



Medicare: Issue of the Day

August 31, 2004

BETTER BENEFITS – MORE CHOICES *Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

ALTERNATIVES TO MEDIGAP: NEW DRUG BENEFITS AND SAVINGS THAT WILL BE AVAILABLE TO BENEFICIARIES

The **new Medicare Part D prescription drug coverage clearly offers a much better value to beneficiaries than Medigap**, including *comprehensive drug coverage at a lower cost to the beneficiary*. Medigap plans have no catastrophic protection against prescription drug costs and the government does not subsidize Medigap plan premiums, so the **enrollee must pay the full cost of the Medigap premium**, compared to **only about 25 percent of the Medicare drug benefit premium**.

At a drug spending level of \$1,000 a year, beneficiaries who switch from Medigap H and I plans **will save over \$800 a year, and those in plan J will save over \$1,300 a year**. (Savings are higher at some spending levels than at others, but in almost all situations will exceed \$1,000 annually.)

Some of the Part D standard prescription drug benefits that provide a greater value to beneficiaries include the following:

- ❖ Once the **beneficiary reaches the annual out-of-pocket limit**, prescription drug plans pay 95% of all additional costs.
- ❖ The premium is **subsidized at 74.5 percent**, leaving the beneficiary responsible for only 25.5 percent of the premium cost.
- ❖ People with limited assets and incomes below 150 percent of the federal poverty level will pay **reduced premiums, reduced deductibles, only 15 % cost sharing, and no coverage limits**.
- ❖ People with limited assets and incomes below 135 percent of poverty would pay **no monthly premiums, no deductibles, only \$2 for generic and preferred multiple source drugs, \$5 for other prescription drugs, and no coverage limits**.
- ❖ **Nursing home residents** who are dually eligible for Medicare and Medicaid will **pay nothing for their prescription drugs**.

Enhanced Drug Coverage Under Medicare Advantage

All Medicare Advantage prescription drug plans **must offer basic coverage**, and *may* also offer **enhanced drug coverage** as a supplemental option. Medicare Advantage plans that provide drug coverage must offer either:

- ❖ basic coverage only;
- ❖ a **choice of basic coverage and enhanced coverage for no additional premium using their rebate dollars**. That is, if the plan's bid is below the benchmark, the plan will receive its bid amount (adjusted for beneficiary health status) for providing Medicare services plus 75 percent of the difference as a rebate. The plan can use the rebate to provide enhanced drug coverage for free; or,

- ❖ a choice of basic coverage and enhanced coverage for an additional premium.

More Choices, More Savings

All of the changes described above offer current beneficiaries **additional opportunities for improved drug coverage, improved catastrophic coverage, or both.** For those enrolled in Medigap drug plans, these opportunities include substantial savings in cost sharing and premiums, combined, compared to their current coverage.

Comments on the proposed regulations will be accepted until October 4, 2004. Comments should be submitted to the Centers for Medicare & Medicaid Services at www.cms.hhs.gov/regulations/ecomments