



A Union of Professionals

AFT Retirees

Program on Retirement and Retirees

OVERVIEW INTRODUCTION TO MEDICARE PART D FOR PEOPLE WITH MEDICARE

By now most Americans are aware that Medicare’s new prescription drug plan, typically referred to as Medicare Part D, will start Jan. 1, 2006. The purpose of this notice is to help you evaluate your choices and learn how this new program may affect you.

GENERAL INFORMATION

First, it helps to understand that the Part D prescription drug program will work differently from Medicare. Drug benefits won’t be provided directly by Medicare. Instead, to get Part D coverage, you must choose a plan from a private company or entity approved by Medicare to offer a Part D plan in your area. Each Part D plan may cover different drugs within specific required categories and have different co-pays and deductibles, but its cost-sharing must be mathematically equal to the standard Medicare Part D sharing.

Second, to be eligible for coverage, you generally must be covered by Medicare Part A and/or Part B. You are eligible for Part A and B if you are over age 65 or older and you or your spouse worked and paid Medicare taxes for at least 10 years. You are also eligible if you have received Social Security Disability benefits for two or more years, or if you have End Stage Renal Disease (ESRD), a type of kidney disease. Even if you don’t have Social Security coverage, you are eligible for Part D if you have purchased Part A or Part B benefits.

Third, you will pay a separate premium for the Medicare Part D coverage. The monthly premium for standard coverage will be about \$32 per month in 2006, or \$384 for the year. This premium will vary by geographic location. More complete – and more costly – coverage also will be available in most areas.

Fourth, in many situations, you will not need both Part D and drug coverage under a health plan. You should choose one or the other.

Fifth, if you decide Part D is right for you, you need to contact Medicare to enroll in the program. **Enrollment is not automatic.**

Part D Plan Design and Beneficiary Cost Sharing

Actual Drug Costs	Beneficiary Pays Up To	Medicare Pays	Cumulative Beneficiary Out-of-Pocket Cost
\$0-\$250	\$250	0	\$250
\$251-\$2,250	\$500 (25%)	\$1,500 (75%)	\$750
\$2,251-\$5,100	\$2,850 (100%)	0	\$3,600
\$5,101 +	About 5%	About 95%	\$3,600 +

THINGS TO DO

Before deciding whether or not to choose Part D coverage, you may want to:

Read through the questions and answers below.

Talk with your doctor, your pharmacist, your union, your health plan representative and knowledgeable family members.

Read the 2006 Edition of *Medicare & You*, which Medicare will be sending you in October 2005. You can find additional information on Medicare's Web site (www.medicare.gov) starting in the fall.

Read the information provided by the Part D plans in your area. The Part D plans will be listed in *Medicare & You*.

Visit Medicare Interactive (www.medicareinteractive.org/aft), a special Web site the AFT and the Medicare Rights Center have created to provide online information about Medicare to AFT members and their families.

FREQUENTLY ASKED QUESTIONS

1. What Information Do I Need To Compare Prescription Drug Plans?

You should make a list of the names of the drugs you now take and the dosage, your monthly premium for coverage, your co-pays or co-insurance amounts, the actual cost of the drug, and how many times you refill the prescription each year.

2. What Should I Consider when I Compare Prescription Drug Plans?

You should make sure that the pharmacy you use is in the plan you are considering and that the drugs you take are covered. If there is a formulary (a list of drugs the plan covers), see if the drugs you take are on the formulary as that will usually reduce your costs. Then compare the Part D plans you are considering and your plan's premiums, deductibles, co-pays and co-insurance amounts.

3. What about other Prescription Drug Coverage I Have?

If you already have coverage through your former employer, your state, your pension system, TriCare, Veteran's Affairs or the Federal Employee Health Benefits Program, compare the drugs on the formulary, the co-pay or co-insurance amounts, and the premium under that plan with the Part D plan(s) you are considering. Also check with your local union or plan representative to see if your plan is making any changes for 2006. Many drug plans provided by employers, unions, states, pension systems and the federal government provide more complete coverage than Part D will provide.

VERY IMPORTANT NOTE: If you have a Medicare Supplement policy that has drug benefits, you may not purchase Part D unless you change your Medicare Supplement policy to a medical only benefit. Please Note: Most Medicare Supplement policies with drug coverage provide less complete coverage than Part D coverage.

