

Understanding Medicare Part D Drugs (Rx)



September 2023

Based on 2024 Medicare Price Tags & Rules

The following presentation provides a detailed discussion of Medicare Part D Rx rules and an introduction to using the Medicare.gov website for investigating, on your own, Medicare Part D Drug Insurers (aka Medicare Part D Plan Finder). **The Medicare.gov website could also be used to investigate Medicare Advantage Plans and Medigap Plans and other Medicare information.** Refer to the NCRO website for more information on Medicare Parts A,B,C and Medigap plans.

The Medicare.gov website is very user friendly and allows you to price your drugs and select an insurance provider. The following information was designed to provide more detailed explanations regarding the rules for Medicare's Part D Rx drug program. By reading through this presentation, you will gain a better understanding of Part D.

You have the choice of finding a Drug plan using the Medicare.gov website, using one of the Healthcare consultants listed on the NCRO website or doing both. You are also welcome to use a consultant of your choosing.

Disclaimer

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Not all Medicare seniors need a separate or standalone Part D drug insurance plan. If you are enrolled in a Medicare Advantage Plan (MA Plan), it **should** include Part D drug coverage, **very important**. It will follow the same rules as a standalone Part D drug plan. Those rules are explained in detail with this presentation.

If you are enrolling in an **MA Plan**, it is very important that you also input your drug information when pricing out your plan. The MA medical premium, the deductibles and co pays are not the only consideration. You need to know the cost of your specific Rx drugs as well. An insurer may be less for your medical costs, but not when you factor in your drug costs. **You need to understand your total costs including drugs**. You will find it easier if you use a consultant for your MA Plan if you want to get pricing for several insurers.

If you enroll in a Medicare Supplemental Plan also called a **Medigap Plan**, then you **will need to also enroll in a standalone Medicare Part D Drug Plan** to cover your prescription drugs. About 48% of retirees have a Medicare Advantage Plan and 52% have a Medigap Plan or other group coverage.

The Medicare.gov website allows the user to input their drug list and then determine which Part D insurer best suits your needs in terms of cost and convenience. Your drug list and the cost including the insurer's premium and deductible, if any, will determine your insurer choice and it will probably be different than someone taking more or fewer drugs, particularly if you are taking brand drugs vs generic drugs.

You should enroll in a drug plan during your Initial Enrollment Period (IEP) (generally age 65). If you have creditable drug coverage, for example through your spouse, or an employer, you are not required to enroll at this time. You may owe a Late Enrollment Penalty (LEP) if at any time after your IEP is over, there is a period of 63 or more days in a row when you don't have Part D or other creditable prescription drug coverage. The penalty is 1% per month or 12% for every year you wait to enroll. This means your monthly premium will be higher when you finally do enroll, 12% of \$31.50 (National base premium for 2023) or \$3.78 per month times each year you wait. You pay your premium **plus** the penalty amount. If you are eligible for "Extra Help" you don't pay a late enrollment penalty.

Healthcare Consultants

If you would prefer not to enroll in a Part D drug plan using the Medicare.gov website for whatever reason, then there is another easy option.

You can simply contact one of the Medicare Insurance Consultants we have listed on this website. They have each provided a presentation of their services and provide excellent service. You can use a consultant of your choosing.

Several of the consultants attend our webinars/seminars to answer your questions and help with enrollment, we highly recommend them. There is no cost to you to use them to investigate your least cost insurer. They may be already using the same Medicare.gov site to price your drugs. Their primary support for you is with finding Medicare Advantage Plans and Medigap Plans, but they also will enroll you in Part D Plans.

Many retirees don't realize that Part D drug insurance premiums and copays can vary significantly between different insurers. Insurers have varying premiums, varying deductibles, varying pricing tiers, and even vary as to which drugs they will insure. This is referred to as their formulary. **This makes it impossible to choose the least cost insurer without pricing out your specific drugs and the premium.**

A spouse or friend's insurer may not be the least cost insurer for you. Some insurers may require prior doctor authorization before they will fill a script for a specific drug. Some insurers may request that you to try a lower cost drug before allowing a brand drug even with a doctor's prescription for the brand drug.

You also need to be sure your pharmacy is a **preferred provider** with your insurer, or you will pay more with a **standard provider**. The website will tell you if you are using a preferred provider after selecting the pharmacies of your choice.

