THE COMPLETE GUIDE TO

MEDICARE PART D

BY UNITED MEDICARE ADVISORS

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Introduction

If Medicare Part D seems complex to you, you're not alone. In this 15-page guide we hope both to clarify the ins and outs of Part D and to help you make confident decisions about your prescription drug coverage. There are three sections to this ebook:

The first section (beginning on page 2) is for those of you who are just beginning Medicare. It includes recommendations for enrollment timelines, information on the late enrollment penalty, and several other fundamental concepts to help you get started.

The second section (starting on page 6) of this ebook is for readers who already have some sort of Medicare-related prescription drug coverage. In this section, we cover when and how you can change plans, the benefits of annual comparison shopping, and the rules for how and where to use your plan.

Our third and final section (which begins on page 9) dives a bit deeper into the technicalities of Medicare Part D. In this portion, we discuss the inner workings of drug tiers, the donut hole, extra help, and coverage appeals. This section ends with a complete glossary of relevant terms.

We hope this guide provides you immense value as you continue your Medicare journey. We appreciate you taking the time to read this, and look forward to hearing your feedback about "The Complete Guide to Medicare's Part D Drug Plans".

United Medicare Advisors

I am starting Medicare in the near future.

If you've begun researching Medicare online, you may have noticed the wide array of options and choices available to you. One area where this holds true is Medicare Part D. In the spirit of simplicity, the following section includes the most basic information that will allow you to navigate plan options and enroll in the best plan for your prescription needs at the proper time in your initial enrollment timeline.

If you are looking for more general Medicare information, we recommend heading to our Medicare Resource Center at www.unitedmedicareadvisors.com/medicare-resources or downloading our other ebook, "17 Things Medicare First-Timers Need To Know".

How do Part D plans work with the rest of Medicare?

Once you begin Medicare, you will automatically enroll in Original Medicare. Original Medicare provides 80% coverage of Medicare-eligible services at both the hospital (Medicare Part A) and the doctor's office (Medicare Part B). Many people opt for a Medicare Supplement policy to pay for the remaining 20% of those charges.

Notably missing from that combination of coverage are prescription drugs. Coverage for your prescriptions occurs under another part of Medicare called Medicare Part D. These plans, offered through private insurance carriers, allow you to choose the coverage that fits your specific prescription needs.

When do I need to enroll in a drug plan?

When you near your 65th birthday, you will enter what is known as the Initial Enrollment Period. This seven-month period, which begins three months prior to your birth month and extends three months beyond, is a time for you to enroll in both a Medicare Supplement plan as well as a Medicare Part D plan.

TIP:

We recommend enrolling in your Medicare Supplement and Medicare Part D plan during the three months leading up to your 65th birthday to avoid any delays in coverage.

How do I evaluate drug plans?

There are a few key factors to consider when choosing a plan.

1) Does the plan cover all of your current prescriptions?

2) Are the premiums for the plan competitive compared to other options?

3) Does the plan work with your preferred pharmacy or allow for mail ordering?

QUICK FACT:

There are over 55 million Medicare beneficiaries across the country.

What if I don't take any prescription drugs?

There are a handful of options for those who do not take prescriptions. These plans allow you to have coverage for prescriptions should you need them and also prevent you from having to pay the late enrollment penalty (see next question for details on this penalty).

If I don't enroll in a plan, is there any sort of penalty?

If at any point past your initial enrollment period you go 63 or more days without a Part D plan or some other creditable prescription drug coverage, there is a penalty applied to future Part D premiums.

This penalty is 1% of the national average for Part D premiums ($34.10 in 2016) multiplied by the number of months you are without coverage.

Example: If Oscar goes 14 months without drug coverage, he will pay a penalty of 14% of the national average every month once he begins a new plan.

The Math: .14 x $34.10 = $4.77

Since Medicare rounds this penalty to the nearest $0.10, Oscar's penalty is $4.80. This means he will pay an additional $4.80 every month on top of his normal Part D premium.

