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Understanding Medicare Prescription Drug Coverage

Module 9

Lesson Topics

1. Drug Coverage Basics
2. Eligibility and Enrollment
3. Extra Help with Drug Plan Costs
4. Comparing and Choosing Plans
5. Coverage Determinations and Appeals

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Drug Coverage Basics

Module 9: Lesson 1

Medicare Part D

- Available to all people with Medicare
- Must be enrolled in a plan to get coverage
- Coverage provided through
  - Medicare Prescription Drug Plans
  - Medicare Advantage and other Medicare plans
- People can choose a plan to meet their needs
  - Coverage, cost, convenience, customer service
- Extra help available to those who need it most

Medicare Prescription Drug Plans

- Drug plans approved by Medicare
  - Run by private companies
  - Sometimes called
    - “Stand-alone” drug plans
    - PDPs
  - Included in some MA plans
- Add coverage to
  - Original Medicare
  - Some other types of Medicare plans
    - Some Medicare Private Fee-for Service Plans
    - Some Medicare Cost Plans
    - Medicare Medical Savings Account Plans

Medicare Drug Plans

- Can be flexible in benefit design
- Must offer at least standard level of coverage
  - $275 deductible
  - 25% cost sharing until $2,510 in total drug costs
  - 100% cost sharing until $4,050 out-of-pocket costs
  - 5% copayment rest of year
- May offer different or enhanced benefits
- Benefits & costs may change from year to year

Part D-covered Drugs

- Available only by prescription
  - Brand-name and generic
- Approved by FDA
- Used and sold in U.S.
- Used for medically-accepted indication
- Include
  - Drugs
  - Biologicals
  - Insulin
    - Supplies associated with injection or inhalation

Drugs Not Covered by Part D

- Excluded by law from Medicare coverage
  - Plan may choose to cover
    - Own cost
    - Share cost with member
- Non-prescription drugs
- Covered under Medicare Part A or B

“All or Substantially All”

- Plans must cover most drugs to treat certain conditions
  - Cancer medications
  - HIV/AIDS treatments
  - Antidepressants
  - Antipsychotic medications
  - Anticonvulsive treatments for epilepsy and other conditions
  - Immunosuppressants

Coverage Varies

- Plans have formularies
  - May not include every Part D drug
    - Similar drug usually covered
      - Safe and effective
  - May have different cost levels (“tiers”)
- Must cover range of drugs in each category

Access to Covered Drugs

- Plans can manage access to drug coverage through
  - Formularies
  - Prior authorization
  - Step therapy
  - Quantity limits

Formularies

- May have “tiers” that cost different amounts
- Example
  - Tier 1—generic drugs
    - Cost the least amount
  - Tier 2—preferred brand-name drugs
    - Cost more than Tier 1 drugs
  - Tier 3—non-preferred brand-name drugs
    - Cost more than Tier 1 and Tier 2 drugs

Prior Authorization

- Doctor must contact plan
  - Before prescription will be covered
    - Must show medical necessity
- Prior authorization requirements available from plan on request

Step Therapy

- Type of prior authorization
- Person must try a similar, less-expensive drug that has proven effective
- Doctor can request an exception if
  - Tried similar, less expensive drug and it didn't work, or
  - Step-therapy drug is medically necessary

Quantity Limits

- Plans may limit quantity of drugs they cover over a certain period of time
  - For reasons of safety and cost

Prescription Changes

- Give doctor copy of plan’s formulary
  - Get up-to-date information
    - Call plan
    - Look on plan’s website
- New drug is not on plan’s formulary
  - Can request a coverage determination
  - May have to pay full price
    - If plan still won’t cover drug

Formulary Changes

- Plan year is January through December
- Generally, plans may change categories and classes only at beginning of each plan year
- May make maintenance changes during year
  - Plan members exempt if currently using drug
- May remove drugs withdrawn from market

Medicare Drug Plan Costs

- Monthly premium
  - Varies by plan
  - Some plans have no premium
- Possible deductible
  - No more than $275 in 2008
- Copayments or coinsurance
  - May depend on how much spent that year

