

Things to Think about when You Compare Medicare Drug Coverage

To get Medicare coverage for your prescription drugs, you have two options. If you have the Original Medicare Plan, you must choose and join a Medicare Prescription Drug Plan. Or, you may be able to choose and join a Medicare Advantage Plan (like an HMO or PPO) that includes Medicare drug coverage. Whichever you choose, you should know that prescription drug coverage can vary by cost, coverage, and convenience. Some of these factors might be more important to you than others, depending on your situation and prescription drug needs. Each year you should review your prescription drug needs and compare Medicare drug plans. This fact sheet has information to help you compare Medicare prescription drug coverage.

1. Cost

When you get Medicare prescription drug coverage, you pay part of the costs, and Medicare pays part of the costs. Your costs will vary depending on which Medicare drug plan you choose. You should look at your current prescription drug costs to find the Medicare drug plan that meets your needs.

Premium

This is the monthly cost you pay to join a Medicare drug plan. Premiums vary by plan.

Deductible

This is the amount you pay for your prescriptions before your Medicare drug plan starts to share in the costs. Deductibles vary by Medicare drug plan. No Medicare drug plan may have a deductible more than \$265 in 2007. Some Medicare drug plans may not have any deductible.

Copayment/Coinsurance

This is the amount you pay for your prescriptions after you have paid the deductible. In some Medicare drug plans, you pay the same copayment (a set amount) or coinsurance (a percentage of the cost) for any prescription. In other Medicare drug plans, there might be different levels or “tiers,” with different costs. (For example, you might have to pay less for generic drugs than brand names. Or, some brand names might have a lower copayment than other brand names.) Also, in some Medicare drug plans your share of the cost can increase when your prescription drug costs reach a certain limit.

2. Coverage

What is a Formulary?

A formulary is list of drugs that a Medicare drug plan covers. Formularies include generic drugs and brand-name drugs. In general, the formulary must include at least two drugs in all categories and classes of drugs used by people in Medicare. This makes sure that people with different medical conditions can get the treatment they need.

Prior Authorization

Some drugs are more expensive than others even though some less expensive drugs work just as well. Other drugs may have more side effects, or have restrictions on how long they can be taken. To be sure certain drugs are used correctly and only when truly necessary, Medicare drug plans may require a “prior authorization.” This means before the Medicare drug plan will cover these prescriptions, your doctor must first contact the plan and show there is a medically necessary reason why you must use that particular drug for it to be covered. Medicare drug plans might have other rules like this to ensure that your drug use is effective.

Coverage Gap

Some Medicare drug plans have a coverage gap. You reach the coverage gap when you and your Medicare drug plan have spent a certain amount of money for covered drugs. While you are in the coverage gap, you have to pay all costs for your drugs. This amount doesn't include your Medicare drug plan's monthly premium. You must continue to pay the monthly premium even while you are in the coverage gap. For plans with a coverage gap, the most you will ever have to pay out-of-pocket before you are out of the coverage gap is \$3,850 (in 2007).

Each state offers at least one Medicare drug plan with some type of coverage during the gap (generally for an extra premium).

Note: If you get extra help paying your drug costs, you won't have a coverage gap. However, you will probably have to pay a small copayment or coinsurance amount.

3. Convenience

Medicare drug plans must contract with pharmacies in your area. Check with the Medicare drug plan to make sure your pharmacy or a pharmacy in the plan is convenient to you. Also, some Medicare drug plans may offer a mail-order program that will allow you to have drugs sent directly to your home. You should consider all of your options in determining what is the most cost-effective and convenient way to have your prescriptions filled.

4. Peace of Mind Now and in the Future

Even if you don't take a lot of prescription drugs now, you still should consider joining a Medicare drug plan. As we age, most people need prescription drugs to stay healthy. Joining gives you peace of mind knowing you have coverage if your drug needs change. For most people, joining when you are first eligible also means you will pay a lower monthly premium in the future since you may have to pay a late enrollment penalty (higher premium) if you choose to join later. You will have to pay this penalty as long as you have a Medicare drug plan.

If you reach the point where you have spent \$3,850 (in 2007) out-of-pocket for drug costs during the year, the Medicare drug plan will pay most of your remaining drug costs. This protection could start even sooner in some Medicare drug plans.

Here are some common situations that might affect why these differences are important to you.

If you...	You might want a Medicare prescription drug plan that...	You might want to...
...take specific prescription drugs that are important to your health.	...covers the drugs you are taking now.	...look at drug plans that have included your drugs on their formularies, then compare costs.
...want extra protection for high prescription drug costs.	...has a higher than average initial coverage limit and/or provides some coverage during the coverage gap.	...look at plans that offer better than the standard coverage after your costs total \$2,400.
...want your drug expenses to be balanced throughout the year.	...has a zero or low deductible, so you aren't paying a lot out-of-pocket at the beginning of the year.	...look at plans with low deductibles.
...use a lot of generic medicines.	...offers generic medicines for a lower coinsurance or copayment than brand names.	...look at plans with tiers that charge you nothing or low copayments for generic prescriptions.
...don't have many drug costs now, but want coverage for peace of mind and to avoid future penalties.	...gives you the lowest premiums.	...look for plans with zero or low monthly premiums for drug coverage. If you need prescriptions in the future, all plans still must cover drugs in all categories.
...like the extra benefits and lower costs that you might get by getting your health care and prescription drug coverage from one plan.	...is included as part of a Medicare Advantage Plan (like an HMO or PPO).	...look for Medicare Advantage Plans with prescription drug coverage.

