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**U.S. RAILROAD RETIREMENT BOARD**

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## **Medicare Prescription Drug Plans**

Persons covered by the railroad retirement system participate in the Federal Medicare program on the same basis as those under the social security system. And, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 affects railroad retirement annuitants in the same manner as social security beneficiaries.

As a result of the Act, on January 1, 2006, Medicare will offer voluntary insurance coverage for prescription drugs through Medicare prescription drug plans and other health plan options. Insurance companies and other private companies will work with Medicare to provide a choice of drug plans that must meet, at the least, a minimum standard of coverage as determined by Medicare. These plans are different from the Medicare-approved drug discount cards that became available in May 2004 and which will be phased out as the new drug plans become available.

The following questions and answers explain how Medicare prescription drug plans work and other aspects of the drug plans. They are based on information provided by the Centers for Medicare & Medicaid Services (CMS), the Federal agency responsible for administering the Federal Medicare program.

### **1. How does a Medicare prescription drug plan work?**

Enrollment in a Medicare prescription drug plan is voluntary. (However, Medicare beneficiaries may have to pay a higher premium if they wait to enroll.) To enroll, beneficiaries must have Medicare Part A and/or Part B and, generally, will pay a monthly premium (estimated at an average of \$32.20 in 2006) and an annual deductible of up to \$250. The beneficiary's plan will pay 75 percent of drug costs between the deductible and \$2,250. Beneficiaries will pay drug costs from \$2,251 until their out-of-pocket costs reach \$3,600. The beneficiary's plan will then pay 95 percent of drug costs above \$3,600 for the rest of the calendar year.

While Medicare prescription drug plans will vary, all drug plans will offer coverage that, at the very least, meets Medicare's minimum standard of coverage as described above. Some plans might offer more coverage and additional drugs for a higher monthly premium. Medicare beneficiaries should compare Medicare prescription drug plans and select the drug plan that best meets their needs.

Beneficiaries must contact the plan they want to join and ask how to enroll. They may be able to enroll by telephone, mail, fax or via the Internet. They can also enroll in a plan by using the Medicare Prescription Drug Plan Finder at Medicare's Web site [www.medicare.gov](http://www.medicare.gov) or by calling Medicare's toll-free number 1-800-MEDICARE (1-800-633-4227).

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## **2. What types of prescription drugs will be covered by Medicare prescription drug plans?**

Most Medicare prescription drug plans will have a formulary, which is a list of the prescription drugs that the plan covers. Drug plans will cover generic and brand name drugs and may have rules about what drugs are covered in different categories.

When drug plans get new information, they can change their formulary as long as it continues to meet Medicare's requirements. Drug plans must let a beneficiary know at least 60 days before a drug that he or she uses is removed from a formulary or if a drug's cost is changing. If a beneficiary's doctor thinks the beneficiary needs a drug that is not on the formulary, or if one of the beneficiary's drugs is being removed from the formulary, the beneficiary, or his or her doctor, can apply for an exception or appeal the decision.

## **3. When can people enroll in a Medicare prescription drug plan?**

When people first become eligible for Medicare, they can enroll in a Medicare prescription drug plan during the period that starts 3 months before the month they turn age 65 and ends 3 months after the month they turn age 65.

Railroad retirement annuitants receiving benefits due to total and permanent disability or due to occupational disability (if they have been granted a disability freeze) can generally join a plan during the period that begins 3 months before and ends 3 months after their 24<sup>th</sup> month of cash disability benefits. Railroad retirement annuitants receiving benefits due to occupational disability who have not been granted a disability freeze are generally eligible to join a drug plan at age 65. (The standards for a freeze determination follow social security law and are comparable to the medical criteria for granting total disability.)

Current Medicare beneficiaries can enroll in a Medicare prescription drug plan from November 15, 2005, through May 15, 2006. This is called the "initial open enrollment period." Coverage will begin on January 1, 2006, for beneficiaries who join by December 31, 2005. If a beneficiary joins after December 31, 2005, during this initial period, his or her coverage will be effective the first day of the month after the month he or she joins. **Beneficiaries who do not join a Medicare prescription drug plan when they are first eligible may have to pay a higher premium if they choose to join a plan later.** They will have to pay this higher premium for as long as they have a Medicare prescription drug plan.

After this initial open enrollment period, Medicare beneficiaries can join or change to a different plan during an "open enrollment period" from November 15 through December 31 each year. Coverage will begin January 1 of the following year. Under special circumstances, beneficiaries may be able to join a Medicare prescription drug plan at times other than those listed above.