Your Costs in 2008

Premium	Generally less than $37 monthly
Deductible	No more than $275
Drug Costs $275-$2,510	Beneficiary pays 25%
Drug Costs $2,510-5,726.25	Beneficiary pays 100%
After spend $4,050	Beneficiary pays 5%

Coverage Gap in 2008

- When member pays 100% of drug costs
- Begins after $2,510 in total drug costs
  - Initial coverage limit
- Continues until out-of-pocket costs total $4,050
  - May start earlier in some plans
- After gap, pay 5% or small copayment
  - Catastrophic coverage

Out-of-Pocket Costs

- Payment sources that count
  - Plan member
  - Family members or other individuals
  - Most State Pharmacy Assistance Programs (SPAPs)
  - Extra help (low-income subsidy)
  - Charities
    - Unless established or controlled by current or former employer or union

Out-of-Pocket Costs

- Payment sources that **don't** count
  - Group health plans
    - Including employer or union retiree coverage
  - Government-funded programs
    - Including TRICARE and VA
  - Manufacturer Patient Assistance Programs
  - Other third-party payment arrangements

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Eligibility and Enrollment

Module 9: Lesson 2

Part D Eligibility Requirements

- Medicare Part A and/or Part B
  - Part A **and** Part B to join Medicare Advantage plan with drug coverage
- Live in plan's service area
- Enroll in a plan

When Can People Join?

- Initial Enrollment Period (IEP)
- Annual Coordinated Election Period (AEP)
  - Sometimes called “Fall Open Enrollment”
- Special Enrollment Periods (SEP)

Initial Enrollment Period (IEP)

- All people newly entitled to Medicare
  - 7-month IEP for Part D
    - 3 months before month of eligibility
      - Coverage begins on date eligible
    - Month of eligibility
      - Coverage begins first of the following month
    - 3 months after month of eligibility
      - Coverage begins first of the month after month of application

Annual Coordinated Election Period (AEP)

- November 15 – December 31 every year
- Can enroll, switch, or drop coverage
  - Medicare Prescription Drug Plan
  - Original Medicare
  - Medicare Advantage Plan
- New plan starts January 1

Special Enrollment Periods (SEP)

- Involuntary loss of creditable coverage
  - Loss of other creditable drug coverage
- Continuous SEP
  - People receiving extra help (low-income subsidy/LIS)
  - People moving into, living in, or moving out of a long-term care facility
- Change in residence
  - Move out of plan’s service area
- Others
  - See CMS PDP enrollment guidance

Late Enrollment Penalty

- Pay penalty
  - Most people who enroll after IEP
    - 63 days or more without creditable coverage
    - Pay penalty as long as enrolled in drug plan
- No penalty
  - People with extra help
    - Enroll in a drug plan by December 31, 2008

Penalty Calculation

- National base Medicare Part D premium
  - $27.93 in 2008
  - Can change each year
- Pay 1% for every month eligible but not enrolled
  - Unless person has creditable coverage
  - Penalty added to premium payment

Creditable Drug Coverage

- Coverage paying at least as much as Medicare's standard drug coverage
- Will get information from other plan each year
  - Employer group plans
  - Retiree plans
  - VA
  - TRICARE
  - FEHB

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Extra Help with Drug Plan Costs

Module 9: Lesson 3

Extra Help With Drug Costs

- Sometimes called Low Income Subsidy (LIS)
- People with lowest income and resources
  - Pay no premiums or deductibles
  - Have small or no copayments
- Those with slightly higher income and resources
  - Have a reduced deductible
  - Pay a little more out of pocket
- No coverage gap for people who qualify for LIS

Qualifying for Extra Help

- Some people automatically qualify for extra help
  - Get full Medicaid benefits
  - Get Supplemental Security Income (SSI) or
  - Medicaid helps pay their Medicare premiums
- All others must apply
  - Apply online at www.socialsecurity.gov or
  - Call 1-800-772-1213 (TTY 1-800-325-0778)
    - Ask for “Application for Help with Medicare Prescription Drug Plan Costs” (SSA-1020)

Income and Resource Limits

- Income
  - Below 150% Federal poverty level
    - $1,300 per month for an individual* or
    - $1,750 per month for a married couple*
    - Based on family size

