



University of Nevada  
Cooperative Extension

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# **Medicare Prescription Drug Program**

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## **Introduction**

May 15, 2006 marked the deadline for enrolling in the Medicare Part D Program for a majority of qualifying Medicare recipients. While the national Medicare office reports that approximately 38.2 million individuals complied with that deadline (or had other credible drug coverage) estimates are that over 5 million did not. Those 5 million individuals account for approximately 10% of the total Medicare population. Certain recipients were given extra time to comply due to their income levels. However recipients, who qualified at that deadline and did not enroll, may be required to pay higher premiums when, and if, they choose to enroll. In Nevada it is estimated that approximately 237,000 of the state's 303,000 Medicare population have signed up for a prescription drug plan (or have credible coverage), leaving approximately 66,000 recipients without drug coverage.

## **What is Medicare?**

In 1965 Congress created the Medicare program by signing into law HR 6675, known as the "Mills Bill." The bill was the result of many years of discussion centering on the rising number of retirees, their decreasing personal income, and the rising cost

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of health care. Medicare is a health insurance program for people 65-years of age and older, certain individuals who receive Social Security due to disability, and those with End-Stage Renal Disease.

In 2003 over 41 million persons in the United States were enrolled in Medicare. Medicare is broken into four parts:

- 1) Medicare Part A, known as the Hospital Insurance
- 2) Medicare Part B, known as the Medical Insurance
- 3) Medicare Part C, which stands for Choice and covers Medicare Advantage Plans (HMOs)
- 4) Medicare Part D, which is the Prescription Drug Coverage

Medicaid, also administered by the Centers for Medicare and Medicaid (CMS), is a state-run program that provides medical and hospital insurance for those with significantly low incomes.

### **What is Medicare Part D?**

The Medicare Prescription Drug, Improvement and Modernization Act (MMA) signed into law in 2003 provides people 65 and older, and those living with disabilities, additional benefits through Medicare. Its purpose is to help Medicare recipients address the high cost of prescription drugs, allowing qualified recipients to reduce their out-of-pocket costs for medications. The Part D Medicare program is offered to individuals who are enrolled in either Medicare Part A and/or Part B. Through Part D, prescription medications are offered at a discount.

In order to take advantage of this program, Medicare recipients must enroll in a Medicare Prescription Drug plan. Various plans are available, and the consumer needs to determine which one is best for him or her. While there are differing plans that provide services to different geographical areas, the entire state of Nevada is considered one service area. This means that regardless of where you live in Nevada you can take advantage of the same plan even if you move to another location within the state.

## **How do you enroll?**

Because prescription plans vary, it is important to find the plan that meets the individual's needs. Regardless of whether you receive enrollment assistance from Medicare, a state resource, a private insurance company, or a family member, you will need to provide the following information to find the plan that meets your needs:

- 1) Name
- 2) Medicare number, including your effective date (this is found on your Red/White/Blue Medicare card)
- 3) List of medications including dosage
- 4) Additional insurance information (if you have any)
- 5) Zip code

Once the above information is provided, recipients are given a list of the plans that are available to them. The list provides company names, monthly premium cost, annual deductible (if any), and the recipient's cost share for each prescription. In addition, Prescription Drug Plan Gap Insurance, if available, will be given. Based upon this information, the recipient must determine the best plan for him.

When enrolling online, the list is visible to computer users. If enrolling via the telephone, the list is still generated, but telephone consultants will need to verbally explain the various plans to the caller. Remember that the plan cost will vary depending upon your individual prescription needs. In addition, some plans offer mail order options that may further reduce your drug costs.

## **Who can help you enroll?**

There are various methods available when enrolling in the Medicare Part D program. Qualifying recipients may contact the national Medicare program by calling 1-800-MEDICARE or by visiting the website [www.Medicare.gov](http://www.Medicare.gov) and following the online links. Residents of Nevada can also contact the Nevada State Insurance Assistance Program (SHIP) office at 1-800-307-4444. Medicare trained SHIP

volunteers are located throughout the state and are available to help answer questions. Recipients may also contact the individual companies that offer prescription drug coverage to enroll. In Nevada, at present, there are 45 different plans to choose from.

