

## **The New Medicare Prescription Drug Benefit (Part II)**

By Bernard A. Krooks, Esq. | 09/01/05  
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Last month, we discussed some of the details of the new Medicare Part D prescription drug benefit. This month's column will focus on what drugs will be paid for under Part D and other technical requirements of this new coverage.

As of now, we do not know precisely what drugs will be paid for under Part D. The statute establishing the Medicare drug benefit specifically excludes from payment certain classes of drugs, including barbiturates, benzodiazepines (such as Xanax and Valium), weight loss/weight gain drugs, and over-the-counter drugs that are frequently used by seniors, particularly those in nursing homes. Some Prescription Drug Plans (PDPs) and Medicare Advantage Plans with Prescription drug coverage (MA-PDs) may offer to cover these drugs as an optional benefit for an extra premium. All PDPs and MA-PDs can determine which drugs covered by Part D to include in their formulary, or list of covered drugs, as long as they include at least two drugs in each category or class of drugs.

The Centers for Medicare & Medicaid Services (CMS) has recently announced that drug plans must cover all or substantially all drugs in six categories: anti-cancer, anti-convulsants, anti-depressives, anti-psychotics, immunosuppressants, and HIV/AIDS drugs. If a drug is not on a drug plan's formulary, then the beneficiary will get no assistance in

paying for the drug, and out-of-pocket costs for the drug do not count towards the deductible or towards reaching the out-of-pocket spending limit and catastrophic coverage.

In addition to determining whether to include a drug on its formulary, each drug plan can determine the cost-sharing tier on which to place the drug. Drug plans may also require that a beneficiary get prior approval or prior authorization from the plan before paying for the drug, and may deny coverage if such approval is not obtained. They may also require the beneficiary to try a less costly drug first before they will pay for the more costly drug in order to determine whether the less costly drug will be effective.

Thus, it will not be enough for beneficiaries to determine whether the medications they take are included on a particular plan's formulary. They will have to know the cost-sharing tier and whether a plan employs utilization management tools to discourage the use of certain drugs.

Information about drug plan formularies will not be made available until October when the drug plans begin marketing and CMS sends information about Medicare Part D to all beneficiaries. Formulary information will not be mailed directly to all beneficiaries. However, formulary information will be available on the CMS web site, [www.medicare.gov](http://www.medicare.gov).

Medicare Part D is voluntary; some beneficiaries may choose not to enroll during the initial enrollment period, which will run from

November 15, 2005- May 15, 2006. However, individuals who delay enrolling in a Part D plan until after their initial enrollment period may have to pay a late penalty on their premium, similar to the way a penalty is imposed for delayed enrollment in Medicare Part B. Under Part D, the late penalty will be 1% of the premium for each month of delayed enrollment for as long as a beneficiary remains in a Part D plan. A beneficiary who delays enrolling in Part D for 5 years will therefore pay an additional 60% on her premium; the actual dollar amount will fluctuate as the premium changes each year.

Individuals who have drug coverage through an employer (or retiree) health plan or through a Medigap policy prescription drug coverage and who delay enrolling in Part D will not be assessed a late penalty if their other coverage is deemed to be "creditable," i.e., to be as good as or better than the Medicare Part D benefit. Employers and unions that offer employment-related drug coverage, as well as insurance companies that offer Medigap policies with drug coverage, must notify people enrolled in their plans this fall whether the coverage they provide is creditable.

For many individuals, the decision whether to enroll in Part D will have significant consequences. It is important for you to understand which medications you take will be covered and which will not be covered. The penalties for late enrollment for those who do not have creditable coverage can be substantial. Thus, it is critical that you focus

on your own particular situation prior to the expiration of the initial enrollment period (May 15, 2006).