I already have a Part D plan.

Whether taking prescription drugs is a part of your daily routine or you've not had a prescription written during your time as a Medicare beneficiary, you may have questions about how these plans work.

Let's take a look at how and when you can switch plans, and get some advice on what to look for with a new plan. Even if you are pleased with your current drug plan, there is always a benefit to comparison shopping.

Is my plan the best one for me?

If your plan covers all of your prescriptions and has reasonable premiums and copays, the answer is likely yes. Since drug plans change from year to year, be sure to compare your plan to others every year during the Annual Enrollment Period.

This period, which runs from October 15th through December 7th, is the only time of year you can apply for coverage under a new Part D plan. Should you find one that will cover your prescriptions with a lower premium or lower copays, you may enroll during this time and the coverage will begin on January 1st of the following year.

If you are happy with your plan, you can simply allow it to renew automatically at the end of the year. If the plan is not offered the following year, you will receive notification in the mail and will have to find a similar option.

What should I look for in a new drug plan?

First, you need to take inventory of how your current plan performs. Do some quick math that includes your monthly premium and the amount you pay every time you refill your prescriptions. Also take note of whether you can use your preferred pharmacy and whether or not your plan allows for mail ordering.

Once you've done this quick analysis of your current plan you can aptly review other plans. While most plans will serve your preferred pharmacy and will cover all your prescriptions, you will likely notice great variance in their monthly premium and the out-of-pocket costs you pay for drug refills.

What is the difference between a Part D plan and a Medicare Advantage Prescription Drug Plan?

If you are enrolled in a Medicare Advantage program, you may have drug coverage from that same plan. This coverage is not considered a Medicare Part D plan but is rather just a piece of your Medicare Advantage plan.

With Medicare Part D plans you are able to choose your plan based upon your specific situation. With a Medicare Advantage plan, you are only able to choose the drug plan that comes with that Advantage program.

DID YOU KNOW?

The Medicare Modernization Act of 2003 (MMA) established a voluntary outpatient prescription drug benefit for people on Medicare known as Part D, which went into effect in 2006.

How do I determine if a new prescription I receive is covered by my drug plan?

The simplest way to do this is by contacting your drug plan provider. There will likely be an enrollee phone number on your plan card.

Keep in mind this plan card is separate from your Medicare card and will have the insurance company's name or at least the plan's name somewhere on the front of the card.

The Deeper Details

Now that you understand the high-level information that applies to your situation, let's take a look at some of the inner workings of Medicare Part D. This type of information can be quite dense, so we've included a handful of graphics in the interest of clarity.

What is the difference between generic and brand name drugs?

When a company develops a new drug and receives FDA approval, they are issued a 20-year patent. As that 20 years nears its end, other companies can apply to sell a generic version of the drug. Frequently, the generic version will be substantially less expensive as there are much smaller upfront research and development costs.

Generic drugs must contain the same active ingredient as the brand name version and must also meet the same quality, strength, purity, and stability standards. Basically, generics are the same drug and will be equally as effective and safe as their brand name counterparts.

DID YOU KNOW?

According to the FDA, nearly 8 in 10 prescriptions filled in the United States are for generic drugs.

What are drug tiers?

Drug tiers are simply a way to organize prescriptions into cost levels. Most Part D plans will have five drug tiers and will include categories such as “preferred generic” and “preferred brand”.

If you receive a new prescription, consulting these drug tiers will allow you to predict how much your out-of-pocket costs will be when filling the prescription.

What is the Part D donut hole?

If you've ever encountered the "Part D Donut Hole", you understand that it is a coverage gap in which you are required to pay a much higher percentage of prescription costs.

Here is what the donut hole looks like in 2016:

- Once you and your drug plan have combined to spend $3,310 on covered drugs, you are in the coverage gap.

- When you are in the coverage gap in 2016, you pay for 45% of brand name drug costs and 58% of generic drug costs.