4. Will My Part D Plan Cover My Spouse?

No. Each individual must qualify separately and purchase his or her own coverage.

5. When Can I Sign Up for Part D Coverage?

You can enroll in Part D between Nov. 15, 2005, and May 15, 2006. If you enroll between Nov. 15 and Dec. 15, 2005, your Part D coverage will start on Jan. 1, 2006. If you enroll between Jan. 1 and May 15, 2006, your Part D coverage will start on the first day of the month following the month in which you enrolled.

6. How often Can I Change Part D Plans?

Once a year from Nov. 15 to Dec. 31. Coverage will begin on the **following** Jan. 1. You will be asked to switch Part D plans during the year if you move out of the service area of your Part D plan.

7. What Happens if I Choose a Part D Plan and then Want to Go Back to an Employer, Union, State or Federal Plan?

This will vary from plan to plan. Check with your union, former employer or state or federal plan to see if you can return without penalty. Some plans may not allow you to re-enroll once you have dropped coverage.

8. What Happens if the Part D Plan I Chose Goes Out of Business during the Year?

Part D plans sign a contract with Medicare, so this is not likely to happen unless the plan has serious financial problems. If you involuntarily lose your Part D plan coverage during the year because your Part D plan goes out of business, you will be asked to enroll in a different Part D plan.

9. What Happens if I Don't Sign up for a Part D Plan during the Enrollment Period?

If you have no drug coverage or coverage that is less complete than Medicare Part D's, you will have to pay a penalty of 1 percent per month for every month after May 2006 that you are not enrolled in Part D. Once you do enroll in Part D, this penalty will be imposed on every monthly premium you pay for as long as you stay in a Part D plan. For example, if you do not enroll for Part D until May 2008 (24 months late), you will pay a 24 percent penalty on each month's premium as long as you are in a Part D plan.

There is a very important exception to this penalty, however. If you have drug coverage provided by your union, former employer, a state system or a federal plan that is at least as good as Part D coverage, you will not pay the penalty if you choose to enroll later. This type of comparable coverage is known as "creditable coverage." If you later lose or drop this creditable coverage or it is reduced below the Part D standard, you will have 63 days from the date your coverage ends or the benefit is reduced to sign up for Part D without penalty.

10. How Will I Know if my Other Coverage Is Creditable?

By Nov. 15 your plan must send you written notice stating whether or not your current prescription drug coverage is creditable.

11. Can I Drop Medicare Part D and then Get Back in?

Yes, but you will have to pay the 1 percent monthly penalty if you go without having either Part D or creditable coverage for 63 or more days. You also will have to wait to re-enroll until the next enrollment period.

12. What Drugs Will the Part D Plan Cover?

Each plan must cover the same categories of drugs but may choose different drugs to cover within that category. Part D plans also may include different drugs on their formulary. (Drugs included on the formulary usually have a lower cost to you than drugs not on the formulary.) No Part D plan will be required to cover drugs used for cosmetic purposes, hair growth or infertility, inpatient drugs or those administered in a hospital or doctor's office (because these are typically covered by Part A or Part B), sleeping pills, prescription vitamins or non-prescription drugs.

13. Will Drugs from Canada or other Countries Be Covered?

No. Only drugs sold in the United States are eligible for coverage.

14. How Often Can a Part D Plan Change the Drugs It Covers?

There are no limits on how often the drug plan can change the drugs it covers, but it must give people who are using the drug 60 days' advance notice if it removes the drug from the formulary or if it no longer covers the drug. You may continue to receive the drug at the formulary rate during the 60-day notice period.

15. What Can I Do if a Drug I Am Taking Is Removed from the Formulary?

You may request a "formulary exception" from the plan if your doctor believes it is medically necessary for you to receive that particular drug.

16. Can Medicare Part D Premiums Be Deducted from Social Security Checks?

Yes, unless you and your employer are sharing the cost of the Part D premium. If you and your employer are sharing the cost of the premium, your employer will collect your part of the cost from you and send the total amount to the Part D plan.

