

Medicare Minute Teaching Materials – November 2020 How to Choose a Part D Prescription Drug Plan

1. What is the Medicare Part D prescription drug benefit?

The Medicare prescription drug benefit, also known as Part D, provides prescription drug coverage to Medicare beneficiaries. This benefit is only available through private insurance companies that contract with Medicare. Part D is offered either as a stand-alone plan, for those enrolled in Original Medicare, or as a set of benefits included with your Medicare Advantage Plan. When choosing a Part D plan, it's important to understand what it covers, how much it costs, and how you can find the right plan and enroll.

2. What does Medicare Part D cover?

Medicare Part D covers outpatient prescription drugs. Each Part D plan has its own formulary, which is a list of drugs the plan covers. The law requires all Part D plan formularies to include at least two drugs in most categories—or classes—of drugs, and substantially all drugs in the following six classes:

- Immunosuppressants, which are used to prevent an individual's body from rejecting an organ after a transplant
- Antidepressants, which are used to treat depression
- Antipsychotics, which are used to treat schizophrenia and bipolar disorder
- Anticonvulsants, which are used to treat epileptic seizures
- Antiretrovirals, which are used to treat HIV and AIDS
- Antineoplastics, which are used to prevent the development of tumors

Some drugs are excluded from Medicare coverage by law and cannot be covered by any Part D plan. These include:

- Drugs used to treat anorexia, weight loss, or weight gain; however, Part D may cover drugs used to treat physical wasting caused by AIDS, cancer, or other diseases.
- Fertility drugs
- Drugs used for cosmetic purposes or hair growth
- Drugs that are *only* used to treat cough or cold symptoms
- Drugs used to treat erectile dysfunction
- Drugs that have not been approved by the Food and Drug Administration (FDA)
- Drugs prescribed for uses other than those approved by the FDA
- Prescription vitamins and minerals, except for prenatal vitamins and fluoride preparations

Most over-the-counter drugs3. Does Part D cover vaccines?

Yes. Part D plans must include all commercially available vaccines on their formularies, such as the shingles vaccine. The Part D plan pays for the vaccination itself and for your doctor or other health care provider to give you the shot.

Exceptions: Immunizations for influenza, pneumonia, hepatitis B, and some other immunizations you may need if you are exposed to a dangerous disease or virus, such as the tetanus vaccine, are covered by

Medicare Part B. If a coronavirusCOVID-19irus vaccine is developed, it will be covered under Medicare Part B and you will owe no cost-sharing (deductible, coinsurance, or copayment).

4. How much does Part D cost?

There are a number of costs associated with your Part D plan. You may have a monthly premium, an annual deductible, and coinsurance amounts or copayments for your covered drugs.

- A premium is an amount you pay monthly to have coverage. In 2021 the base Part D premium is \$33.06.
- An annual deductible is an amount you must pay out of pocket before your plan begins to cover your prescription drugs. Not all Part D plans have a deductible. In 2021 the maximum deductible is \$445.
- A coinsurance or copayment is the amount you pay out of pocket for your covered drugs. A coinsurance amount is a percentage of the cost of the drug. If your plan charges a 15% coinsurance for covered generic drugs, that means you pay 15% of the cost of that drug. A copay is a set amount, such as a \$20 copay for a covered generic drug.

Many Part D plans use tiers to price the drugs listed on their formularies. Typically, drugs in lower tiers are less expensive and drugs in higher tiers are more expensive. A sample tier structure may be:

- Tier 1: Generic drugs
- Tier 2: Preferred brand-name drugs
- Tier 3: More expensive brand-name drugs
- Tier 4: Specialty drugs

Note: These are not official drug tiers. Some generic drugs may be in higher tiers.

When selecting a Part D plan, it's important to consider how much you will be paying each month for your drugs. This includes noting if your drugs are in lower or higher tiers on the plan's formulary and what their copayment or coinsurance charge will be.

5. What are coverage restrictions?

Coverage restrictions, also known as utilization management tools, come with rules that you have to follow before your plan will cover your drug. There are three main types of coverage restrictions: prior authorization, step therapy, and quantity limits.

- **Prior authorization** means that you must get approval from your Part D plan before the plan will pay for the drug. Your provider is often part of this process and can provide the documentation needed to prove that the medication is medically necessary.
- **Step therapy** means that your plan requires you to try a different, less expensive version of your drug before it will cover the more expensive one.
- **Quantity limits** restrict the quantity of a drug you can get per prescription fill, such as 30 pills of Drug X per month.

