

# U-Press Telegram

## Seniors sort through confusion of Medicare drug plans

Complicated rules, numerous options make it difficult for seniors to choose

By Rebecca Vesely  
Oakland Tribune

**Sunday, March 13, 2005** - Bernadette Forristal felt like she hit the jackpot when she went to her pharmacy last month.

She had just signed up for one of the dozens of drug discount cards offered through Medicare since last spring. She wasn't expecting to see much savings and was amazed when she read the tally for her most expensive drug, the breast cancer medicine tamoxifen. That prescription typically cost her \$311. Using the card, her total was \$119 — a savings of \$192.

"I could have kissed the lady at the pharmacy," she said.

Eight months after the temporary drug discount program began, there are other success stories like Forristal's. But there could be many more, because only 5.8 million of 34 million eligible Medicare recipients nationwide have signed up for the discount cards.

The biggest obstacle has been the confusing array of choices for seniors and the lack of clear information on how they can benefit, according to recent surveys on seniors' experiences with the cards.

Federal health officials hope to fix the problems before they roll out the permanent Medicare drug benefit Jan. 1, 2006. Medicare will begin signing up beneficiaries this fall, and in less than a year the temporary drug discount cards will expire and a new program will begin.

Like the current drug discount cards, the new Medicare drug benefit is voluntary and requires a hard look at the private insurers offering the plans and the lists of drugs they offer. Six million beneficiaries with very low incomes or who are in nursing homes will be signed up automatically.

## No easy task

If response to the temporary drug discount card is an indication, Medicare officials have a lot of work ahead of them to make the permanent program appealing, observers said.

"This will be equally but differently complex for seniors ... and more will be at stake," said Judith Stein, director of the Center for Medicare Advocacy, a nonprofit organization that counsels beneficiaries.

The regulations for the permanent Medicare prescription drug benefit were released Jan. 21. Since then, analysts and health plans have been combing through the 2,000 pages of instructions.

At the heart of the permanent drug program are two choices: Beneficiaries can stay in traditional fee-for-service Medicare and enroll separately in private prescription drug plans, or they can enroll in

integrated Medicare Advantage plans to receive all benefits, including drugs.

With either choice, a private insurer will provide the drug discount benefit. Under the rules, at least two providers in every region of the country must offer the drug benefit. How much seniors will save on their drugs depends on how high their drug costs are each year.

In 2006, beneficiaries will pay the first \$250 in drug costs, and Medicare will pay 75 percent of the next \$2,000. Medicare will not cover any drug costs from \$2,250 to \$5,100, or a total out-of-pocket cost of \$3,600. This gap in coverage has been dubbed the "doughnut hole."

After participants spend that \$3,600, Medicare covers 95 percent of drug expenses over \$5,100 each year. Supplemental prescription drug coverage, such as coverage provided in a pension plan, cannot be applied to the "doughnut hole." Each new year, beneficiaries will have to pay the initial deductible, which will rise every year, to \$275 in 2007 and \$300 in 2008. Enrollees will pay a premium for their drug coverage, with an estimated average of \$37 a month. They also must continue to pay the monthly premium even while they are in the "doughnut hole" — paying out of pocket for their drugs.

"That sounds nuts to people," Stein said.

The nonpartisan Congressional Budget Office estimates participants will save about \$465 on prescriptions during the first year of the plan. Very low-income beneficiaries won't pay premiums or deductibles and won't have any gap in coverage and could gain the most from the program.

"It's very hard to generalize across 42 million people as to what the benefit will be," said Patricia Neuman, a Medicare expert with the Kaiser Family Foundation. "However, the law includes significant help for those with low incomes."

Rep. Pete Stark of California, ranking Democrat on the House Ways and Means Committee, did not support the Medicare reform bill signed by President Bush in 2003. He said the new regulations are a giveaway to the drug companies and private health plans.

## Holes in the program

"The 'doughnut hole' doesn't make any damn sense," Stark said. Initially, the "doughnut hole" was sold to Congress as a cost-saving measure to keep the drug-benefit expenses at \$400 billion in the first decade. Recently, the Centers for Medicare and Medicaid pegged the price tag at \$724 billion, and federal officials admitted the initial cost estimate was artificially low. An alternative Democratic plan that didn't have a "doughnut hole" would have cost \$900 billion.

"Unless you are very low-income, the discount doesn't amount to poop. You're much better off going to Canada for your drugs," Stark said.

Health plans that want to offer the Medicare prescription drug benefit must submit their bids by July to the federal government. The bids will be awarded in September, and information about each plan will be available to the public in October. Enrollment in the program starts in November.

Another key issue is the time line for seniors to sign up. Forristal was able to delay choosing a temporary drug discount card for months after the program started. But those who delay signing up for the permanent benefit will be penalized. The first enrollment period will run from November 2005 to May 2006.

If people choose to enroll in the next period, starting in November 2006, they will pay a penalty of between 1 percent and 12 percent of the total monthly premium, depending on how many months late they sign up. The massive and complex program also will affect seniors and the disabled who now get their drug coverage through Medicaid, the health insurance program for the poor that in California is called Medi-Cal. The 6.3 million people nationwide enrolled in both programs, known as "dual eligibles," will be automatically switched over to the Medicare drug benefit on Jan. 1, 2006. It's unclear whether they will have the same prescription drug benefits they have today under Medicaid.

### **Congressional concerns**

Last month, Stark and Sen. John D. Rockefeller, D-W.Va., sent a letter to President Bush expressing concern over the nearly 12 million Medicare beneficiaries who get their health benefits through former employers. Former employers must offer benefits at least equal to Medicare to receive the new government subsidy for drug coverage. Stark and Rockefeller said the program allows former employers to reduce benefits retirees currently enjoy.

"We fear that the final Medicare regulations will shift more costs onto retirees and lead to millions of retirees having less adequate prescription drug coverage than they do now," Stark and Rockefeller wrote. The administration has argued that the Medicare drug subsidy will be an incentive for companies to retain coverage for their former employees amid soaring drug costs.

"The idea behind the subsidy is that it encourages employers to hang in there," Neuman said.

A recent survey by the Kaiser Family Foundation indicated that most employers plan to uphold current retiree health benefits, though maintaining coverage over the long term remains in doubt.

Mark Beach, spokesman for AARP California, admitted the program is flawed but reiterated the reason AARP backed the Medicare reform bill: "The 'doughnut hole' is one of the major flaws of this legislation, no doubt about it. The positive is that it's a drug benefit that's going to be available to all Medicare beneficiaries."

Details of the program could change as members of Congress introduce legislation to modify the act. But the president recently vowed to veto any bill that made changes in the program.