

Paying for Part D

All Medicare Part D drug benefit recipients will have some out-of-pocket costs: premiums, deductibles, co-payments, and/or costs for excluded drugs. How much people pay depends on whether they are **dual eligibles** (meaning they qualify for both Medicaid and Medicare), **non-dual eligibles who qualify for “extra help,”** or individuals who do **not** qualify for “extra help.”

I. Individuals who are eligible for Medicare and Medicaid (“dual eligibles”)

Dual eligibles pay no premium and no deductible. However, they will be responsible for co-payments (\$1 for generic drugs and \$3 for brand name drugs if individual income is below 100% of the federal poverty level; \$2 for generic drugs and \$5 for brand-name drugs if individual income is between 100% and 135% of the federal poverty level). Once the total prescription costs hit \$5,100 — with Medicare paying most of the cost and enrollees paying the co-pays — “catastrophic coverage” kicks in and there is no co-pay required for the rest of the year.

Out of pocket expenses for dual eligibles

Premium	\$0
Deductible	\$0
Co-payments	\$1 for generics and \$3 for brands if individual income is below 100% of the federal poverty level; \$2 for generic drugs and \$5 for brand-name drugs if individual income is between 100% and 135% of the federal poverty level. Once total prescription costs hit \$5,100 “catastrophic coverage” kicks in and co-pays for the rest of the year are \$0.

II. Individuals with low incomes and low assets

Some low income, non-dual eligible beneficiaries will not have to pay premiums, others will. Premium costs will vary from plan to plan, but some estimates put them at \$32.20 per month. Expect them to go up every year. Non-duals may also have to pay annual deductibles and co-pays.

Individuals with low assets whose income is below \$14,355 per year (this cap gets higher for families, according to their size) qualify for “extra help” even if they are not dual eligibles.

This “extra help,” also known as a low income subsidy (LIS), is available for people who are not

dual eligibles, but who have incomes below 150% of the federal poverty level and limited assets. Some people who get SSI benefits or have Medicaid Savings Plans (the Qualified Medicare Beneficiaries Program [QMB], the Specified Low-Income Medicare Beneficiary Program [SLMB], or the Qualified Individual Program [QI-1]) should have already received a letter from the Centers for Medicare and Medicaid Services (CMS) telling them that they do not need to apply to get this “extra help” because CMS already knows they need it and they automatically qualify. Other people who the government thinks may also have low incomes will get mail from the Social Security Administration telling them that they can apply for “extra help.” Contact CMS if information about extra help has not been received, or contact Social Security if an application for extra help has not yet arrived. All low-income individuals are encouraged to apply for extra help, even if they think they may not qualify. The government may consider certain income disregards that will make people eligible.

The “extra help” will significantly reduce out of pocket expenses. How much depends on income and assets.

- Earned and unearned income will be counted.
- Liquid assets (assets that can be converted to cash within 20 days) will be counted.
- The home in which the individual lives, the land it is on, housing assistance, business or property necessary for support, and up to \$1,500 saved for burial expenses are *not* counted as assets.

A. Individuals whose income is below 135% of the federal poverty level

These are people who earn under \$12,920/year (the dollar amount of this cap increases as family size goes up) and whose assets are less than \$6,000 (\$9,000 for a couple).

Out of pocket expenses for people whose income is below 135% of the federal poverty level

Premium	\$0
Deductible	\$0
Co-payments	\$2 for generics/\$5 for brands. Once total prescription costs hit \$5,100 “catastrophic coverage” kicks in and co-pays for the rest of the year are \$0.

B. Individuals whose income is between 135% and 150% of the federal poverty level

These are people who earn between \$12,920 and \$14,355/year (the dollar amount of this cap increases as family size goes up) with assets under \$11,500 (\$23,000 for couples).

Out of pocket expenses for people whose income is between 135% and 150% of the federal poverty level

Premium	Sliding scale: \$0-\$420 dollars/year
Deductible	\$50
Co-payments	15% until total prescription costs hit \$5,100, then "catastrophic coverage" kicks in and co-pays are \$2 for generics/\$5 for brands for remainder of the year.

Reminder: only dual eligibles, individuals in Medicare Savings Programs, and SSI recipients will be automatically enrolled in a Part D plan. All others, even if they are deemed qualified for extra help, must apply for Part D.

III. Individuals whose income makes them ineligible for "extra help"

These individuals will not be auto-enrolled and will need to apply for Part D. They will have to pay premiums and deductibles, but the steepest out-of-pocket costs for them will be their co-payments. They face a "doughnut hole" meaning that after their prescription spending hits a certain point, they will be responsible for 100% of their prescription drug costs thereafter until they have spent enough of their own money for Medicare to start sharing the cost again. This gets tricky, but basically it goes like this:

Step 1: The individual pays a monthly premium (approx. \$32/month).

Step 2: He or she pays the \$250 annual deductible (meaning the first \$250 of his/her prescription drug costs that year).

Step 3: After he/she meets the deductible, Medicare coverage kicks in. For the next \$2,000 in prescription drug costs, Medicare pays 75% (\$1,500) and the individual pays 25% (\$500).

Step 4: After total prescription costs reach \$2,250 (\$250 deductible + \$2,000 shared with Medicare) Medicare stops its contribution until the enrollee spends an additional \$2,850 out-of-pocket. This is the "doughnut hole." Medicare does not pay any part of the individual's prescription costs until he/she has paid 100% of this \$2,850.

