

Medicare Part D



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Introduction

- The 2003 Medicare Prescription Drug, Improvement and Modernization Act (MMA)
 - Title I includes Prescription Drug Plans
 - Title II includes Medicare Advantage

Introduction (cont.)

- Part D provides drug coverage to all individuals over 65 or otherwise eligible due to disability
- Becomes effective January 1, 2006
- Part D is not a discount card
 - Excludes those drugs for which payment would be available under Medicare Parts A and B

Part D Highlights

- Covers over-65 and those otherwise Medicare eligible due to disability
- Part D is voluntary
 - warning- if eligible and decide not to enroll then subject to penalty of up to 1% per month
- Initial Open Enrollment begins November 2005 and continues until May 2006

Highlights (cont.)

- Part D plans are one year plans currently set to renew each February
- Current premium is set at \$37 per month
 - Industry talk thinks it may go as high as \$40-\$45 when finally implemented

Standard Plan Details

- \$250 deductible
- Medicare pays 75% from \$250.01 to \$2,250
- No coverage from \$2,250.01 to \$5,100
- Medicare pays 95% after \$5,100 (assuming TrOOP of \$3,600)

Drugs Excluded

- Currently excluded or restricted are anorexia/weight loss/gain; fertility; cosmetic/hair growth; cough/cold medicine; prescription vitamins except prenatal; OTC drugs; barbiturates; benzodiazepines
- Those otherwise eligible under Medicare Parts A and B

Formularies

- Plans must have two drugs from each therapeutic class or category
- Formularies reviewed and approved by CMS for adequacy
- Should formulary change, plan must provide 60 day notice to beneficiary (unless due to recall)

Part D and Retiree Benefits

- Plans have a number of options
 - Maintain status quo and apply for federal subsidy
 - Make individual Part D primary and provide a supplement
 - Become a PDP or contract with one
 - Drop retiree coverage

Retiree Benefits (cont.)

- At a minimum plans must determine creditable coverage status of the individuals and send notice of part D benefits
 - CMS has the forms on the web
 - Notices must go out prior to the November 15, 2005 initial Open Enrollment period

Subsidy

- Feds want to encourage plans to continue offering drugs to retirees
- Tax free
- Currently equal to about 28% of eligible costs between \$250 and \$5,000 up to a \$1,330 maximum
 - Again does not include cost for drugs not covered by Part D

Subsidy (cont.)

- Plan must be at least actuarially equivalent to Part D (see later slide)
- Beneficiaries may not enroll in Part D (those who do can't count)
- Potentially low cost option and ease of administration
- Good stop-gap measure to use while studying other options

Actuarial Equivalence

- Gross test is a basic evaluation and compares a plan's benefit to the standard Part D benefit
- Net test is a bit more detailed and takes into account other factors such as beneficiary contribution and compares that to Part D benefits
- When utilizing the subsidy plans must submit actuarial certification

Wrap Around-Supplemental Plan

- Similar in principle to a Medicare Supplement policy
- Retirees must enroll in two plans, the individual Part D and the wrap
- Runs the risk of communication problems especially with coordination of benefits
- Beneficiary needs to understand interplay between Part D and wrap

Wrap (cont.)

- Typical plan would fill in the gaps where no coverage is available
- Plans can decide what level they provide benefits, i.e. 50%, 75%, and price accordingly

PDP Sponsor Option

- Usually the most expensive and technical of options
- Must contract with CMS to be approved national or regional PDP
- Complex relationship with CMS and subject to government auditing, bidding processes, reporting etc.
- usually best for larger entities that can spread cost

Drop Retiree Coverage

- Possible alternative when retiree pool is small and current plan is not actuarially equivalent
- Low cost alternative but beware of possible retiree reaction and impact on current and future employees

Important Dates

- June 6, 2005- plan bids are due
- July 15, 2005- last date to receive favorable ruling on denied application
- September 1-14, 2005- CMS signs approved contracts
- October 13- CMS comparative website goes live
- November 15, 2005- Open Enrollment begins