



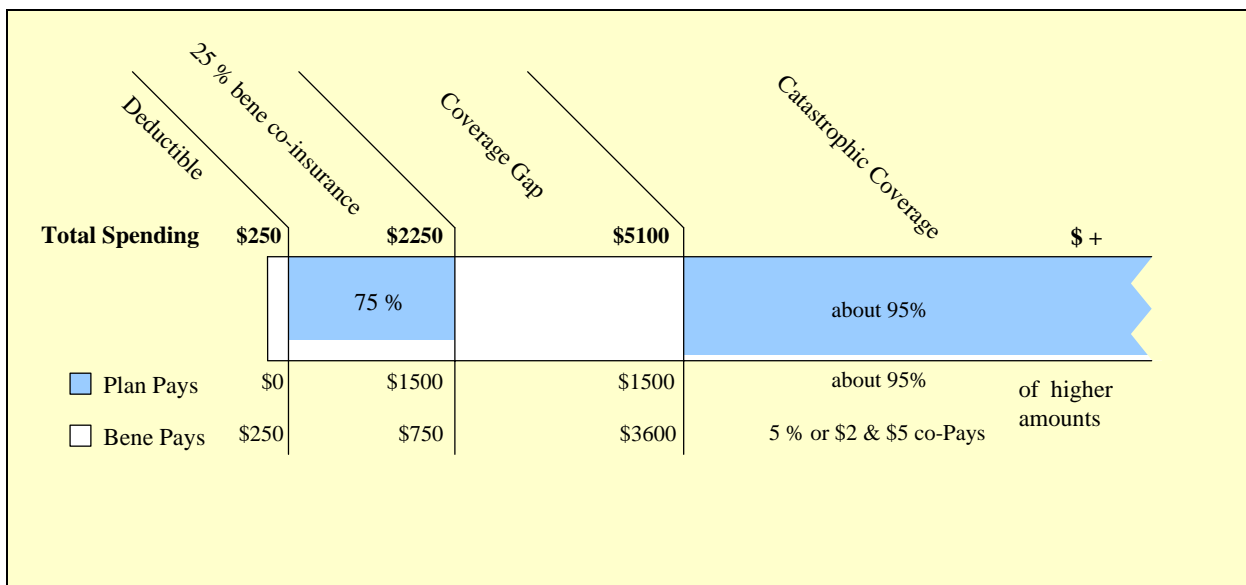
BETTER BENEFITS – MORE CHOICES

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

The New Medicare Prescription Drug Benefit: How the Benefit Works

Beginning in 2006, Medicare beneficiaries will be able to choose the new comprehensive prescription drug benefit. With this new benefit, seniors will cut their bills in half – not their pills.

- ❖ The new Part D drug benefit has been targeted to provide the greatest help to seniors who are most in need – people with very low incomes and people with very high drug costs.



- ❖ The benefit is depicted in the chart above for beneficiaries with incomes over 150% of the federal poverty level (\$13,470 for singles and \$18,180 for couples in 2003) or who have assets above a certain limit (\$10,000 singles, \$20,000 couples, excluding a house and one car). The average premium for the drug benefit is expected to be about \$35 a month.
- ❖ The standard benefit features a \$250 deductible and 25% beneficiary cost sharing up to an initial coverage limit of \$2,250. After that, catastrophic coverage begins once a beneficiary reaches \$3,600 in out-of-pocket expenses (\$5,100 in total drug spending). To be counted as out-of-pocket expenses, the beneficiary (or another individual, such as a family member) must actually be paying the costs. In general, they cannot be paid by an insurer and count it toward the \$3600 limit, although contributions by some state programs do count. In the catastrophic coverage range, the beneficiary pays the greater of 5% cost sharing or \$2 and \$5 co-pays.
- ❖ In addition, the drug benefit provides enrollees with access to negotiated prices, which will be significantly lower than retail. These negotiated prices apply at all times, including when the beneficiary is paying the full share between the \$2,250 initial coverage limit and the \$5,100 catastrophic coverage threshold.