

Medicare Made Clear™

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Choosing a Medicare prescription drug plan.

Look inside to:

- Learn about Part D prescription drug coverage
- Find out what you need to know about Part D drug costs
- Discover common terms used with Part D prescription drug plans



Choosing a Part D prescription drug plan.



Medicare Part D is health care coverage that helps you pay for the prescription drugs you use. Original Medicare (Parts A and B) does not cover most prescription drugs. If you currently use prescription drugs or think you may in the future, you may want to enroll in a Part D plan.

It's your choice. Part D plan enrollment is optional. However, if you wait to enroll in a Part D plan until after your Initial Enrollment Period (IEP), you may have to pay a late-enrollment fee.¹

Here are a few things to know about Medicare Part D plans:

- Part D plans may help you save on the cost of your prescriptions
- Predictable drug costs may help you manage your health care budget

¹If you qualify for Extra Help, you will not have a late-enrollment penalty (LEP). Also, if you have other prescription coverage at least as good as Medicare (also known as creditable coverage), you may not be assessed an LEP.

Am I eligible for a Part D plan and how does it work?

Everyone who qualifies for Medicare is eligible for a Part D plan. You cannot be refused enrollment in a Part D plan if you enroll when you first become eligible for Medicare. You may enroll in a Part D plan through a private insurance company.

There are two ways you can be covered by Part D:

1. **With a stand-alone Part D** prescription drug plan.
2. **With a Medicare Advantage (Part C)** plan that includes Part D.

What should I consider when choosing a Part D plan?

All Part D plans must meet the same basic guidelines created by the federal government. But not all plans are the same.

Helpful tips:

- Each plan has a list of drugs that it covers. This list is called a formulary. Before choosing a Part D plan, review its formulary to make sure the drugs you need are covered
- Each plan has different costs. When deciding on a plan, check the annual deductible, premiums, co-pays and co-insurance to see how much you'll likely pay



Even if you're not taking many prescription drugs today, it may be smart to enroll in Part D when you become eligible for Medicare. That's because if you wait to sign up, you may have to pay Medicare's late-enrollment penalty.¹ This is a fee that gets added to your premium unless you qualify for an exception.

Choosing a Part D prescription drug plan.

When can I enroll in Part D?

You can enroll in Part D when you first become eligible for Medicare, which is known as the Initial Enrollment Period (IEP). For most, this includes the three months before the month you turn 65, the month of your birthday, and the three months after your birthday month.

The start date for your coverage depends on when you enroll:

- If you enroll before your birthday month begins, coverage starts on the first day of your birthday month
- If you enroll during your birthday month or later, coverage starts on the first day of the month following the date you enroll

Your Part D coverage will continue automatically each year unless you change plans or your insurance company stops offering you a plan.

If I choose Part D coverage, can I change it later?

If your needs change or if you are not satisfied with your plan, you can change your Part D plan every year during the Medicare Open Enrollment Period, from October 15 to December 7. You can also switch plans if you move out of your plan's service area.



Part D late-enrollment penalty explained.

Meet David.

David enrolled in Medicare Parts A and B in April 2014, when he became eligible at age 65. He did not enroll in a Medicare Part D prescription drug plan at that time. He didn't think he needed it since he wasn't taking any medication at that time.

David was diagnosed with diabetes in September 2015. That same month, he decided to enroll in a Part D plan to help pay for his diabetes medication.

David was surprised to learn he has to pay a premium penalty because he didn't enroll in a Part D plan when he first became eligible. The penalty amount is 1% of the average Part D premium for each month since his eligibility date. The penalty amount is added to David's Part D plan premium.

David's costs:²

Part D plan monthly premium	+	\$33.00
Monthly late-enrollment penalty (\$0.32 x 17 months)	+	\$5.44
Total David pays	=	\$38.44

David will have to pay the penalty every month for as long as he has his Part D plan.

²The amounts shown are an example. Your costs may be different.

Key terms.

Co-insurance

The costs that you and the health insurance plan pay are split on a percentage basis.

For example, you might pay 20% of the total allowed cost of a service and the plan would pay the remaining 80%.



Co-pay

The fixed amount you pay at the time you receive a covered service.

For example, you might pay \$20 when you visit the doctor or \$12 when you fill a prescription.

You Pay a Fixed Amount

Your Plan Pays the Rest



Deductible

A set amount you pay out of pocket for covered services each year before your plan begins to pay.