2008 amounts

- Resources
  - Up to $11,990 (individual)
  - Up to $23,970 (married couple)
    - Includes $1,500/person funeral or burial expenses
    - Counts savings and stocks
    - Does not count home you live in

2008 amounts

*Higher amounts for Alaska and Hawaii

Medicare and Full Medicaid

- Auto-enrolled in a plan unless
  - Already in a Part D plan
  - Choose and join own plan
  - Call plan or 1-800-MEDICARE to opt out
- Coverage first month person has both Medicare and Medicaid
- Will get auto-enrollment letter on yellow paper
- Have a continuous SEP

Others Qualified for Extra Help

- Facilitated into a plan unless
  - Already in a Part D plan
  - Choose and join own plan
  - Enrolled in employer/union plan receiving subsidy
  - Call plan or 1-800-MEDICARE to opt out
- Coverage effective 2 months after CMS notified
- Will get facilitated enrollment letter on green paper
- Have continuous SEP

People New to Extra Help

- People can apply for extra help any time
  - Can reapply if circumstances change
- People in a Medicare drug plan who later qualify for extra help
  - Plan is notified
  - Plan will refund costs back to effective date of extra help
    - Premiums
    - Cost-sharing assistance

Auto- and Facilitated Enrollment

- CMS identifies and enrolls people each month
  - Plans are randomly assigned
    - From those with premiums at/below regional low-income premium subsidy amount
    - May join MA plan meeting special needs
- People already in MA plan
  - Enrolled in MA-PD, if offered

Enrollment Notices

- CMS notifies people of enrollment in a PDP
  - Auto-enrollment letter on yellow paper
  - Facilitated enrollment letter on green paper
    - Two versions
      - Full subsidy
      - Partial subsidy
    - Includes list of plans in that region at/below regional low-income premium subsidy amount
- MA plan sends notice if enrollment in MA-PD

Continuing Eligibility

- People Who Automatically Qualify
  - CMS re-establishes eligibility each fall for next calendar year
  - People will receive letter from Medicare
    - In September on gray paper
      - Those who no longer automatically qualify
      - Includes SSA application
    - In early October on orange paper
      - Those who will continue to automatically qualify but with a different copayment level

Continuing Eligibility

- People who applied with Social Security
  - Four types of redetermination processes
    - Initial
    - Cyclical or recurring
    - Subsidy-changing event (SCE)
    - Other event
      - Any change other than SCE

Extra Help in 2008

	Group 1	Group 2	Group 3
Premium	$0	$0	Sliding scale based on income
Deductible $275/year	$0	$0	$56
Coinsurance up to $4,050 out of pocket	$1.05/$3.10 copay	$2.25/$5.60 copay	Up to 15% coinsurance
Catastrophic coverage	$0	$0	$2.25/$5.60 copay

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Comparing and Choosing Plans

Module 9: Lesson 4

Things to Consider

- Current health insurance coverage
- Current prescription drug coverage
  - Is current drug coverage as good as Medicare's?
- How does current coverage work with Medicare?
  - Will joining a Medicare drug plan affect current coverage of person or his/her family?

Medicare Drug Plans

- Medicare drug plans vary
  - Cost—How much a member has to pay
  - Coverage—What drugs they cover
  - Convenience—Which pharmacies they use

Drug Plan Options

- Medicare Part D provided through
  - Medicare Prescription Drug Plans
  - Medicare Advantage and other Medicare plans
  - Some employers and unions

Choosing a Medicare Drug Plan

- Step 1: Collect information
  - Any current prescription drug coverage
  - Prescription drugs, strengths, and dosages
- Step 2: Compare Medicare drug plans
  - www.medicare.gov
  - 1-800-MEDICARE (1-800-633-4227)
  - State Health Insurance Assistance Program (SHIP)
- Step 3: Call plan with any questions

Online Comparison Tools

- Online resource to help people
  - Learn about Medicare prescription drug coverage
  - View current plan
  - Find and compare plans available in their area
  - Enroll in a plan
- www.medicare.gov
  - Compare Medicare Prescription Drug Plans
- Medicare Advantage information on medicare.gov
  - Compare Health Plans and Medigap Policies in Your Area