6. What are Part D coverage phases?

Throughout the year you may notice that you are paying different amounts for your drugs. This is because Part D plans have coverage phases, during which you pay different amounts for your covered prescription drugs. These coverage phases are:

- **The deductible phase.** If your plan has a deductible, you start off the year in the deductible phase. During this time you pay out of pocket for the entire cost of your drug.
- **The initial coverage period.** After you meet your deductible (if you have one), you move on to the initial coverage period. During this time you and your plan share the cost of your prescription drugs. You will pay the plan's copays or coinsurance amounts at the pharmacy.
- **The coverage gap (also known as the donut hole).** After your total drug costs reach a certain amount (\$4,130 in 2021 for most plans), you enter the coverage gap, also known as the donut hole. This amount combines your copays or coinsurance amounts with the amount that your plan has paid for drugs. This is important to note, as low pharmacy copays do not necessarily mean you will not reach the coverage gap. The donut hole closed for all drugs in 2020, meaning that when you enter the coverage gap you will be responsible for 25% of the cost of your drugs. In the past, you were responsible for a higher percentage of the cost of your drugs during this period. Although the donut hole has closed, you may still see a difference in cost between the initial coverage period and the donut hole. For example, if a drug's total cost is \$100 and you pay your plan's \$20 copay during the initial coverage period, you may be responsible for paying \$25 (25% of \$100) during the coverage gap.
- **Catastrophic coverage.** The last coverage phase is catastrophic coverage. In 2021, once you have paid \$6,550 in out of pocket costs on your covered prescription drugs, you will move out of the coverage gap and into catastrophic coverage. This amount includes your deductible, copays or coinsurance amounts you paid during the initial coverage period, and almost the full cost of brand-name drugs (including the manufacturer's discount) purchased during the coverage gap. Any amount paid by your plan **does not** count to get you into catastrophic coverage. Your monthly premium and the cost of non-covered drugs also do not count. During catastrophic coverage, you will pay 5% of the cost for each of your drugs, or \$3.60 for generics and \$8.95 for brand-name drugs (whichever is greater).

Your plan should keep track of how much money you have spent out-of-pocket on your covered prescription drugs and which coverage period you are in. This information should be printed on your monthly statements, known as an Explanation of Benefits (EOB).

7. What questions should I ask before signing up for a Part D plan?

There are many things to consider before choosing a Part D plan. Depending on your needs, your financial situation, and your preferences, some of the following questions and guidelines may be more important to you than others.

- **Does this plan cover my drugs?**
 - If you take a lot of prescription drugs, then choosing a plan that has your drugs on its formulary is an important first step. If a plan does not include your drug(s) on its

SHIP National Technical Assistance Center: 877-839-2675 | www.shiptacenter.org | info@shiptacenter.org

SMP National Resource Center: 877-808-2468 | www.smpresource.org | info@smpresource.org

© 2020 Medicare Rights Center | www.medicareinteractive.org | *The Medicare Rights Center is the author of portions of the content in these materials, but is not responsible for any content not authored by the Medicare Rights Center.*

formulary, then you may end up paying out of pocket for the entire cost of the drug. You should create a list of the names of the prescriptions you take, their dosages, and whether they are brand-name or generic. This can help you sort through plans and choose the ones that cover your drugs.

- You should also find out if there are any restrictions on your covered drugs, such as prior authorization, step therapy, or quantity limits. You can do so by contacting the plan or looking at the plan's details in Medicare's Plan Finder tool (see Question 11). It is important to note these as they may affect your access to drugs at the pharmacy and may require you to speak to your doctor.
- **What are the costs associated with this plan?**
 - If you choose a plan with a deductible, know that you will have to pay that amount out of pocket before your plan begins to cover your prescription drugs. Some people prefer to have a deductible if it means their monthly premium is lower, while others prefer to pay a higher monthly premium instead of paying out of pocket to meet the deductible. You should also think about the most you can and want to spend on the drug plan's monthly premium.
 - It is difficult to predict the exact cost of your pharmacy copays and coinsurance amounts because a drug plan can make some changes to coverage mid-year, and the negotiated price can change, but you can still evaluate plans based on your estimated out of pocket costs.
- **Are my pharmacies preferred and in-network?**
 - Many drug plans include both preferred and non-preferred pharmacies in their networks. You may pay less for your drugs at preferred pharmacies than at non-preferred pharmacies. If you go to a pharmacy that's close to your home or easy to get to, it may be beneficial to look for a plan that categorizes that pharmacy as a preferred in-network pharmacy.
 - Some plans have a mail order option that may have cheaper prices than your local pharmacy. If you prefer mail order, you can look for a plan that includes that option. If you prefer to pick your drugs up at the pharmacy, be aware if your plan has a mail order option and if it will affect your coverage in any way. For example, some plans may require you to opt out of mail order before you can pick up your drugs at the pharmacy.
- **What is the plan's star rating?**
 - Medicare uses a star rating system to measure how well Part D plans perform in different categories, including quality of care and customer service. Ratings range from one to five stars, with one being the lowest and five being the highest rating. Medicare reviews plan performance each year and releases new star ratings each fall. You can find a plan's star rating by using the Plan Finder tool at <https://www.medicare.gov/plan-compare>.
 - Star ratings are not the only factor you should consider when looking for a plan. Even though a plan has a high star rating, it may not be right for you if it does not cover the drugs you need. However, star ratings can be a factor to consider once you find the plans that will provide the best coverage for you.