### **Late Enrollment Penalty**

Recipients who qualified for the Medicare Part D and DID NOT enroll by May 15, 2006, may have to pay a penalty that accrues for each month that they did not enroll. At present, that penalty amounts to 1% of the national premium average for each month they go without coverage. The national premium average for 2006 is approximately \$32. Therefore, the monthly penalty would be assessed at \$0.32 per month.

For example, if a person enrolls in a plan with a premium of \$32 per month but does not enroll until November when he could have enrolled in May, he may end up paying almost \$34 per month. The exception to this penalty is if the recipient had a non-Medicare drug prescription plan that was deemed “as good as or better than” Medicare Part D.

If this exception applies, the recipient should have received a letter from his individual company indicating that fact. The recipient must save that letter and it is suggested that he also save the envelope it came in for added proof of when the letter was mailed. By providing that information, the recipient will not have to pay an enrollment penalty if he should at some point lose qualifying coverage. In addition, those who qualify for the low-income subsidy will not be penalized for late enrollment.

### **As a new Medicare recipient, what is the deadline for enrollment?**

You have 90 days prior to your 65<sup>th</sup> birthday to enroll in a Medicare Prescription Drug Plan. However, the plan will not be in effect until the month of your birth. You also have 90 days after you turn 65 to enroll in a plan without penalty. If you choose not to sign up for a plan during this 6 month period, you must wait until the open enrollment period in order to sign up for a plan. The open enrollment period is from

November 15th through December 31st of each year. Remember that you may incur penalties if you do not follow these guidelines.

### **Low-Income Subsidy**

Depending upon your income level, you may qualify for extra help through the Social Security Administration to pay your premium and any prescription cost share. While the income levels to qualify for the subsidy are varied, it is important to remember that this determination needs to be finalized by the Social Security Administration. Additional factors, such as assets, may be taken into consideration. You may also be eligible for further assistance with your monthly premium payments and Prescription Drug Plan Gap coverage if you are eligible for Senior Rx. Senior Rx is a state funded prescription assistance program. Please contact the Social Security Administration for more information. You may also contact a SHIP or Medicare counselor to find out more information about your subsidy eligibility.

### **Changing Your Plan**

You may change your plan each year during the open enrollment period from November 15<sup>th</sup> – December 31st. Should you decide to change plans, it is important that you go through the same process, evaluating the various plan options to see which meets your individual needs. The plan coverage will begin on January 1<sup>st</sup> of the new year.

### **Prescription Drug Plan Gap Coverage**

Once you meet your plan deductible, if any, Medicare pays for 75% of the total cost while you pay 25%. When the total prescription costs reach \$2,250 (both Medicare's portion and yours), you are required to pay 100% of the drug costs until your out-of-pocket expenses reach \$3,600. Once you have reached that amount, Medicare pays 95% of the drug costs. Certain plans provide Gap coverage. With this coverage, the plan provides insurance coverage during the time you are required to pay 100% of the drug costs.

When determining the plan that is most beneficial for you, take into consideration what your yearly total drug costs may be. It may be advantageous for you to consider a plan that includes Gap coverage, thereby reducing your total out-of-pocket expenses. Remember to weigh your plan expenses with your total yearly prescription drug costs to see if the Gap coverage can save you money. While you may have to pay a higher premium with a plan that provides Gap coverage, you may end up saving money in the long run. Because plans may change, recipients need to yearly examine plan availability, cost share and coverage limits prior to making a choice for the new year.

### **Conclusion**

Medicare Part D provides extra help for qualifying recipients to reduce their prescription drug costs. Several plans are available. Each recipient needs to look at the various plans, either individually or with a trained counselor, to determine which plan will help reduce prescription costs and meet individual needs. In addition, certain recipients may qualify for extra help through the Social Security Administration should their income levels fall within certain guidelines.

### **Resources**

[www.Medicare.gov](http://www.Medicare.gov) or call 1-800-Medicare

[http://www.nvaging.net/ship/ship\\_main.htm](http://www.nvaging.net/ship/ship_main.htm)  
or call 1-800-307-4444

<http://www.ssa.gov/>

In addition, your local Social Services office, senior center, and medical care provider may have additional information you can use.

### **References**

[www.Medicare.gov](http://www.Medicare.gov)

[http://www.nvaging.net/ship/ship\\_main.htm](http://www.nvaging.net/ship/ship_main.htm)

<http://www.ssa.gov/>

Medicare & You 2006.

<http://www.medicare.gov/publications/pubs/pdf/10050.pdf>