## **4. How does a Medicare prescription drug plan work with a beneficiary's Medicare health care plan?**

Beneficiaries can get Medicare prescription drug coverage in one of two ways. They can get a Medicare prescription drug plan that adds coverage to the health care provided by the Original Medicare Plan, and some Medicare Cost Plans and Medicare Private Fee-for-Service Plans. These

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prescription drug plans will be offered by insurance companies and other private companies approved by Medicare.

A second option allows beneficiaries to get Medicare prescription drug coverage as part of Medicare Advantage Plans and other Medicare Health Plans. Beneficiaries would get all of their Medicare health care through these plans.

#### **5. How can beneficiaries pay their Medicare prescription drug plan premiums?**

Each month, Medicare prescription drug plans will send beneficiaries a bill for their premiums. Generally, beneficiaries can pay for their premiums by check or money order, or by having the amount of their premiums automatically withdrawn from their bank accounts.

In the future, railroad retirement annuitants will be able to have their drug plan premiums deducted from their railroad retirement annuities. **Even though this payment option is not currently available, the eligibility of railroad retirement annuitants to enroll in Medicare prescription drug plans is not affected.**

#### **6. Can beneficiaries get help to pay for a Medicare prescription drug plan?**

Yes. Medicare beneficiaries with limited income and resources (including their savings and stocks, but not counting their home or car) of less than \$11,500 in 2005 for a single individual or \$23,000 in 2005 for a married individual (who lives with his or her spouse) may qualify for extra help to pay for their drug plan's monthly premium, annual deductible, and prescription copayments. The amount of assistance a beneficiary receives depends on his or her income and resources.

#### **7. What if a beneficiary already has prescription drug coverage?**

Beneficiaries who already have prescription drug coverage from other insurance, such as a Medigap (Medicare Supplement Insurance) policy or coverage provided by an employer or union, can keep that coverage. If that coverage offers the same or better benefits than Medicare's minimum standard of coverage, beneficiaries will **not** have to pay a higher premium to join a Medicare prescription drug plan at a later date.

In many cases, beneficiaries will receive a notice from their other insurance provider telling them if their current prescription drug plan covers as much or more than a Medicare prescription drug plan. Beneficiaries who do not receive a notice should check with their other provider to see how their coverage compares to a Medicare prescription drug plan. Beneficiaries whose current drug coverage is not as good as a Medicare prescription drug plan should contact their other insurance provider to find out about their coverage options before they make any changes to their prescription drug coverage.

#### **8. How are Medicare Prescription Drug Plans different from Medicare-approved drug discount cards?**

Medicare prescription drug plans are insurance provided by private companies. Like other insurance, beneficiaries pay a monthly premium, an annual deductible and a copayment or coinsurance for their prescriptions.

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The Medicare-approved drug discount cards that became available in May 2004 work like grocery store or other pharmacy discount cards that allow beneficiaries to get a discount on their prescriptions at the pharmacy. The cards were intended as a temporary discount program to help people without outpatient prescription drug insurance until the Medicare prescription drug plans became available.

**9. Are Medicare-approved drug discount cards still available?**

Yes. Medicare beneficiaries who do not have outpatient prescription drug insurance through Medicaid can sign up for Medicare-approved drug discount cards until December 31, 2005. Beneficiaries can continue to use their drug discount cards until May 15, 2006, or until they join a Medicare prescription drug plan, whichever is first. Once a beneficiary has a Medicare prescription drug plan, he or she can no longer use a Medicare-approved drug discount card.

**10. Is more information about Medicare prescription drug plans available?**

Yes. More information about Medicare prescription drug plans is available from the CMS publications *Medicare and You 2006* and *Your Guide to Medicare Prescription Drug Coverage*. CMS mailed copies of *Medicare and You 2006* to Medicare beneficiary households in October 2005. These publications, and others, are also available by calling the Medicare toll-free number 1-800-MEDICARE (1-800-633-4227) or by visiting Medicare's Web site at [www.medicare.gov](http://www.medicare.gov).

Persons can also use Medicare's toll-free number and Web site to get free personalized information to help them choose a Medicare prescription drug plan. Free personalized counseling is also available from a State Health Insurance Assistance Program (SHIP). Individuals can check *Medicare and You*, call Medicare's toll-free number or access its Web site to learn how to contact their nearest State Health Insurance Assistance Program.

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