Personalized Plan List

- Shows all plans available in ZIP Code
- Compare by
  - Annual cost
  - Monthly premium
  - Annual deductibles
  - Coverage in the gap
  - Pharmacies

Getting Started

- Helpful information to gather
  - Medicare card
  - ZIP Code
  - List of prescription drugs
    - Including dosage and amount
    - Personal drug list can be saved online

Joining a Plan

- Enroll directly with the plan
  - Mail or fax paper application to plan
  - Internet
    - Plan's website
    - www.medicare.gov
  - Telephone
    - 1-800-MEDICARE
    - TTY 1-877-486-2048
    - The plan

What New Members Can Expect

- Plan will send
  - Enrollment letter
  - Membership materials, including card
  - Customer service contact information
- Person can get transition supply
  - If drug not covered by plan
  - Generally 30-day supply
  - Work with physician to find a drug that is covered
- Person has the right to ask plan for
  - An exception
  - Appeal, if exception not granted

Annual Notice of Change

- All Part D plans send to all members
  - By October 31
  - May arrive with Evidence of Coverage
- Will include information for upcoming year
  - Summary of Benefits
  - Formulary
  - Any changes
    - Premium
    - Copayment/coinsurance

Special Populations

- State Pharmacy Assistance Program (SPAP) participants
- People in long-term care facilities
- Residents of U.S. territories

State Pharmacy Assistance Programs

- SPAP can provide wraparound coverage
  - Reduce state costs or expand population served
- Costs incurred by SPAP can count toward out-of-pocket limit
  - In most cases

Long-Term Care Facilities

- Residents
  - Obtain drugs from pharmacy chosen by facility
  - Will have convenient access
  - Can change plans at any time
  - With Medicare and full Medicaid benefits have no deductible and no copayments

U.S. Territories

- Part D program is the same
  - Except residents are not eligible for extra help
- Each territory provides help for residents with Medicare and Medicaid
  - Different from extra help
  - Enhanced Allotment Plan (EAP)
    - Funded through Medicaid program grant
    - May pay for plan premiums, coinsurance, copayments, and/or deductibles
    - May provide supplemental coverage

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Coverage Determinations and Appeals

Module 9: Lesson 5

Coverage Determination

- Initial decision by plan
  - Benefits a member is entitled to receive
  - Amount member is required to pay for a benefit
- Exception request
  - Five appeal levels

Exception Requests

- Two types of exceptions
  - Tiering (cost level of drug)
  - Formulary (drug not on plan's formulary or has access requirements)
- May be standard or expedited if health risk
- Require supporting statement from physician
  - Must accept written
  - Must accept oral if expedited

Approved Exceptions

- Exception valid for refills for remainder of year if
  - Person remains enrolled and
  - Physician continues to prescribe drug, and
  - Drug remains safe for treating person’s condition
- Plan may extend coverage into the new plan year
  - Must provide written notice if not
    - At least 60 days before plan year ends

Coverage Determination Timeframe

- Must notify of coverage determination
  - Standard request - within 72 hours
  - Expedited request - within 24 hours
  - If exception involved, period starts with receipt of physician statement
  - If timeframe missed, goes to independent review entity (IRE)
    - Skip 1st level of appeal

Requesting Appeals

- In general, appeal requests must be written
- Plans must accept expedited requests orally
- An appeal can be requested by
  - Plan member
  - Appointed representative
  - Prescribing physician
    - Expedited redeterminations

Lessons

- ✓ Drug Coverage Basics
- ✓ Eligibility and Enrollment
- ✓ Extra Help with Drug Plan Costs
- ✓ Comparing and Choosing Plans
- ✓ Coverage Determinations and Appeals

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For More Information

- Websites
  - www.medicare.gov
  - www.cms.hhs.gov
  - www.socialsecurity.gov
- Publications
  - *Medicare & You* handbook
  - *Your Guide to Medicare Prescription Drug Coverage*
- 1-800-MEDICARE (1-800-633-4227)
- Social Security at 1-800-772-1213
- State Health Insurance Assistance Program

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