8. Do I need Part D if I already have prescription drug coverage?

Part D enrollment is optional, but if you do not sign up for Part D you may have a late enrollment penalty if you enroll at a later time. However, you can delay Part D, without incurring a penalty, if you are currently covered by creditable drug coverage. Creditable drug coverage is coverage that has an overall value that is as good as or better than standard coverage under Part D. You may receive creditable coverage from your current employer insurance, retiree insurance, military benefits, or Federal health benefits. If your drug coverage is creditable you will receive notice from the plan around September each year. If you do not receive this notice you should contact your benefits manager to get this information in writing. Keep these notices as you will need proof of your creditable coverage if you decide later that you want to enroll in Medicare Part D. If you lose your creditable drug coverage, for example if you were covered by an employer plan and decided to retire, you have 60 days after losing that creditable coverage to enroll into a Part D plan without a late enrollment penalty.

Note that if you are thinking of signing up for a Part D plan in addition to your current drug coverage, you should ask your employer or retirement benefits administrator if you can keep their coverage and have Part D at the same time. You could lose your employer, retiree, or other benefits if you sign up for a Part D plan. It is important to keep this in mind if your plan covers a spouse or dependents because if you lose coverage, they will too, and it is unlikely you will be able to get the coverage back.

9. When can I sign up for a Part D plan?

In order to sign up for Part D you must already be enrolled in Medicare Part A (hospital insurance) or Part B (medical insurance) and live within the plan's service area.

You can sign up for Part D for the first time during:

- **Your Initial Enrollment Period (IEP).** The IEP is the three months before your 65th birthday month, your 65th birthday month, and three months after your 65th birthday month. Once you enroll in Part A and B through the Social Security Administration you can call 1-800-MEDICARE to sign up for the Part D plan of your choice.
- **April 1 to June 30.** If you missed your Initial Enrollment Period and signed up for Part A and Part B during the General Enrollment Period (January 1 through March 31 each year) then you can sign up for Part D for the first time between April 1 and June 30 of that same year.
- **Special Enrollment Period (SEP).** If eligible, you can use an SEP to sign up for Part D for the first time. There are many SEPs that apply to different situations, such as if you had employer drug coverage that terminated.

You can change your Part D coverage during:

- **Medicare's Open Enrollment Period.** If you are already enrolled in a Part D plan, you can make changes to your coverage during Medicare's Open Enrollment Period, which spans October 15 through December 7 of each year. Your Part D coverage becomes effective January 1 of the following year. Part D plans may change their costs and formularies from year-to-year, so it is important to review your current plan and Annual Notice of Change to learn if premium or deductible prices will change and if your drugs will still be covered next year.

SHIP National Technical Assistance Center: 877-839-2675 | www.shiptacenter.org | info@shiptacenter.org

SMP National Resource Center: 877-808-2468 | www.smpresource.org | info@smpresource.org

© 2020 Medicare Rights Center | www.medicareinteractive.org | *The Medicare Rights Center is the author of portions of the content in these materials, but is not responsible for any content not authored by the Medicare Rights Center.*

- **Note:** You can also use Medicare’s Open Enrollment to enroll in Part D for the first time as long as you already have Part A and/or Part B. You may have a late enrollment penalty if you did not enroll in Part D coverage or have creditable drug coverage (coverage that is as good as or better than Medicare’s drug benefit) after becoming eligible for Medicare.
- **Special Enrollment Period (SEP).** There are a number of SEPs that allow you to change your Part D coverage. You should speak with a State Health Insurance Assistance Program (SHIP) counselor if you think you may qualify for an SEP, such as if you move and need to enroll in a new plan in a new service area. (See the last page for your SHIP’s contact information or for instructions about how to find a SHIP in another state or territory.).

