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For Publication
January 2004

New Medicare Legislation

Persons covered by the railroad retirement system participate in the Federal Medicare program on the same basis as those under the social security system. And, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, enacted on December 8, 2003, affects railroad retirement annuitants in the same manner as social security beneficiaries.

A few of the major features of the new law are provisions for Medicare coverage of prescription drugs, the establishment of a Medicare Advantage Program to replace the current Medicare + Choice Program, provisions for new preventive benefits, and future increases in the Medicare Part B deductible and premium.

The following questions and answers summarizing these features are based on information provided by the Centers for Medicare & Medicaid Services (CMS), the Federal agency responsible for administering the Federal Medicare program.

1. When will the new law begin providing Medicare coverage for prescription drugs?

The actual prescription drug benefit will begin in 2006. In the interim, the new law provides a transitional program of Medicare-approved prescription drug discount cards to provide savings on prescription drugs. The discount card program will start in June 2004 and continue through December 2005.

2. How will the interim discount card program work?

Medicare beneficiaries, except for those who have Medicaid drug coverage, will have the opportunity in May 2004 to enroll for a Medicare-approved prescription drug discount card, which will help to lower their prescription drug costs. Beginning in June 2004, the cards will provide discounts off the regular price of prescription drugs.

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The discount card program is not intended to be a prescription drug benefit, but rather a temporary discount program to help people without outpatient prescription drug insurance until the Medicare drug benefit takes effect on January 1, 2006.

The cards will be issued by private-sector discount card sponsors who meet standards set by CMS. The cards will display a Medicare-approved mark.

Beginning in June 2004, Medicare will provide a \$600 annual credit towards the purchase of prescription drugs for Medicare beneficiaries with incomes below \$12,124 for single individuals or \$16,363 for married individuals in 2003. To qualify for the credit, beneficiaries must not be receiving outpatient drug coverage from other sources, including Medicaid, TRICARE, group or individual health insurance coverage, or the Federal Employees Health Benefits Program. Generally, once a person qualifies for the \$600 credit, he or she is qualified until the new Medicare drug benefit begins.

The credit will be reflected on the Medicare-approved drug discount cards of qualified beneficiaries. While Medicare-approved discount card programs can charge a beneficiary an enrollment fee of up to \$30 per year, Medicare will pay the enrollment fee for beneficiaries who qualify for the \$600 credit.

3. How will Medicare beneficiaries enroll in the discount card program in 2004?

After selecting the discount card program that best meets his or her needs, the beneficiary will submit basic information about his or her Medicare and Medicaid status on an enrollment form. If the beneficiary wants the \$600 credit, he or she will also submit income information and information about retirement and health benefits. CMS will verify this information and notify the approved discount card program of the beneficiary's eligibility and enrollment status.

Enrolled beneficiaries may start obtaining discounts and, if receiving the \$600 credit, using these funds to purchase prescription drugs as early as the first day of the month following enrollment.

4. How will the Medicare prescription drug benefit work when it takes effect?

Beginning in 2006, all Medicare beneficiaries will have access to prescription drug plans administered by private firms on a regional basis.

Beneficiaries will get the drug benefit in two ways: as separate policies for drugs or as part of private health plans that also provide the rest of their care. For example, a beneficiary who is enrolled

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in the Original Medicare Plan may voluntarily enroll in a drug benefit plan, while a beneficiary enrolled in an alternate plan, such as a HMO, may receive drug benefits as a part of that health plan.

5. What is the standard drug benefit under the new law?

Under the standard drug benefit plan, individuals with Medicare will pay a premium of about \$35 a month and a deductible of \$250 a year. Medicare will pay 75 percent of drug costs between the deductible and \$2,250. Beneficiaries will pay drug costs between \$2,250 and \$5,100, and Medicare will pay 95 percent of drug costs above \$5,100.

The drug benefit plan includes additional assistance for people with low incomes and limited assets. Most significantly, people with Medicare with incomes below \$12,124 for individuals and \$16,363 for couples will have no premiums, no deductibles, and minimal co-payments. Other beneficiaries with low incomes and limited assets will receive premium and deductible assistance and have limited cost sharing.

6. When will Medicare beneficiaries enroll in a Medicare prescription drug benefit plan?

Initially, there will be a 7-month open enrollment season for beneficiaries who are eligible for the drug benefit as of November 15, 2005. The initial 7-month open season is planned to begin May 1, 2005, and end November 30, 2005. Individuals who become eligible after November 15, 2005, will be able to enroll during an initial enrollment period or during a special enrollment period.

7. How does the new law otherwise provide more choices in health coverage and better health care benefits?

In 2004, the health plan option known as Medicare + Choice is replaced by the Medicare Advantage program. The legislation makes changes to the way Medicare pays these plans to help ensure beneficiaries have access to more health plan choices.

In 2006, Medicare Advantage plan choices will be expanded to include regional preferred provider organizations (PPOs). (A PPO is a plan under which a beneficiary uses doctors, hospitals, and providers belonging to a network; beneficiaries can use doctors, hospitals, and providers outside the network for an additional cost.) Regional PPOs are intended to ensure that beneficiaries in rural and urban areas have multiple choices of Medicare health coverage.

8. What new preventive benefits will be offered?

Beginning in 2005, preventive benefits coverage will expand to include:

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- A one-time preventive physical examination within six months of when a person becomes enrolled in Medicare Part B Medical Insurance;
- Screening blood tests for early detection of cardiovascular diseases; and
- Diabetes screening tests for people at risk of diabetes.

9. How and when will the Medicare Part B deductible and premium change?

The annual deductible for Medicare Part B will increase from \$100 to \$110 in 2005. After that, the deductible will be indexed and subject to annual increases.

All beneficiaries currently pay the same basic premium amount for Medicare Part B (currently \$66.60), which covers outpatient care and doctor visits. Beginning in 2007, the premium will increase for individuals with annual incomes of more than \$80,000, and for couples with annual incomes of more than \$160,000. The amount of the premium increase will be based on a sliding income scale.

Premium changes will continue to be announced at the end of each calendar year. The actual Part B premium amounts for 2007 will not be available until the end of 2006.

10. What information will Medicare put out about these program changes?

CMS plans to mail letters to all Medicare beneficiaries in Spring 2004 to explain the prescription drug discount cards. In 2005, CMS plans to mail informational booklets to Medicare beneficiaries to explain the prescription drug benefit.

In the meantime, CMS will provide information about the prescription drug prices offered by the approved discount card programs, and other information about the Medicare-approved cards, through the Medicare toll-free number 1-800-MEDICARE (1-800-633-4227), and through their Web site at www.medicare.gov.

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