



Medicare: Issue of the Day

January 21, 2004

BETTER BENEFITS – MORE CHOICES

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

The New Prescription Drug Benefit: Beneficiary Savings:

- ✧ Under the new law, **beneficiaries can save significant amounts off current retail prices for prescription drugs.** Beneficiaries can receive subsidies, discounts, and savings making their prescription drug dollars go further.
- ✧ Beneficiaries will be offered a Medicare-endorsed prescription drug discount card to help them afford their prescription medicines.
- ✧ When using the card, **beneficiaries will save an estimated 10 to 25 percent off the retail prices of most drugs.** Beginning in 2006, beneficiaries will save an estimated 20 percent on their total prescription drug spending through a combination of price discounts and efficiencies that private benefit managers provide.
- ✧ **Drug Subsidies for All Beneficiaries:** Those who enroll in a prescription drug plan will receive a 75 percent subsidy for their prescriptions (after meeting a \$250 deductible), and will be responsible for 25 percent coinsurance, up to \$2,250 in total spending. Once an enrollee's out-of-pocket spending reaches \$3,600 in any year, the plan will pay for 95 percent of each prescription, and the enrollee will be responsible for 5 percent or a small co-payment.
- ✧ **Savings Through Lower Cost Alternatives and Prudent Management:** Prescription drug plan sponsors will be allowed to use proven management techniques currently employed in health plans most Americans have today, such as step therapy and generic substitution. For example, pharmacists will be required to tell beneficiaries when a more affordable generic drug is available to treat their condition. The law also calls for a medication therapy management program to optimize therapeutic outcomes for beneficiaries with certain chronic conditions through improved medication use.
- ✧ **Seniors now paying the full retail price for prescription drugs will be able to cut their drug costs roughly in half in exchange for a monthly premium of about \$35.** In many cases, they'll save more than 50% on what they pay for prescriptions.
- ✧ **Example:** Vernon has had a series of open-heart surgeries and suffers from diabetes and melanoma. He currently lacks prescription drug coverage and spends about \$400 a month on drugs to treat his multiple conditions. Under the new law, his out-of-pocket spending on drugs would drop from \$4,800 per year to around \$2,400—cutting his drug expenditures in half. With his premium payments factored in, he'll save almost \$2,000 a year. These savings come even though Vernon has drug expenses that exceed the initial coverage limit. This example assumes a 20 percent cost management savings.
- ✧ **Together, all these approaches can help beneficiaries get the greatest value from the prescription drug plan.**