- Once you've paid $4,850 out-of-pocket for the year, you reach what is known as "Catastrophic Coverage". This segment of coverage allows you to pay very small coinsurance or copayment amounts for the remainder of the year.

Isn't the donut hole closing because of the Affordable Care Act?

Yes. Over the course of the next few years, the percentage you pay while in the coverage gap will shrink to 25%. Since 25% is the amount you pay prior to the coverage gap right now, it is essentially closing.

How do I get Extra Help paying for my drugs?

Extra help is available for those who meet certain income and resource limits. The amount of help for which you are eligible depends on several factors. We recommend contacting Medicare at 1-800-MEDICARE if you think you may be eligible.

If you receive Medicaid benefits, you are automatically eligible for Part D Extra Help. Visit www.medicaid.gov for more information about this program.

What are the top ten drugs prescribed to Medicare beneficiaries by cost?

Per Medicare's 2015 release of the drug spending dashboard, these are the top ten prescription drugs for Medicare beneficiaries by cost:

1) Nexium
2) Advair Diskus
3) Crestor
4) Abilify
5) Cymbalta
6) Spiriva
7) Namenda
8) Januvia
9) Lantus Solostar
10) Revlimid

If my Part D plan says it doesn't cover one of my drugs, am I able to appeal?

If this occurs, you have a few options. The first is to contact the prescribing healthcare provider. Ask them if you are eligible for any exceptions or if there are any generic and less expensive drugs that the plan may accept.

Alternatively, you can request an exception or coverage determination from your plan. This can be done over the phone or in writing by either you, your representative, or your healthcare provider.

How does Medicare Part D work if I'm eligible under the age of 65 due to a disability?

While your options may be a bit more limited, you will still be able to enroll in a Part D plan once you're eligible for Medicare. The same seven-month initial enrollment period applies to people in this situation. Availability of Medicare-related plans for those under 65 is on a state-by-state basis.

Glossary of Terms

AEP (Annual Enrollment Period):
Medicare's Annual Enrollment Period runs from October 15th through December 7th. This is the only time throughout the year (not including any special exceptions) that a beneficiary may comparison shop and enroll into a new Part D drug plan. Any new plan you choose during this time will begin coverage on January 1st of the following year.

Coinsurance
This is a percentage amount that you will pay for a given service. The most prominent example of coinsurance in Medicare is Original Medicare paying 80% and Medigap plans paying 20%. That split of 80/20 is the coinsurance ratio.

Copay
In the world of Part D drug plans, copays are usually what you pay each time you refill a drug. The higher the tier the drug is placed in, the higher the copay.

Creditable Prescription Drug Coverage
If you begin Medicare and have a drug plan through, for example, your employer or union that will pay (on average) the same amount a typical Part D drug plan will pay, you can generally keep that coverage without any late enrollment penalties.

Deductible
You pay this amount prior to the plan starting coverage. Deductibles are typically organized on an annual basis.

Drug List (Formulary)
Varying from one plan to the next, this is a list of drugs covered by the plan. These lists, also known as formularies, can change from year to year.

Glossary of Terms

Medically Necessary
Any health care services or supplies needed to prevent, diagnose, or treat an illness, injury, condition, disease, or its symptoms that meet accepted standards of medicine are considered medically necessary.

Medicare
Medicare is a federal health insurance program for people who are 65 or older and certain people who qualify via disability or end-stage renal disease.

Medicare Advantage (Part C)
Medicare Advantage plans replace your Part A and Part B coverage with a plan developed by a private insurance carrier. They are typically organized with provider networks such as an HMO or PPO and can also include prescription drug coverage.

Medicare Part D
These are prescription drug plans offered to Medicare beneficiaries that are enrolled in Original Medicare.

Medicare Supplement (Medigap)
Medigap policies are designed to pay the remaining 20% left by Original Medicare. They are federally standardized and are offered by private insurance carriers.

Original Medicare
This provides 80% coverage of eligible services at the hospital (Medicare Part A) and doctor's office (Medicare Part B).