

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 don't enroll in a Part D plan during your Initial Enrollment Period (IEP), you may have to pay a late enrollment penalty.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 may enroll in a Part D plan through a private insurance company.

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

1. **A stand-alone Part D** prescription drug plan
2. **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:

- 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, copays and coinsurance 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.

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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 3 months before the month you turn 65, the month of your birthday and the 3 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

Meet David.

David enrolled in Medicare Parts A and B in April 2016, 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 medications.

David was diagnosed with diabetes in September 2017. 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:¹

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 a Part D plan.

¹The amounts shown are an example. Your costs may be different.

Key terms

Coinsurance

A percentage of the cost for a covered service that you pay when you receive it. For example, you might pay 20% and Medicare or your Medicare plan would pay the remaining 80%.



Copay

The fixed amount you pay at the time you receive a covered service. For example, you might pay \$12 when you fill a prescription.



Deductible

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

You Pay First



Medicare or Your Medicare 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”
- Plans may charge a deductible for certain drug tiers and not for others

Formulary tiers:

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

Premium

The fixed amount you pay for 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.

- Part D plans have four coverage stages: **annual deductible**, **initial coverage stage**, **coverage gap stage** and **catastrophic coverage stage**.
- The amount you pay for your medications changes depending on the coverage stage you are in.
- You move through the coverage stages based on your total out-of-pocket costs for medications from the start of the plan year.
- The coverage stage cycle starts over at the beginning of each plan year.
- Individual Part D plans explain specific coverage and costs in their Summary of Benefits or Evidence of Coverage materials.

More about the coverage gap

Your out-of-pocket costs for medications go up if you enter the coverage gap stage.

- People who take few medications may stay in the deductible or initial coverage stage and never enter the coverage gap.
- People who take many medications or whose medications are expensive could enter the coverage gap stage.
- Some people may move through the coverage gap stage and into the catastrophic coverage stage where out-of-pocket costs go back down for the rest of the plan year.
- If you get Extra Help from Medicare, the coverage gap doesn't apply to you.

Understanding Medicare drug coverage stages

Annual Deductible	Initial Coverage	Coverage Gap (Donut Hole)	Catastrophic Coverage
<ul style="list-style-type: none"> • You pay for 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. 	<ul style="list-style-type: none"> • You pay a copay or coinsurance and the plan pays the rest. • You stay in this stage until your total drug costs reach \$3,700 in 2017. 	<ul style="list-style-type: none"> • In 2017, you pay: <ul style="list-style-type: none"> – 40% of the costs for brand name drugs – 51% of the costs for generic drugs • You stay in this stage until your total out-of-pocket costs reach \$4,950 in 2017. 	<ul style="list-style-type: none"> • You pay a small copay or coinsurance amount. • You stay in this stage for the rest of the plan year.

Total drug costs

The amount you (or others on your behalf) and your plan pay for your prescription drugs. Your plan premium payments are not included in this amount.

Out-of-pocket costs

The amount you (or others on your behalf) pay for your prescription drugs plus the standard 50% discount on your brand name drugs provided by drug manufacturers during the gap. Your plan premium payments are not included in this amount.

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

Your Part D prescription drug costs

Ways to reduce your prescription costs:

- Ask your doctor if your medications have generic or lower-cost options.
- Consider getting 3-month supplies of your medications from a mail-order pharmacy, which may help lower your copays.
- 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 copays.

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.

Consider the annual deductible, copays and coinsurance, 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.



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