Where can I get help?

To help you compare Medicare drug plans, think about what you need in terms of cost, coverage, convenience, and peace of mind now and in the future. Then, use one of the resources below to help you find a Medicare drug plan that meets your needs.

- the “**Medicare & You**” **handbook** mailed to you. It has information about Medicare prescription drug coverage, including which plans are available in your area.
- **www.medicare.gov** on the web. Under “Search Tools,” select “Compare Health Plans and Medigap Policies in Your Area.” To get personalized drug information, all you need is the following information:
 - Your Medicare card that has your Medicare number and Medicare effective date (Part A or Part B)
 - Date of birth
 - Last name
 - ZIP code

To get general Medicare drug plan information or to find out what plans are available in your area, just answer a few simple questions. You can also enter your current prescription drug information to get more detailed cost information.

Note: This tool provides useful information to help you review Medicare drug plans based on your current drug needs. The drug costs displayed are estimates and may vary based on the specific quantity, strength and/or dosage of medication, whether you buy your prescriptions at the pharmacy or through mail order, and the pharmacy you use.

In addition to your current drug needs, it’s also important to consider the insurance value of Medicare prescription drug coverage. Joining now gives you peace of mind since the coverage will be there even if your drug needs change in the future. Remember, any time you spend more than \$3,850 (in 2007) out-of-pocket in a year, Medicare will pay almost all of your remaining drug costs.

Where can I get help? (continued)

- **1-800-MEDICARE** (1-800-633-4227). TTY users should call 1-877-486-2048.

At Medicare, we are always working to improve our service to you. The 1-800-MEDICARE helpline has replaced the touch-tone system with a speech-automated system to make it easier for you to get the information you need 24 hours a day, including weekends.

The system will ask you questions that you answer with your voice to direct your call automatically. Remember to speak clearly, call from a quiet area, and have your red, white, and blue Medicare card in front of you.

- call your **State Health Insurance Assistance Program** for free personalized counseling (check the back cover of your “Medicare & You” handbook for the telephone number in your state).

What should I do before making a decision?

Each year you have the opportunity to join or switch Medicare drug plans from November 15—December 31. As you make a decision about your health and prescription drug coverage, remember to do the following:

- Review your current health and prescription plans. Health and drug plan benefits and costs can change each year. Look at other plans in your area to see if one may be a better choice for you. If you want to keep your current plan, you don’t need to do anything for your enrollment to continue.
- Sign up as soon as possible if you’re going to make a change. It will help avoid any inconvenience at the pharmacy in January.

When can I join?

You can join or change a new Medicare drug plan from November 15—December 31 each year, and the new coverage will start January 1 of the following year. Once you join a Medicare drug plan you are generally enrolled for a calendar year. For most people, joining when you are first eligible means you will pay a lower monthly premium. Waiting to join may mean paying a late enrollment penalty. For more information about the penalty, see your “Medicare & You” handbook, visit www.medicare.gov on the web, or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

What should I do next?

Once you choose a Medicare drug plan, you will need to join. You may be able to join a Medicare drug plan in the following ways:

- **By paper application.** Contact the company offering the Medicare drug plan you choose and ask for an application. Once you fill out the application, mail or fax it back to the company.
- **On the plan’s website.** Visit the Medicare drug plan company’s website. You may be able to join online.
- **On Medicare’s website.** You may also be able to join a drug plan at www.medicare.gov on the web using Medicare’s online enrollment center.
- Medicare drug plan participation in Medicare’s enrollment center is voluntary, so not all Medicare drug plans will offer this option.
- **By calling the plan.** Call the company offering the Medicare drug plan you choose and tell them you want to join.
- **By calling 1-800-MEDICARE.** Call 1-800-MEDICARE (1-800-633-4227) and tell them the name of the Medicare drug plan you want to join. TTY users should call 1-877-486-2048.

What information do I need to join a Medicare drug plan?

You will need the following **required** information to complete your enrollment in a Medicare drug plan:

- Information about you (like your name, birth date)
- Permanent street address
- Information found on your Medicare card
- Plan premium payment option
- Other insurance information

The following **optional** information may be asked of you when you join a Medicare drug plan, but it isn't required to process your enrollment:

- Social Security number
- E-mail address
- Name and contact information of an emergency contact
- Name, address, and telephone number of nursing home or institution you may live in

What happens next?

Once your enrollment is approved, the company offering the Medicare drug plan will send you specific materials you will need. These materials include a membership card, member handbook, a list of covered drugs, a pharmacy provider directory, complaint and appeal procedures, and other important information about your plan.

CMS Pub. No. 11163
Revised May 2007