You can enroll in a plan by calling 1-800-MEDICARE (1-800-633-4227) or the plan directly. You can also enroll in some plans online.

If you need help enrolling in a Part D plan, contact your SHIP. Contact information for your SHIP is on the last page of this document.

10. What if I choose a plan during Medicare’s Open Enrollment and later realize that I do not like it?

You can make as many changes as you want between October 15 and December 7, but only the last change you make will take effect on January 1. If you choose a plan and realize that it is the wrong plan for you after Medicare’s Open Enrollment is over, in most cases you will not be able to change your coverage until the next Medicare Open Enrollment Period. For this reason, it is important to carefully consider all of your options and take the time to research each plan in order to make a decision that fits your health care needs.

However, if you have a Medicare Advantage plan with drug coverage you can switch from your Medicare Advantage Plan to another Medicare Advantage Plan, or to Original Medicare with or without a stand-alone Part D prescription drug plan, during the Medicare Advantage Open Enrollment Period (MA OEP). The MA OEP occurs each year from January 1 through March 31. You can only use this enrollment period if you have a Medicare Advantage Plan. Those with Original Medicare cannot enroll in a Medicare Advantage Plan or switch their Part D plan using this enrollment period. Changes made during this period take effect the first of the month following the month you enroll. For example, if you switch to a new Medicare Advantage Plan in February, your new coverage begins March 1. Unlike Medicare’s Open Enrollment, you can only make a single change during the MA OEP.

Under certain circumstances, you may be eligible for a Special Enrollment Period (SEP) in order to change your Medicare Advantage or Part D coverage. SEPs allow you to change your health and/or drug coverage outside normal enrollment periods. For example, if a federal employee (such as a 1-800-Medicare customer service representative) makes a mistake with your enrollment or disenrollment in a Medicare Advantage or Part D plan, you may have a Special Enrollment Period to enroll in or disenroll from a plan.

11. How do I use the Medicare Plan Finder?

Medicare Plan Finder is an online tool at www.medicare.gov that can be used to compare stand-alone Part D plans or Medicare Advantage Plans. (Visit <https://medicare.gov/plan-compare>.) The Medicare Plan Finder provides information about costs such as premiums and deductibles, drugs included on the plan's formulary, and the star rating of the plan.

To use the Medicare Plan Finder, you will need to go to www.medicare.gov and click on the menu that says "Sign Up/Change Plans." You can do a general search by clicking the "Continue Without Logging In" button. If you wish to save your results and information (such as your prescriptions), you can log in using your MyMedicare account. Next, you can choose whether you are looking for a Medicare Advantage, Part D plan, or Medigap policy. After making your selection, you will be prompted to enter your zip code. In addition to your location, this tool sorts your options based on the drugs you take, the pharmacy or pharmacies you use, and whether you are interested in a mail order option.

Medicare Plan Finder will display results for plans that cover your drugs or have your pharmacies in their networks. Medicare Plan Finder also tells you if the plan has a deductible and how much the monthly premium is. Initially, the plans will be sorted by "lowest drug + premium costs." This is the closest estimate to what you may pay out of pocket for your Part D coverage for the year. You can compare different plans and select "Plan Details" to find out more specifics about coverage, including any coverage restrictions.

Before enrolling, it is a good idea to call the plan directly to confirm any information you read on Medicare Plan Finder, as information may not be completely up-to-date. You can enroll in a plan online, by calling 1-800-MEDICARE, or by calling the plan directly.

12. Can I get assistance paying for my prescription drug costs?

If your income and assets are below a certain level, you may qualify for Extra Help, also known as Low Income Subsidy (LIS), a federal assistance program that helps pay for prescription drug costs. How much you pay for your prescription drugs and monthly premium depends on whether you have full or partial Extra Help.

In 2020, you qualify for full Extra Help if your income is up to \$1,456 (\$1,960 for couples) per month and your assets are up to \$9,360 (\$14,800 for couples). You will pay nothing for your monthly premium and deductible as long as your Part D plan has a premium at or below the Extra Help premium limit for your area. You pay a \$3.60 copay (\$3.70 in 2021) for generic drugs and a \$8.95 (\$9.20 in 2021) copay for brand-name drugs.

In 2020, you qualify for partial Extra Help if your income and assets are above the full Extra Help limits your income is below \$1,615 (\$2,175 for couples) per month and you have up to \$14,610 (\$29,160 for couples) in assets. Your monthly premium depends on your income and you have a \$89 (\$92 in 2021) deductible or your plan's standard deductible, whichever is cheaper. At the pharmacy you pay a 15 percent coinsurance or the plan copay, whichever is less.

