Medicare Part D - Frequently Asked Questions

1. Who is eligible for the Medicare drug benefit?

Individuals with Medicare Part A or Medicare Part B.

2. Should I enroll in Medicare Part D?

The decision to elect Part D is one each individual must make for themselves. In order to make an informed decision, you must become educated about the various options available to you. If you delay enrollment in Part D Prescription Coverage, you may be subject to a 1% penalty (increased premium cost) per month if you are not currently in a creditable coverage plan. Your employer has a legal duty to assist you in getting this information.

3. How can I get a notice of creditable coverage?

Employers must provide a Notice of Creditable Coverage to all Medicare eligible individuals.

ENROLLMENT

4. How does enrollment work?

You enroll in the Part D program by enrolling in an approved Part D plan. If you are an eligible individual, you will receive information from Medicare in 2005 about plan options in your area. Once you have decided that you want Part D coverage and have chosen the plan you want, you may obtain enrollment information from that plan. The plan will enroll you and let Medicare know that you have enrolled. It is important to remember that enrolling with a plan is how you enroll in Medicare's Part D.

5. Am I locked in? Can I switch plans?

Most beneficiaries will find themselves in the same kind of annual cycle that they used before. The opportunities you have to switch plans are summarized below:

• Annual Enrollment: Every year, you will be able to choose another Medicare prescription drug plan or Medicare Advantage plan during an annual enrollment period that lasts from November 15 through December 31. Coverage under the new plan will begin January 1 of the following year.

• You may also have another opportunity during the year to switch plans, under limited circumstances. For example, if you move out of the service area of your plan, you'll have an opportunity to choose another plan that serves your new area.

6. When can I sign up for my Medicare drug coverage?

You can sign up for prescription drug coverage under Medicare beginning November 15, 2005, although your drug coverage will begin no earlier than January 1, 2006. The initial enrollment period runs for six months, from November 15, 2005 until May 15, 2006.

7. Do I have to enroll?

No, enrollment in Part D is voluntary. We expect that many people with employer- or union-sponsored coverage will remain with their current plans and decline Medicare's drug benefit. This coverage is considered "creditable coverage" if it is of equal or greater value than Part D standard coverage. Your employer will send you a notice whether your

coverage is creditable. If you do not have creditable coverage and do not enroll in a Part D plan at the first opportunity and then later choose to join, you may be subject to a higher premium based on a late enrollment penalty.

8. What will the application process be?

The application form will consist of an attestation regarding a beneficiary's level of resources and income. This means that beneficiaries won't have to gather together and bring volumes of files with them when they apply. Whether applicants apply online or in person, it won't be likely that financial documents will be necessary at the time of application.

9. I am 65 and employed with health coverage from my employer. If I don't sign up for the Prescription Drug Benefit now will I have to pay a higher Premium when I am fully retired and sign up for the prescription drug benefit?

If your health coverage offered by the employer includes prescription drug coverage that is as good as or better than Medicare's standard prescription drug coverage, you will not have to pay a higher premium when you retire and enroll in a Medicare prescription drug plan. You must enroll in a Medicare prescription drug plan within 63 days of when your employer coverage ends to avoid the higher premium charge. Your employer is required to tell you if your coverage is as good as the Medicare coverage.

10. When will information regarding enrollment procedures become available?	CMS expects to issue detailed guidance on the eligibility and enrollment process in the summer of 2005.
11. Are late enrollment penalties waived for the working aged population who may not have creditable coverage?	No. All Part D eligible individuals who do not have prescription drug coverage that is as good as or better than the defined standard Medicare prescription drug coverage for a period of 63 days or longer will have to pay a higher premium for Part D.
12. Is it correct that no penalties will apply to beneficiaries who enroll in Part D by May 15th (who sign application by then)? The application says: "CMS will determine whether a beneficiary must pay a late enrollment penalty." Who keeps the penalty?	A Part D eligible individual who is not enrolled in prescription drug coverage that is at least as good as the standard Medicare prescription drug coverage for any period of 63 days or longer after the end of his or her Part D initial enrollment period will have to pay a higher premium for Part D. The first Medicare prescription drug initial enrollment period occurs from November 15, 2005 – May 15, 2006 for individuals who are currently entitled to Medicare and who become eligible for Medicare in November 2005, December 2005, or January 2006. If these individuals enroll in a Medicare prescription drug plan by May 15, 2006, they will avoid paying a higher premium. The portion of the additional premium amount that CMS estimates is attributable to increased risk borne by the plan will be paid to the prescription drug plan.
13. Is it true that a member enrolling in Part A is automatically enrolled in Part D?	No. An individual entitled to or enrolling in Part A is not automatically enrolled in Part D. Only individuals who are entitled to full benefits under Medicaid will be "automatically" enrolled in a Medicare prescription drug plan if they do not enroll on their own.
14. If an individual does not sign up for the Medicare prescription drug benefit during his/her Initial Enrollment	An individual who does not enroll during his/her Initial Enrollment Period must generally wait until the Annual Coordinated Election Period, which starts November 15 of each year. If the individual did not have creditable coverage during the period of time between the end of his/her Initial Enrollment Period and when his/her new coverage begins AND this period is greater than 63 days, he or she is likely to be subject to a higher premium.

Period, will he or she need to wait until the next Annual Coordinated Election Period, which begins on November 15? What about the higher premium?

