

**CHANGES IN MEDICARE**  
**A NEW PRESCRIPTION DRUG BENEFIT CALLED MEDICARE PART D**  
*Coming January 1, 2006*

Beginning January 1, 2006, new Medicare prescription drug plans will be available to people with Medicare. Insurance companies will work with Medicare to offer these drug plans, which are different from the Medicare-approved drug discount cards.

Medicare prescription drug plans provide insurance coverage for prescription drugs. All drug plans will provide at least a standard level of coverage, which Medicare has set, but could offer more coverage and additional drugs for a higher monthly premium. When a person joins a drug plan, it is important to choose one that meets the person's prescription drug needs.

**Every person with Medicare picks a plan.**

- Options:
  - Keep original Part A and Part B, pick a Part D **Prescription Drug Plan**.
  - Pick a **Medicare Advantage Plan** that manages Part A, Part B, and Part D.
- Enrollment in a plan begins November 15, 2005, and drug benefits begin January 1, 2006.
- Every person will have a choice of two or more plans. *Enrollment in a drug plan is voluntary.*
- Plans must cover at least two drugs in each therapeutic class or category.
- Insurance plans will begin marketing October 1, 2005.

**A person who has both Medicare and Medicaid:**

- Will get all prescription drugs from his or her Part D drug plan—no longer from Medicaid—beginning January 1, 2006.
- Automatically gets the Low Income Subsidy—no need to apply. (See other side for information on the Low Income Subsidy.)
- Will be assigned to a Part D Prescription Drug Plan or a Medicare Advantage Plan but can change to another plan any time.
- Will pay no premiums, deductible, or coinsurance; copayments for prescription drugs will be \$1 generic and \$3 other.
- Will have no premium, deductible, copayment, or coinsurance if he or she resides in an institution.
- Will get more information from Medicare in May and October 2005.

**A person who has a Medicare Savings Program (Qualified Medicare Beneficiary or QMB, Special Low Income Medicare Beneficiary or SLMB, and Qualified Individual or QI):**

- Automatically gets the Low Income Subsidy—no need to apply. (See other side for information on the Low Income Subsidy.)
- Will be assigned to a Part D Prescription Drug Plan or a Medicare Advantage Plan in 2006 and can change to another plan any time.
- Has no deductible or coinsurance; copayments for prescription drugs will be \$2 generic and \$5 other.
- Will get more information from Medicare in May and October 2005.

*The Medicare Savings Program may provide assistance to pay for Medicare Part A and Part B. More information on the Medicare Savings Program is available from the Office of Public Assistance in any county.*

**Resources:**

- **State Health Insurance Assistance Program (SHIP) 1-**
- **1-800-MEDICARE (1-800-633-4227) or [www.Medicare.gov](http://www.Medicare.gov)**

CHILDREN, FAMILIES, HEALTH & HUMAN SERVICES  
AUGUST 22, 2005 MEETING

**EXHIBIT 8**



## Low Income Subsidy

For help paying for a drug plan and prescriptions, a person with Medicare can apply for the Low Income Subsidy if income is below \$14,355 and assets are limited. (A person who does not have Medicaid or a Medicare Savings Program will need to apply for the Low Income Subsidy.)

- The Low Income Subsidy pays part or all of the prescription drug insurance monthly premium.
- Low Income Subsidy applications will be mailed by the Social Security Administration in Summer 2005 to people with incomes less than \$14,355 for an individual and \$19,245 for a couple.
- Applications can also be made online after July 1, 2005 at [www.ssa.gov](http://www.ssa.gov).
- If a person has income below \$12,919.50 for an individual (and assets below \$6,000) and \$17,320.50 for a couple (and assets below \$9,000):
  - No premium, no deductible, no coinsurance; copayments are \$2 or \$5 per drug
  - No copayments after individual spends \$3,600 out-of-pocket on his or her drugs
- If a person has income between \$12,919.50 and \$14,355 for an individual (and assets below \$10,000) and between \$17,320.50 and \$19,245 for a couple (and assets below \$20,000):
  - Sliding scale premium, \$50 deductible, 15% coinsurance up to \$5,100 in total drug spending (= \$3,600 out-of-pocket drug spending)
  - Copayments are \$2 or \$5 per drug after person spends \$3,600 out-of-pocket



A person with income above \$14,355 (\$19,245 for couple) and not eligible for Medicaid, a Medicare Savings Program, or the Low Income Subsidy, may purchase prescription drug coverage from an insurance plan. He or she can change plans once a year, between November 15 and December 31.

### **A person who has prescription drug coverage now:**

- If current coverage is the same or better than a Medicare Prescription Drug Plan:
  - Can keep current drug plan. Joining a Medicare Prescription Drug Plan later won't result in a higher premium.
  - Can drop current drug plan and join a Medicare Prescription Drug Plan.
- If current coverage is less than a Medicare Prescription Drug Plan:
  - Can keep current drug plan and also join a Medicare Prescription Drug Plan to have more complete prescription drug coverage.
  - Can keep current drug plan. But joining a Medicare Prescription Drug Plan later will result in a higher monthly premium.
  - Can drop current drug plan and join a Medicare Prescription Drug Plan

### **A person who does not have prescription drug coverage now:**

- Will choose a Medicare Prescription Drug Plan or Medicare Advantage Plan during the initial enrollment period, November 15, 2005 through May 15, 2006.
- Joining a plan later will result in a higher monthly premium.

### **A person with income above \$14,355 (\$19,245 for couple) will pay:**

- A monthly premium of about \$37 in 2006.
- The first \$250 in drug costs (deductible).
- 25 percent of total drug costs between \$250 and \$2,250.
- All drug costs between \$2,250 and \$5,100 in total drug costs (the "donut hole").
- After \$5,100 in total drug costs, copayments of either \$2 for generics and \$5 for brand drugs, or coinsurance of five percent of total drug spending (whichever is greatest).

