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New Prescription Drug Coverage - Medicare Part D

The most significant change afforded by the Medicare Prescription Drug Improvement and Modernization Act of 2003 is that, beginning in 2006, Medicare will, for the first time, offer insurance coverage for prescription drugs - Medicare Part D. Like other forms of insurance, if you join you will pay a premium and a share of the cost of your prescription drugs. The cost of the drugs you buy will vary depending on the plan you chose. Insurance companies and other private companies will work with Medicare to offer plans and negotiate prices on drugs.

The plans will vary depending on the drugs that are covered, their prices, and the pharmacies that participate. Coverage will be afforded for brand name as well as generic drugs. Each plan will have to meet certain minimum requirements set by Medicare, but certain plans will offer greater coverage for a higher premium. Medicare beneficiaries will have the option of choosing from among plans that offer drug coverage only and plans that also offer benefits for hospitals, doctors and other health services - all-inclusive managed care plans called Medicare Advantage Plans.

The new drug plans will generally have premiums averaging \$35 per month per person (\$420 per year) and a \$250 deductible, meaning that you pay the first \$250 of the cost of your prescription drugs out of your pocket. After the deductible has been met, Medicare will pay 75% of the cost of prescription drugs up to \$2,250, you pay the rest, called a "co-payment." For prescription costs beyond \$2,250, you pay 100% until you have spent a total of \$3,600 - or until your total prescription costs reach \$5,100. This is commonly referred to as the "donut hole." After that, Medicare will pay 95% of any additional costs. The process begins again each year. An online "calculator" that will help you figure out what you are likely to save is offered by the Kaiser Family Foundation at www.kff.org/medicare/rxdrugscalculator.com.

More assistance will be available for people with low incomes and limited assets. The test relative to assets will be the same one utilized for the Supplemental Security Income program. From the information that is currently available it appears that, in 2006, no premium payments or deductibles will be required for people who are on Medicare, have limited assets and have a yearly income of below \$12,920 (\$17,321 for couples). They will experience no gap in coverage and co-payments for drugs will be limited to \$5 for brand names and \$2 for generics. Reduced premiums, deductibles and co-payments are also available if your income is below \$14,355 (\$19,245 for couples). Such persons will pay a deductible of only \$50, benefit from a sliding scale of premium subsidies, and also experience no gap in coverage. Their co-payment will be limited to 15%.

Medicare will be sending information to all recipients this fall. If you have Medicare benefits now you can enroll in the new program between November 15, 2005 and May 15, 2006. Those who enroll before December 31, 2005 will be eligible for benefits beginning on January 1, 2006. Benefits for those who join after that will commence on the first of the month following the month in which they join. If you become eligible for Medicare after January 1, 2006, you can enroll in a prescription

drug plan when you sign up for Medicare. If you currently have Medicare but get your medications through Medicaid, you will also be asked to sign up for the new program. If you don't select a plan, one will be chosen for you.

This new benefit requires every Medicare recipient to make a decision, although no one is required to participate. If you have no prescription drug coverage now and you do not sign up for Part D during the initial enrollment period, it is likely that you will pay higher premiums when you do enroll. Even if you already have a policy that provides drug coverage (through a retiree plan, a spouse's plan, a union or other program) while you may elect to keep that coverage, unless that plan affords coverage that is equal to or better than the Medicare drug program, you will also pay more if you later enroll in Medicare Part D. It will be very important to make sure that any drug plan that you have covers as much or more than the Medicare plan. Currently Medicare anticipates charging a 1% penalty on the premium for every month that you delay in enrolling, unless you have equal or better prescription drug coverage elsewhere. Thus, for instance, if you were to wait five years, your premiums would be 60% higher, \$672 per year instead of \$420, for the rest of your life.

If you have a "medigap" policy (a private health insurance policy that fills the gaps in Medicare coverage), one which provides prescription benefits that are as good or better than the Medicare plan, you will have the option of retaining that coverage instead of joining Part D, but no new medigap policies with prescription drug coverage will be sold after January 1, 2006. If you join Part D, your medigap policy will not be renewed with drug coverage. Medicare promises that it will answer questions concerning whether your plan is as good as the Medicare plan beginning in October. Call 1-800-633-4227 or go to the Medicare website at www.medicare.gov. You may also get a notice from your existing plan. Other information concerning Medicare reform is available at www.medicareadvocacy.org; www.medicare.gov/medicarereform; and www.aarp.org/prescriptiondrugs.

Other Medicare Reform

Medicare now also offers other new benefits. A one-time initial "wellness" physical examination is afforded within 6 months of the day you first enroll in Medicare Part B. Medicare will now pay for all recipients to have certain blood tests to detect cardiovascular disease and covers diabetes screening for those at risk. Other preventative services include cancer screenings, bone mass measurements and vaccinations.