



BETTER BENEFITS – MORE CHOICES

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

Medigap – Medicare Supplemental Benefits

Beginning in 2006, under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), Medicare beneficiaries will have the option to enroll in Part D of Medicare to obtain coverage of outpatient prescription drugs from approved Prescription Drug Plans (PDP) or Medicare Advantage Plans (formerly known as Medicare+Choice). The way in which Medicare beneficiaries can obtain coverage beyond the basic drug coverage offered by PDP and Medicare Advantage plans will be different from the way in which many Medicare beneficiaries currently supplement the coverage under Medicare Parts A and B.

Medigap and Drugs Now

- ❖ Today, beneficiaries can purchase Medicare supplemental policies (commonly known as Medigap policies) to fill in the cost sharing under the original fee-for-service Medicare program. Medigap policies provide coverage of items and services not covered by Medicare. For example, the policies classified as H, I, and J provide a certain level of reimbursement for outpatient drugs that Medicare does not currently cover. Drug coverage is also available through pre-standardized Medigap policies and in specific benefit packages of the “waiver” states - Wisconsin, Minnesota and Massachusetts.

Medigap in 2006 and Thereafter

- ❖ Once the Medicare program begins providing subsidies for private drug coverage in 2006, Medigap policies with drug coverage will no longer be issued to new subscribers. However, any beneficiary currently enrolled in a Medigap plan with drug coverage who chooses not to enroll in Part D can continue to receive drug coverage through her or his existing Medigap plan. Such beneficiaries will forego the new federal subsidies available for drug coverage under Part D. If beneficiaries decide to enroll in Part D after the initial enrollment period, and their current drug coverage is not determined to be equal in value to Medicare Part D coverage, they will face a late enrollment penalty.
- ❖ While Medigap insurers will continue to supplement Medicare's Part A and B benefits, they will not offer supplements of Part D coverage since beneficiaries who want coverage beyond basic coverage can buy this coverage from a PDP or Medicare Advantage plan, presumably at an added premium.
- ❖ Prior to the Part D enrollment period, Medigap insurers will be required to provide a written notice to their subscribers who have drug coverage explaining what their options will be in 2006.

Medigap and Drug Coverage in 2006

- ❖ All PDPs must offer basic coverage; they *may* also offer supplemental coverage as an option. Medicare Advantage plans that provide drug coverage *must* offer either:
 - » Basic coverage only;
 - » Supplemental coverage only, if the coverage beyond basic coverage can be offered at no additional premium; or
 - » Basic coverage and supplemental coverage.
- ❖ Under the MMA, beneficiaries who elect to purchase the drug benefit may also elect to purchase expanded drug coverage from a PDP or Medicare Advantage plan, Plans offering such expanded coverage are referred to as supplemental plans.
- ❖ PDPs are available to beneficiaries in the original Medicare fee-for-service program. Medicare Advantage plans are also one of the choices available to beneficiaries. These comprehensive plans provide both Medicare A and B benefits and may offer the new Part D drug coverage. Beneficiaries who are members of a Medicare Advantage plan must get their Part D coverage through the plan.
- ❖ To the extent that a beneficiary purchases coverage beyond basic coverage, payments made by the insurer are not considered beneficiary out-of-pocket expenses and hence do not count toward the annual catastrophic out-of-pocket dollar limit.