

PREPARING FOR THE NEW MEDICARE DRUG BENEFIT

Starting January 1, 2006 Medicare will offer for the first time in its 40-year history coverage for prescription drugs. The coverage, which is called Medicare Part D and is voluntary, will be available to all people with Medicare, regardless of income level and resources, pre-existing conditions, or current prescription expenses, according to the Centers for Medicare & Medicaid Services (CMS).

Open enrollment for 2006 Part D coverage, which may cost less than \$20 per month for some plans, begins in November and runs through May 15, 2006. Companies that were approved by CMS in late September to offer such plans along with consumer advocacy and other institutions began a massive information blitz starting in October.

In essence, the Medicare Part D plan is insurance provided by private companies. According to CMS, eight insurance companies will offer coverage nationwide, while other insurers will offer coverage regionally. Beneficiaries will have at least 11 plans to choose from and those in larger states, such as New York and Texas, will have a choice of about 20 plans. The eight companies offering nationwide coverage are Aetna Life Insurance Company, Connecticut General Life Insurance Company, Memberhealth, Pacificare Life and Health Insurance Company, Silverscript Insurance Company, Unicare, United Health Care Insurance Company and Wellcare Health Plans.

As with any insurance program, the plans offered by CMS-approved companies may differ in terms of costs and coverage so it's important that you comparison shop. For instance, each Part D drug plan will have a government-approved list of drugs it covers, often called a formulary or a preferred-drug list. But the formulary will vary from plan to plan so you should compare plan formularies to see which one fits your needs best. Another difference might be what pharmacies you can use. If you join a Part D plan and you use the plan's network of pharmacies, you will likely receive discounted prices on prescription drugs. Medicare prescription drug coverage can help you by covering both brand name and generic prescription drugs at participating pharmacies.

Given the vast choice in plans, consumers are well advised to seek out the help of trusted advisers, including physicians and pharmacists. Purchasing Medicare Part D is as much a financial decision as it is a health-care decision. You will be able to change plans once per year.

Medicare beneficiaries should also take note of the fact that the new prescription drug plan is open to all people with Medicare. But Medicare Part D prescription drug coverage will work differently from Medicare Part A and Part B. To get coverage, you'll choose a plan from a private company approved by CMS. And you will have to pay a monthly premium, over and above any premiums you pay for Medicare Part B coverage or Medigap insurance plans, to participate in the plan.

The Medicare Part D plans come in two basic types: the most simple is the prescription drug benefit or PDP plan, which covers only drugs and can be used with your traditional Medicare and or Medicare supplement plan. The other type combines a prescription drug plan with a Medicare Advantage plan which includes medical coverage for doctor visits. If you already have good drug coverage through a retiree plan or Medicare Advantage Plan, Medicare can provide help for its cost.

If you already have prescription drug coverage, you will likely want to compare the plan you have now with the new plans being offered under Part D. If you don't have coverage now, it's important for you to look at Part D plans.

A typical person with Medicare could see his or her total drug expenses drop by about 50 percent, according to CMS. Don't, however, expect free drugs. For each prescription you'll pay a portion of the cost. Qualified people with limited income and resources will, however, have almost no drug expenses. And, if you have high out-of-pocket prescription drug costs, Medicare will pay 95 percent of your prescription drug costs, after you pay \$3600.

Of note, if you don't sign up with a plan by May 15, you may have to pay a penalty. The late enrollment fee is about 1 percent of your premium for each month you delay and you'll pay it for as long as you stay in a Part D program. Your next chance to enroll will be November 15 through December 31 of each year. Even if you do not need a lot of prescription drugs now, it's still good to consider joining. As people age, they need prescription drugs to stay healthy.

You can learn more about this historic addition to Medicare at the following Web sites: AARP, www.AARP.org; Medicare, www.Medicare.gov; Social Security, www.SocialSecurity.gov; Kaiser Family Foundation, www.KFF.org; State Health Insurance Assistance Program, www.shiptalk.org; Medicare Rights Center, www.Medicareinteractive.org; and National Council on Aging, www.benefitscheckup.org.

CMS recommends keeping an eye out for community meetings on the subject of Medicare Part D. Also, CMS notes that more detailed information about Medicare Part D is being mailed to beneficiaries.

October 2005— This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by local member Bill Rodau, MS, MBA, CFP® at *Creative Financial Services*, 262-820-0870, www.cfsfeeonly.com. The column is provided for your general information only and you should contact this planner or other professionals for specific advice regarding your unique situation.