SHIP National Technical Assistance Center: 877-839-2675 | www.shiptacenter.org | info@shiptacenter.org

SMP National Resource Center: 877-808-2468 | www.smpresource.org | info@smpresource.org

© 2020 Medicare Rights Center | www.medicareinteractive.org | *The Medicare Rights Center is the author of portions of the content in these materials, but is not responsible for any content not authored by the Medicare Rights Center.*

If you do not already have Part D, enrolling in Extra Help will automatically enroll you a Medicare Part D plan. You can choose to change plans later, if you wish. Extra Help will eliminate any Part D penalty you have if you delayed Part D enrollment and did not have creditable coverage. Extra Help allows you to change your Part D coverage up to once per calendar quarter for the first three quarters of the year. During the last quarter, you must use Medicare's Open Enrollment period to make changes to your Part D coverage.

Some states may also have a State Pharmaceutical Assistance Program (SPAP) that helps pay the cost of your drugs. Note that not all states have an SPAP. For states that do have an SPAP, each program has specific eligibility requirements, application instructions, and rules and conditions that a beneficiary must follow to get the benefit. The best way to learn whether your state has an SPAP is to contact your SHIP to find out. (See the last page for your SHIP's contact information or for instructions about how to find a SHIP in another state or territory.)

SHIP Case Study

Toby is 70 years old and has had the same drug plan for the past few years. He thinks he wants to change Part D plans, because he read that he may be able to lower his costs if he changes plans. However, Tony is worried about changing plans because he has high blood pressure and he wants to be sure the drugs he takes will be covered.

What should Toby do?

- Toby should contact his SHIP.
 - If Toby doesn't know how to find his SHIP, he can go to www.shiptacenter.org or call 877-839-2675 for assistance.
- A SHIP counselor will be able to assist Toby in identifying a Part D plan that meets his health needs. He should make sure he has a list of the prescription drugs he takes and the pharmacies he normally uses.
 - The counselor will use Medicare's Plan Finder tool to input Toby's prescriptions and compare his plan options: <https://www.medicare.gov/plan-compare>
 - Toby should consider the estimated cost of his drugs, which pharmacies are preferred and in-network, and whether there are coverage restrictions on the drugs he takes.
 - The counselor should make sure Toby enrolls in a Part D plan during Medicare's Open Enrollment Period, which is October 15 through December 7. His new coverage will begin on January 1.

SMP Case Study

Jenna recently received an Explanation of Benefits (EOB) from her Part D prescription drug plan. She notices that the EOB lists a medication that she does not recognize. She called her doctor to learn more,

SHIP National Technical Assistance Center: 877-839-2675 | www.shiptacenter.org | info@shiptacenter.org

SMP National Resource Center: 877-808-2468 | www.smpresource.org | info@smpresource.org

© 2020 Medicare Rights Center | www.medicareinteractive.org | *The Medicare Rights Center is the author of portions of the content in these materials, but is not responsible for any content not authored by the Medicare Rights Center.*

thinking perhaps the drug name is a generic or brand-name version of a drug she usually takes. Her doctor verified that the drug was not appropriate for her and he had not written the prescription.

What should Jenna do?

- Jenna should contact her Senior Medicare Patrol (SMP) for assistance.
 - If Jenna does not know how to contact his SMP, she can call 877-808-2468 or visit www.smpresource.org.
- The SMP team member will gather more information from Jenna about her drug coverage, the drug she says she was not prescribed, whether she has shared her Medicare number and plan information with anyone other than her health care providers, and any other relevant information.
- If the SMP determines that billing fraud has occurred, they will report it to the proper authorities.
- The SMP team member can help inform Jenna about how to be on the lookout for potential Medicare fraud, waste, and abuse. Jenna should continue to carefully read her EOBs to look for any drugs or services she did not receive. She should not share her Medicare number with anyone in exchange for services or benefits, and she should be wary of offers from people who call using numbers she does not recognize.

Local SHIP Contact Information	Local SMP Contact Information
SHIP toll-free: SHIP email: SHIP website: To find a SHIP in another state: Call 877-839-2675 or visit www.shiptacenter.org .	SMP toll-free: SMP email: SMP website: To find an SMP in another state: Call 877-808-2468 or visit www.smpresource.org .
<i>This document was supported, in part, by grant numbers 90SATC0002 and 90MPRC0002 from the Administration for Community Living (ACL), Department of Health and Human Services, Washington, D.C. 20201. Grantees undertaking projects under government sponsorship are encouraged to express freely their findings and conclusions. Points of view or opinions do not, therefore, necessarily represent official ACL policy.</i>	