You Pay First



Then the Plan Begins to Pay



Formulary (drug list)

A formulary is the list of drugs covered by an insurance plan:

- Many plans have a tiered formulary, where drugs are divided into groups called “tiers”
- In general, the lower the tier, the lower the cost

Formulary Tiers

Tier 1	\$
Tier 2	\$\$
Tier 3	\$\$\$
Tier 4	\$\$\$\$
Tier 5	\$\$\$\$\$

Out-of-Pocket Maximum

The maximum amount you pay during a policy period (usually a year). This amount does not include your premium or the cost of any services that are not covered by your plan.

After you reach your out-of-pocket maximum, your plan pays 100% of the allowed amount of covered services for the rest of the policy period.

Once You Pay
Your Maximum...



...Your Plan
Pays the Rest



Premium

The fixed amount you pay your health insurance or plan for Medicare coverage. You may pay your premium to Medicare, to a private insurance company or both, depending on your coverage. Most premiums are charged monthly.



Your Part D prescription drug costs.



With Medicare Part D prescription drug coverage, the amount you pay for prescriptions may change over the year. Here's why:

- Part D plans have four coverage stages: annual deductible, initial coverage stage, coverage gap stage and catastrophic coverage stage
- The amount of money you pay changes depending on the stage you are in
- **Many people stay in the initial coverage stage for the whole plan year.** If you take a lot of medications, especially high-cost medications, you may move into the next stages
- The coverage cycle starts over again on January 1 each plan year

*If you get Extra Help from Medicare on your Part D costs, the coverage gap doesn't apply to you.

Medicare sets the rules about which payments count toward your out-of-pocket and total drug costs.

Your plan may provide different coverage. See your Summary of Benefits or Evidence of Coverage for the actual amount you pay in each stage.

Note: On January 1 of each plan year, the coverage cycle starts over and the dollar limits can change. Amounts listed reflect the 2016 plan year.

Understanding Medicare drug payment stages.

Annual Deductible	Initial Coverage	Coverage Gap* (Donut Hole)	Catastrophic Coverage
<p>In this drug payment stage:</p> <ul style="list-style-type: none"> • You pay the total cost of your drugs until you reach the deductible amount set by your plan • Not all Part D plans have a deductible • If your plan does not have a deductible, your coverage starts with the first prescription you fill 	<p>In this drug payment stage:</p> <ul style="list-style-type: none"> • You pay a co-pay or co-insurance (percentage of a drug's total cost) and the plan pays the rest • You stay in this stage until your total drug costs reach \$3,310 	<p>After your total drug costs reach \$3,310:</p> <ul style="list-style-type: none"> • You pay: <ul style="list-style-type: none"> – 45% of the costs for brand name drugs – 58% of the costs for generic drugs • You stay in this stage until your total out-of-pocket costs reach \$4,850 	<p>After your total out-of-pocket costs reach \$4,850:</p> <ul style="list-style-type: none"> • You pay a small co-pay or co-insurance amount • You stay in this stage for the rest of the plan year

Total Drug Costs: The amount you pay (or others pay on your behalf) and the plan pays for prescription drugs starting January 2016. This does not include premiums.

Out-of-Pocket Costs: The amount you pay (or others pay on your behalf), including the deductible, for prescription drugs starting January 2016. This does not include premiums.

Drug lists may be organized in tiers. Some plans may have a deductible for certain drug tiers and not others.

Your Part D prescription drug costs. (continued)

Ways to reduce your prescription costs.



- Ask your doctor if your medications have generic or lower-cost options
- Consider getting three-month supplies of your medications from a mail-order pharmacy, which may help lower your co-pays
- If enrolled in a Part D plan, use your plan's preferred pharmacies to help save money
- Apply for assistance from private, state or federal programs that may help reduce your drug costs

What if I can't afford the Part D costs?

If you are on a limited income and you enroll in Part D, you may qualify for Extra Help to pay for your premiums, deductibles and co-pays.

To see if you qualify for Extra Help, call Medicare at **1-800-MEDICARE (1-800-633-4227)**, TTY **1-877-486-2048**, 24 hours a day, 7 days a week.

Or call the Social Security Administration at **1-800-772-1213**, TTY **1-800-325-0778**, between 7 a.m. and 7 p.m., Monday through Friday.

You can also call your state Medicaid office for more information and assistance.

How to get started.

Visit Medicare.gov.

See which plans are available in your area.

Review each plan's formulary (drug list).

Make sure the drugs you need are covered. If one of your drugs is not on the formulary, your doctor may be able to help you find a covered drug that will work for you.

Review the costs for each plan.

Including the annual deductible, co-pays and co-insurance, and your costs during the coverage gap stage.

Review the pharmacies in the plan network.

Some plans include a convenient mail order pharmacy that may save you money.