COVERAGE

15. What will the Medicare plan cover?

2006 Part D Standard Prescription Drug Benefit Coverage

Premium	$38/month estimated premium
Annual Deductible	$250
Coinsurance	Individual pays 25% between $250 and $2,250
"Doughnut Hole"*	Individual pays 100% of the next $2,850
Catastrophic Coverage	**After $3,600 in out of pocket spending, Individual pays 5% coinsurance

** Gap in coverage where there would be no Medicare coverage for drug costs between $2,250 and $5,100.*

*** Individual pays the $250 deductible plus $500 in coinsurance plus $2,850 of additional out of pocket spending to meet the $3,600.*

16. What drugs are included and excluded from drug benefit plans?

• A Part D drug is any drug available only by prescription, approved by the Food and Drug Administration (FDA), used and sold in the United States, and used for a medically accepted indication (includes prescription drugs, biological products, insulin, vaccines, and certain medical supplies associated with the injection of insulin (syringes, needles, alcohol swabs, and gauze)).
• A drug cannot be covered under Part D if payment for that drug, as it is prescribed and dispensed or administered to an individual, is available under Parts A or B of Medicare.

17. What drugs will be covered under Part B vs. Part D?

The implementation of the Part D benefit does not alter coverage or associated rules for drugs currently covered under Part B. Part B covers drugs in a variety of settings, particularly drugs administered by physicians in the physicians' office. In almost all of these settings the question of whether coverage should be provided under Part D will
not arise since the drugs are being provided in the context of a service or procedure. For a limited number of categories, however, pharmacists and infusion providers will have to determine whether to bill Part B or Part D, and Part D sponsors will need to confirm whether Part D is being billed correctly. CMS will provide more information to potential drug plan sponsors in the future on the relation between Part B and Part D coverage.

18. If I have

Coordination with Medicare is set forth in the Group Health Plan document and

Medicare Part D and a Group Health Plan who pays primary?	is based upon various factors. A review of your plan document and your specific circumstances must be taken into account to determine who pays primary.
19. How do the benefits compare between Medicare Part D and my Group Health Plan?	Each Group Health Plan can differ as to what benefits are offered. You would need to review your plan document to determine what those benefits are and how they compare to Medicare Part D.

MISCELLANEOUS

20. What if I already have prescription drug coverage?

If your current drug coverage is "creditable prescription drug coverage" – coverage that is of equal or greater value than Medicare standard prescription drug coverage – you may keep that coverage and wait to enroll in Part D. The organization offering your current coverage, such as your former employer or union or the insurance company they have hired, will tell you whether your current coverage is creditable. If you have, and keep, creditable coverage for a few years and later decide to join Medicare's Part D, then you will not be subject to the late enrollment penalty.

21. What is "TrOOP" and what is the difference between an out-of-pocket cost and a "true out-of-pocket cost"?

TrOOP stands for "true out-of-pocket" costs. These are costs actually paid by the beneficiary, another person on behalf of the beneficiary, or a qualified State Pharmaceutical Assistance Program (SPAP) and not reimbursed by a third-party (such as a supplemental insurance plan sponsored by a former employer) that will count toward the TrOOP threshold that determines the start of the catastrophic coverage.
Most third-party assistance, such as that from employers and unions, does not count toward the TrOOP threshold.

22. Can I keep my Medicare-approved discount card after the Part D program is effective in 2006?

No, the Medicare discount card program will phase out when the drug benefit begins. The card program was intended to be temporary assistance to Medicare beneficiaries while the drug benefit was being implemented. Your participation in the Medicare discount card program will end either 1) when you begin receiving drug coverage under a Medicare prescription drug plan, which will occur beginning January 1, 2006, for enrollments in 2005, or 2) at the end of the initial enrollment period for Part D, which is May 15, 2006, whichever comes first.

23. How will the Part D plan know if a beneficiary has any out-of-pocket expenses paid by a third party?

When beneficiaries sign up for a Medicare Part D plan, they are required to report whether they also have prescription drug coverage through a third party, such as an employer-sponsored supplemental plan that wraps around the Medicare plan. Medicare will also obtain this information from some employers and payers directly. Beneficiaries
must also report any reimbursement of out-of-pocket costs they receive from other sources to the Part D plan.

24. How will the Part D Plan track expenses paid by a third party to know if they should be counted towards TrOOP?	CMS is working with industry experts to enable the Medicare plan and the third-party payor to efficiently coordinate claims in real time. That is, when the beneficiary presents his or her Medicare card at the pharmacy counter, a pharmacy will be able to query the Medicare plan's computer to determine whether the Part D plan or a secondary payer should be billed for the prescription. The system will tell how much the beneficiary should pay for the prescription, and whether any third party will pay any portion of a deductible or co-insurance. All the beneficiary will see is the bottom-line result – the beneficiary deductible or co-pay (if any) that remains after the two insurers have paid their parts.
25. I understand that letters were mailed out by CMS in June. What was that for and does it apply to me?	CMS did a mailing to all individuals identified as low-income who may qualify for additional assistance in the purchasing of their prescription drugs. This mailing provided information as to how to apply for this additional assistance. If you have concerns as to whether or not this applies to you, you may contact CMS directly at **1-800-633-4227**, or visit the CMS website at **http://questions.cms.hhs.gov** or the Medicare website at **www.medicare.gov**.