

Introduction to Medicare Prescription Drug Plans



Key Points

- Everyone with Medicare is eligible to sign up for a Medicare prescription drug plan, which will cover many brand name and generic prescription drugs at participating pharmacies.
- Medicare prescription drug coverage is insurance that will be provided by private companies.
- There are two different kinds of drug plans—Prescription Drug Plans and Medicare Advantage Prescription Drug plans.
- Medicare beneficiaries will have to pay some costs to receive prescription drug coverage, including a monthly premium, a yearly deductible, and a portion of costs per prescription.

Types of Medicare Prescription Drug Plans

Medicare prescription drug coverage is like insurance. Private companies will provide the coverage. Medicare beneficiaries must sign up for and pay some costs to participate. While all Medicare prescription drug plans must meet requirements set by the government, there will be differences among plans in the drugs covered and costs for drugs. There are two categories of Medicare prescription drug plans.

- Prescription drug plan—this type of plan, sometimes called a “PDP”, only covers Medicare prescription drugs and is used with a Medicare beneficiary’s traditional Medicare.
- Medicare Advantage prescription drug plan—sometimes called an “MA-PD”; this type of plan covers expenses for doctor visits, hospital stays, and drugs administered by physicians, in addition to Medicare prescription drugs.

How Much Will a Medicare Prescription Drug Plan Cost in 2006?

Costs will vary depending on which Medicare prescription drug plan a beneficiary chooses. In general, a beneficiary will have to pay the following costs in 2006:

- A beneficiary will have to pay a monthly premium to participate in a Medicare prescription drug plan. This amount is expected to be about \$32 per month.
- A beneficiary also will pay a yearly deductible before prescription drugs are paid for. This amount is \$250.

(For information on costs for low-income beneficiaries, see the “Help with Medicare Prescription Drug Costs” section, under the “Financial Help” tab.)

- After the beneficiary meets the yearly deductible, the beneficiary will pay a share of his or her drug costs and the plan will pay a bigger share. The beneficiary will pay 25% of the drug costs, known as the “coinsurance,” until the total cost of the drugs reaches \$2250.
- After \$2250 in total drug costs, the beneficiary will pay 100% for the next \$2850 in drug costs. This is known as the “coverage gap.” During this time, Medicare beneficiaries will still have access to the discounted prices that their Medicare prescription drug plan negotiated with drug companies.
- After \$5100 in total drug costs (the beneficiary has spent \$3600 out of his or her pocket) in a year, the plan pays most of any additional drug costs for the rest of the year. Medicare beneficiaries will pay only 5% of drug costs during this “catastrophic coverage” period.

For additional information contact:

Medicare: 1-800-MEDICARE (1-800-633-4227); TTY 1-877-486-2048

or

www.medicare.gov

Social Security Administration: 1-800-772-1213; TTY 1-800-325-0778

or

www.socialsecurity.gov or www.SSA.gov

www.cms.gov

www.MedicareRxEducation.org

www.kff.org

www.aarp.org