drug prices.**
- ✧ Beneficiary premiums will vary by plan and will be determined by the plans' bids. **By choosing a lower-priced plan, beneficiaries may be able to save money.** In 2006, Beneficiary premiums are expected to average about \$35 dollars per month.
- ✧ Three additional factors will affect the premium that each beneficiary pays.
 - Premiums of beneficiaries who **qualify for low-income assistance will be reduced on a sliding scale or eliminated entirely depending on the beneficiary's income.**
 - Beneficiaries who do not enroll in Part D at the first opportunity and do not maintain creditable coverage may have a late enrollment penalty upon enrollment in Part D.
 - Supplemental premiums may apply if a beneficiary chooses a plan that features supplemental coverage over and above the standard Part D benefit.