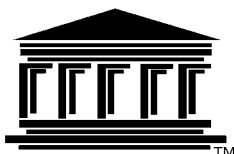


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INSIDE THIS ISSUE

- Medicare Part D

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MEDICARE PART D

I recently attended a seminar at the Eastern Virginia Medical School given by Thomas Lynch regarding the new Medicare Part D program. This article is one of two that will discuss the new Medicare Part D program, and tell seniors what they need to know about their prescription drug coverage.

What is Medicare Part D and who does it affect?

Medicare Part D is Medicare's newest prescription drug benefit program, and it that supplements Medicare's health coverage programs. The Medicare Part D program is designed to assist seniors with rising prescription drug costs, and it will replace the existing Medicare drug benefit card program that was introduced in December 2003.

Medicare Part D will affect all citizens over the age of 65, citizens under 65 with disabilities, and people with end stage renal disease. Medicare Part D may even affect workers and retired persons over the age of 65 who have health insurance through their former employers. Each employer will have to send notices to individuals for which they provide insurance, explaining whether the insurance meets the definition of "creditable coverage," meaning that the drug benefit is "actuarially equivalent to the Part D benefit. Medicare will evaluate each employer-sponsored benefits program to determine whether the plans meet the definition of "creditable coverage." If the plans do meet the definition and the individual chooses not to enroll in Part D, then the individual will not be charged a penalty if the individual decides to enroll at a later date.

Medigap insurers will have to notify their H, I and J policyholders to explain the changes to those policies, the options available to the policyholders, and whether the policies meet the definition of "creditable coverage."

To receive Medicare Part D benefits, each individual must enroll by the prescribed deadline. If an individual enrolls after the deadline, then the individual will be assessed a penalty.

What does Medicare Part D cover?

Medicare Part D covers all prescription drugs, including biologic products, vaccines, prenatal nutrition, compounded drugs and insulin, as well as related medical supplies. Drugs for anorexia, weight loss, weight gain, fertility, cosmetic purposes, prescription vitamins, barbiturates, benzodiazepines, and over-the-counter medications will not be included.

Although Medicare Part D covers nearly all prescription drugs, coverage is determined by prescription drug plans. Each prescription drug plan contains formularies which will cover certain brand-name or generic prescriptions, but not others. This means that there are similar products in the formularies, but not all brand names are available in each formulary.

Some medications will be included in other Medicare sections. For example, prescription drugs administered during a hospital stay will continue to be covered under Medicare Part A; medications given at a physician's office will continue to be paid through Medicare Part B.

When does Medicare Part D coverage begin and how do you get coverage?

Information about the available formularies will be available in a handbook entitled, "Medicare and You 2006," which should be mailed to all Medicare-eligible individuals in October. After receiving "Medicare and You 2006," everyone should evaluate their medications and the different formularies, and choose the formulary that covers the majority of their medications. It is important to note that the formularies available will differ by region and at this time it is not known what the differences may be between regions. For those with multiple residences, it is important to stay informed about how Medicare will cover this.

After selecting a formulary, each individual must enroll in the program. The initial enrollment period for Medicare Part D coverage is November 15, 2005, through May 15, 2006. During this period, people who are Medicare eligible can enroll without penalty. In order for your coverage to begin on January 1, 2006, you must enroll in the program between November 15, 2005, and December 31, 2005. If you do not enroll before December 31, 2005, then you may still enroll without penalty prior to May 15, 2006. Individuals who enroll for the first time after May 15, 2006, will pay an increased premium equal to an additional 1% of the base premium per month.

Although information about the enrollment procedure has not been released, it is expected that persons will be able to enroll by visiting www.medicare.gov or calling 1-800-MEDICARE after November 15, 2005.

How much will you have to pay?

The exact premium amount is not available, however the premium is estimated to be somewhere around \$32 a month with a \$250 deductible. The payment of your premium and deductible amounts, however, is not the end of your expenses. After you pay your deductible, you will be required to pay 25% of your formulary drug costs up to a maximum drug cost of \$2,250 per year (and a maximum out-of-pocket expense of \$500). For prescription drug expenses between \$2,250 and \$5,100, you are required to pay

100% of the formulary drug costs. This break in coverage is referred to as “the coverage gap,” or “the doughnut hole.” For drug expenses above \$5,100, you will pay only 5% of the formulary drug expense.

In order for you to reach the level where Medicare covers 95% of your prescription drug costs, you will pay \$3,600 per year out-of-pocket. This \$3,600 is referred to as your “true out-of-pocket” expenses or “TrOOP” and is derived from adding \$250 (deductible) + \$500 (25% of \$2,000) + \$2,850 (coverage gap). Your TrOOP expenses must come from your formulary prescriptions. If you are prescribed drugs that are not included as part of your formulary, then the cost of that prescription will not be covered by Medicare Part D, and it will not count towards your TrOOP. Over-the-counter medications are not covered or included in your TrOOP.

These expenses apply to most seniors. There are special provisions for low-income seniors and “dual-eligible” seniors. (Dual-eligible refers to seniors who receive both Medicare and Medicaid.)

What if my formulary needs change?

If your formulary prescription drug needs are different from those available in the formulary for which you registered, then you may change your formulary once each year. After the initial enrollment period of November 15, 2005, through May 15, 2006, changes can be made from November 15th through December 31st each year. Some changes will be made during rest of the calendar year, but those changes will be allowed only upon a showing of a substantial change of circumstances, such as a permanent move out of the region, or entering a nursing facility.

The next *Elder Law News* article will provide information about Medicare Part D for low-income and dual-eligible seniors. At this time, no information is available as to what the drug plan formularies will cover, the exact premiums, or the enrollment procedures. Please follow the *Elder Law News* for information as it is available.

Useful Web Sites: http://www.medicareadvocacy.org/FAQ_PrescDrugs.htm#Standard - Center for Medicare Advocacy Medicare Part D homepage

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