Step 5: Once the individual's total prescription costs hit \$5,100 (\$250 deductible + \$2,000 shared between him/her and Medicare + the additional \$2,850) he/she has climbed out of the other side of the doughnut hole. At this point, he/she has paid \$3,600 out of pocket, (\$250 deductible+\$500 + \$2,850), not including the premium. He/she now qualifies for "catastrophic coverage" and their contribution goes down significantly to 5% for the rest of the year, with Medicare paying the remaining 95% of prescription costs.

Premium	Approx. \$420/year
Deductible	\$250/year
Co-payments	25% of next \$2,000; 100% of the next \$2,850; 5% when "catastrophic coverage" kicks in (total prescription costs hit \$5,100)

Part D without the "extra help"

Arlene enrolled in the Medicare Part D drug benefit, but earns too much to qualify for "extra help." Her prescriptions cost about \$4,000 a year. She pays for the first \$250 all by herself (her deductible). The next \$2000 in drug costs are shared with Medicare (Arlene pays \$500 and Medicare pays \$1,500) Her drugs have now totaled \$2,250, out of which she has paid \$750 and Medicare has paid \$1500. After this, Arlene is in the "doughnut hole." Medicare will not pay for any part of her drugs until she spends another \$2,850 on her medications out of her own pocket (at that point, she will have climbed out of the hole, "catastrophic coverage" will kick in, and Medicare will pay 95% of Arlene's drug costs for the rest of the year.) However, Arlene only spends another \$1,750 that year. Out of a total \$4,000 spent on prescription drugs, she had spent \$2,500 out of her own pocket. In 2007, Arlene must start again from \$0.

IV. Paying for what Part D won't cover

There are significant gaps in the Medicare prescription drug coverage. Some of these are being addressed through other programs.

Medicaid: Not every drug is offered by every Medicare prescription drug plan and some drugs may be excluded from the Medicare benefit altogether. In June 2005, the Centers for Medicare and Medicaid Services (CMS) requested that state Medicaid programs that currently cover excluded drugs continue this coverage after the transition of dual eligibles to the Medicare drug benefit. [See *Medicaid, Medicare, and the Part D Drug Benefit* fact sheet for more information]

After the transition, New York's Medicaid program has stated that it will "wrap around" for duals, meaning it will help cover medications that are not on a plan's list of covered drugs. How exactly this will happen remains unclear, but we do know that Medicaid will step in to cover a drug for a dual eligible beneficiary after the individual has gone through the first level of an appeal

ADAP (AIDS Drug Assistance Program): The AIDS Drug Assistance Program will require current ADAP enrollees who are Medicare eligible to enroll in Part D unless they have "creditable coverage." [See *Enrollment Considerations* fact sheet for more on creditable coverage] The good news is that in New York State, ADAP will help people pay their premiums, deductibles, and co-pays. If an individual's income and/or assets are too high to qualify as a dual eligible, he or she can "spend down" to the level where he or she will be eligible for Medicaid. This will trigger a full year of Part D coverage, even if the individual's spend down expires. ADAP will help meet his or her spend down.

Spend down to dual eligibility

Medicare will consider anyone who meets their spend down during Fall 2005 or during their first benefit month to be dually eligible (that is, eligible for Medicaid and Medicare) for the full year. ADAP will help its enrollees meet their spend down.

EPIC (Elderly Pharmaceutical Insurance Coverage): EPIC is only available to low/moderate income people who are 65 or over. It can help meet costs Medicare Part D won't cover. EPIC payments count toward the "doughnut hole." **All HIV-positive New York State residents, over 65, with an annual incomes of \$35,000 or less (\$50,000 or less for married couples), should apply for EPIC now.** This will help smooth the transition to Medicare Part D considerably. For more information call 1-800-332-3742 or go to www.health.state.ny.us/health_care/epic/index.htm

Getting More Information

GMHC Fact sheets:

Medicaid, Medicare, and "dual eligibles"
Medicare Part D Timeline

Enrollment Considerations
Paying for Part D

Other Resources and Networks

Centers for Medicare and Medicaid Services (CMS) and the Department of Health and Human Resources
www.cms.hhs.gov/medicare/

Medicare Website
www.medicare.gov/medicarerreform/

Medicaid
www.cms.hhs.gov/medicaid/consumer.asp

EPIC Elderly Pharmaceutical Insurance Coverage
www.health.state.ny.us/health_care/epic/index.htm

Social Security Administration
www.socialsecurity.gov/prescriptionhelp/

Social Security Administration "Extra Help" page
<https://s044a90.ssa.gov/apps6z/i1020/main.html>

Families USA
www.familiesusa.org/site/PageServer?pagename=Medicare_Drug_Law_Materials

Medicare Rights Center
www.medicarerights.org/newlawframeset.html

Kaiser Family Foundation
www.kff.org/medicare

Center for Medicare Advocacy
www.medicareadvocacy.org/FAQ_PartD.htm
www.medicareadvocacy.org

HIV Medicine Association
www.idsociety.org/HIVMA_Template.cfm?Section=Medicare&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=42&ContentID=7079
www.hivma.org

Treatment Access Expansion Project
www.taepusa.org/medicare_partd.html

American Academy of HIV Medicine
www.aahivm.org