17. Is There Help for Low-Income Retirees?

Yes. If you already have both Medicare and Medicaid, you will automatically receive low-income assistance. If you don't qualify for Medicaid, you may still qualify for some assistance if your income is below \$14,355 for an individual or \$19,245 for a couple. If you think you qualify, contact your local Social Security Administration office or your state Medicaid office.

18. If I Don't Have other Drug Coverage, Should I Choose Part D Coverage?

If you have no drug coverage at all, you most likely should choose Part D even if you use few or no drugs now, simply because it will insure you against catastrophic drug needs. It will also save you from paying a penalty if you later decide you want Part D coverage.

19. If I Have other Drug Coverage, Should I Take both that Coverage and Part D Coverage?

In almost all cases, if the other coverage is "creditable," the answer is No. Coverage in addition to Part D will increase the amount you personally must pay (called the "true out-of-pocket," or "TROOP") before the catastrophic Part D benefit applies, so in most cases the benefit you would receive from double coverage will not exceed the premiums you will have to pay for both coverages. If your other plan is providing coverage that is not "creditable," however, you probably should purchase Part D. In that case you may want to drop your other coverage unless your employer, union or governmental plan advises you to purchase Part D and that it is providing coverage that "wraps around" Part D.

KEY DATES

Oct. 1, 2005	The first day for private companies to release details of their Part D drug plans. <i>Medicare & You</i> sent to all enrolled in Medicare this month.
Nov. 15, 2005	Medicare Part D enrollment begins. The date by which your employer, union, or state or federal plan must tell you if its coverage is creditable (at least as good as Part D coverage).
Jan. 1, 2006	Part D drug program begins (if the beneficiary enrolled by Dec. 31, 2005).
May 15, 2006	The last day of 2006 enrollment in a Part D drug plan without incurring a late enrollment fee (unless your employer/state/federal plan has notified you that your coverage is creditable, in other words, it meets or exceeds Part D coverage).
Nov. 15, 2006	Enrollment period for 2007 Medicare Part D plans begins. Start of period when individuals with 2006 Part D drug plans can switch plans for 2007.
Dec. 31, 2006	The last day members of 2006 Part D drug plans can switch Part D plans for 2007.

RESOURCES

AFT Contacts

John Abraham, Deputy Director of Research (202/879-4582)

Frank Stella, Director of AFT Retirees (202/879-4526)

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Medicare

- Medicare Helpline: 1-800/633-4227; TTY users call 1-877/486-2048
- Medicare Web site: www.medicare.gov
- *Medicare & You*: Official Medicare Handbook, 2006 edition available October 2005
- *Your Guide to Medicare Prescription Drug Coverage*: On the Medicare Web site or call the Medicare Helpline to order a copy
- The retiree health plan administrator
- AFT Medicare Interactive: www.mdicareinteractive.org/AFT
- Medicare Rights Center www.medicarerights.org; 212/869-3850
- Alliance for Retired Americans www.retiredamericans.org; 202/974-8222

Before You Decide To Sign Up for Medicare Part D

Have you?

- ◆ Made a list of the drugs and dosages you take now and the number of times a year you refill each prescription?
- ◆ Spoken with your doctor about any changes in the next year in either the dosages or drugs you are now taking?
- ◆ Checked each Part D plan to see if it offers the drugs and dosages you need and the pharmacy you prefer?
- ◆ Contacted Medicare (1-800/633-4227, www.medicare.gov) with any unanswered questions?
- ◆ Read the 2006 edition of *Medicare and You?*

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*(If you have drug coverage through your former employer
or a state or union plan)*

- ◆ Checked the notice of creditable coverage provided by your union, state system, federal plan or former employer to see if your current coverage is as good as or better than the standard Part D plan?
- ◆ Compared the cost of your coverage with Part D plan options?
- ◆ Checked whether any changes in your drug plan are likely in 2006 that would make taking Part D a better choice?
- ◆ Determined whether you could return to your current drug plan if you changed your mind after dropping it and choosing Part D?

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- ◆ Visited the AFT Medicare Interactive Web site (www.medicareinteractive.org/aft) for additional questions you may have?
- ◆ Spoken with a family member or trusted and knowledgeable friend before you made a final decision?

REMEMBER: *If you have no coverage or your current coverage is not as good as that of the Part D plans, you will pay a 1 percent penalty for each month you fail to sign up after May 15, 2006.*



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