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Plain Talk about the Medicare Part D Deadline

By **Christine Martin**

In the news: understanding the new Medicare prescription drug benefit

Trying to help aging parents or others figure out the new Medicare prescription drug benefit before the May 15 deadline to sign up? The Medicare Modernization Act of 2003 made prescription drug coverage available to senior citizens and other Medicare recipients effective January 1, 2006, but it did not make it easy. Confusion abounds in part because there is no single Medicare prescription drug plan. Instead, seniors are being asked to join one of dozens of private-sector health insurance plans approved by Medicare and offered across the country. This article covers some of the highlights that seniors need to know as the May 15 deadline for signing up without a penalty approaches.

Penalty for not signing up by May 15: one percent of premium per month of delay

May 15 is the deadline to sign up for Medicare prescription drug coverage, also known as Medicare Part D, for coverage effective in 2006. May 15 also is the last day to enroll without penalty. Enrollment resumes November 15 for coverage effective January 1, 2007. But those who wait until November face a penalty of one percent of their monthly premium for every month they delay. For example, the average monthly premium for most Medicare prescription drug plans is about \$32. If a senior citizen does not enroll until January 1, 2007, and his monthly premium is the average (\$32), he will pay an additional \$2.24 per month (32 cents multiplied by the seven months between June 1 and January 1) for the rest of his life.

Plans have to meet Medicare standards, but some are more generous – and more expensive; beware of the “hole in the donut”

Companies that are marketing Medicare Part D plans have to meet Medicare actuarial standards. Certain features are standard, but some plans, often marketed as “enhanced” plans, are more generous—and more expensive. In general, the plans work as follows:

- An annual deductible of \$250 is standard, but some “enhanced” plans have none.
- After the \$250 deductible, Medicare pays 75 percent of annual drug costs until the total reaches \$2250 (i.e., the consumer pays the \$250 deductible plus 25 percent of the next \$2000, or \$500)
- Standard plans offer no coverage after total annual drug costs reach \$2250. But coverage resumes when annual drug costs reach the “catastrophic” level of \$5100. This coverage gap of \$2850 (\$5100 - \$2250) is commonly referred to as the “hole in the doughnut.” It requires consumers to foot the entire bill for \$2850 in annual drug costs after their insurance plan has helped to pay for the first \$2250.
- Standard plans pay 95 percent of drug costs after annual drug costs exceed \$5100. *The “hole in the doughnut” means that Medicare pays for catastrophic drug coverage (i.e., annual drug costs of more than \$5100) only after a senior pays more than \$3600 per year (\$300 per month) in “out-of-pocket” drug costs.*

Some low-income people qualify for extra help with premiums, deductibles, and co-payments; apply to the Social Security Administration

Some senior citizens and others qualify for government help that reduces or eliminates their premiums, deductibles, and

co-payments for Medicare prescription drug coverage. In general, single individuals with incomes of less than \$1245 per month and assets of less than \$11,500 (excluding home and car) qualify for “extra help” with their Medicare Part D expenses. For couples, the monthly income limit is \$1690 and the asset limit is \$23,000. Apply to the Social Security Administration for this extra help. Ask for Form 1020. Or see www.ssa.gov/prescriptionhelp. Also see www.benefitscheckup.org, a web site run in part by the National Council on the Aging.

Some states also offer pharmaceutical assistance plans. Contact your local Office on Aging or visit the [Medicare web site](#) to locate a State Health Insurance Program (SHIP) counselor who can help.

How to choose a Medicare prescription drug plan that’s right for you

Gather the prescription drugs you are taking now. It may be helpful to refer to your actual drug containers because you will need exact dosage information. Use the Medicare web site (www.medicare.gov) to find a plan that covers your drugs at your dosage. Once on the Medicare web site, go to “Compare Medicare Prescription Drug Plans” and then to “Where Would You Like to Begin.” Click on “Find a Medicare Prescription Drug Plan.” After you enter your zip code and any preferred pharmacy, you will see a grid that outlines the Medicare-approved plans doing business in your area that cover the drugs that you take. Included for each plan will be an estimated annual cost, including monthly premium, deductible, and likely co-payments. Each plan also has a list of preferred pharmacies. If your pharmacy is not on it, you may pay more. Many plans also reduce prices for mail-order sales.

Beware of scams: No one may solicit for Medicare sign-up door-to-door

According to the Federal Trade Commission, Medicare providers are not allowed to solicit door-to-door. They may come to your home only if you have invited them to do so. They may call you on the telephone if your name is not on the Do Not Call list. But they cannot enroll you over the phone. They can enroll you only if you call them. Protect yourself. Call 1-800-MEDICARE first to verify whether a provider is legitimate.

Additional resources

Following are some additional resources that may be helpful:

- [Centers for Medicare and Medicaid Services](#). Official Medicare web site. Includes a “Plan Finder” that locates Medicare-approved prescription drug plans that cover your area and your prescriptions.
- 1-800-MEDICARE (1-800-633-4227) Medicare’s toll free telephone number. Call to enroll in a Medicare prescription drug plan.
- [National Council on the Aging](#)
- Social Security Administration, [Help with Prescription Drug Costs](#)
- [U.S. Department of Health and Human Services, Administration on Aging](#)
- www.benefitscheckup.org. Sponsored by the National Council on the Aging and the U.S. Department of Health and Human Services, this web site helps individuals determine whether they are qualified for a host of government benefits, including help paying for Medicare prescription drug coverage, home energy assistance, and meals.
- www.mymedicarematters.org. Sponsored by the National Council on the Aging and the Access to Benefits Coalition, and funded in part by drug company AztraZeneca. Lists local events at which trained Medicare educators are available to answer questions and enroll interested individuals.

FAQs

Q: What is Medicare?

A: Medicare is the federal health insurance program for: people 65 years of age or older, certain younger people with disabilities, and people with End-Stage Renal Disease (permanent kidney failure with dialysis or a transplant, sometimes called ESRD).

Q: What is Medicare prescription drug coverage?

A: Medicare prescription drug coverage is insurance that covers both brand-name and generic prescription drugs at participating pharmacies in your area. Medicare prescription drug coverage provides protection for people who have

very high drug costs.

Q: Who can get Medicare prescription drug coverage?

A: Everyone with Medicare is eligible for this coverage, regardless of income and resources, health status, or current prescription expenses.

The next open enrollment period is November 15, 2006 to December 31, 2006.

Christine Martin is a freelance writer and 1997 graduate of the [University of Illinois Graduate School of Library and Information Science](#).

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