You can change Part D providers every year, if desired, but only during the Annual Election Period (AEP) which is October 15th to December 7th of each year. The effective date will be January 1st of the following year. There are some exceptions to this timing. **For example, if you are just now turning 65, then you are eligible to enroll at that time.** Also, if you have creditable coverage that discontinues, and are enrolling in Medicare, you can enroll at that time.

You can also change plans if a Qualifying Event (such as moving to another state) occurs. Anytime you are eligible to move from an Advantage Plan to a Medigap Plan you can enroll in a Medicare Part D plan because you will need a standalone Part D plan at that time.

Each time you try using the Medicare.gov website, you will find it even easier to navigate and find additional information.

If you have all generic drugs, your costs will be significantly lower, than someone with brand drugs. Many generic drugs are free with many insurers, but that will be apparent when you view your total costs.

You can use the Medicare.gov website to review your insurer alternatives and choose the lowest cost insurer for yourself and your spouse, including deciding between using mail order or a retail pharmacy. Mail order requires more lead time with a new prescription.

More often now it appears that a retail pharmacy will be no more expensive than mail order, in some cases they are even less. Most plans allow a 90-day retail supply at the pharmacy. However, using a plan's mail order pharmacy could be less, so you should check both retail and mail order and make the comparison. The site allows you to select up to 5 pharmacies. Select mail order as one of your choices for comparison.

The Medicare.gov site first lists your current insurer (if you already have been on a Part D Rx plan) and the costs. This allows you to easily check out how your existing Part D insurer compares in cost to other insurers. It also allows you to easily add drugs you have been taking recently. You can also do "what if " scenarios to check the pricing by adding or subtracting a drug to see how it would affect your total costs and insurer choice.

There are several factors that can influence your drug costs

1st. **Pricing:** Unfortunately, different drug manufacturers will charge differing prices for the same drugs. Also, the insurers can and will vary their premiums, deductibles and copays.

2nd **Formulary:** The listing of drugs an insurer will cover is called their formulary and there is no true consistency between insurers. Some exclude specific drugs or restrict the quantity that can be obtained. **If a drug is not covered by your insurer's formulary, you will pay 100% of the cost, so it is very important to verify every year that all your drugs are covered by your insurer. An insurer may drop one of your drugs at any time or year to year.**

It is possible to request a formulary exception if you find yourself in that position because your insurer discontinues your drug, or your physician prescribes a new medication not in your insurer's formulary. If this happens you need to contact your insurer to understand your options. **Also, the website "Q1 Medicare.com" is a great resource for answers to your questions.** Note that Part D insurance does not cover most over the counter ⁸ drugs like Tylenol, vitamins, etc.

3rd. **Tiers:** For purposes of pricing, insurers classify their covered drugs into several tiers. Most insurers classify preferred generic drugs as Tier 1, non preferred generic drugs as Tier 2, preferred brand drugs as Tier 3, non preferred brand drugs as Tier 4 and specialty drugs as Tier 5.

Some insurers move their drugs between tiers year to year to improve their pricing. The tier determines your co-pay amount. The higher the tier the higher the cost to you. In some cases, you can request that your drug be moved to a lower tier. You would need to contact the insurer with your request.

The co-pay amount will vary by insurer. Higher premiums can mean lower co-pays, but **the total cost, premiums, deductibles and co-pays need to be your focus.**

There are 4 Part D Coverage Stages: 2024 Rates

Stage 1 Yearly Deductible ... you pay your deductible, if your plan has one. In 2024, most insurers will have a deductible of \$545. Some insurers may have a lower deductible than \$545. Not every insured requires a deductible, but then their premium may be higher. Plans generally do not charge the deductible for tier 1 or tier 2 drugs, but some plans may for tier 2, you have to check.

Stage 2 Initial Coverage ... you pay your copays based on your drugs' tier and their copay percent. You are in this stage until the total cost of your drugs reaches \$5,030 (2024 amount). This amount includes your costs (excluding the premium) **plus the insurer's costs** for your drugs. You will receive a monthly statement telling you which stage you are in and how much has been spent by both you and the insurer.

Stage 3 Coverage Gap ... also called the "Donut Hole"
In this stage you pay 100% of the drug cost, but the cost is discounted 70% by the drug manufacturer plus 5% by the plan, so for brand drugs you pay 25% of the cost. For generic drugs you also pay 25% of the cost, but only the 25% is credited to the donut hole cost. You are in this stage until your credited costs reach \$8,000 (2024 amount). However, you get cost credit for the 70% Mfg.'s brand discount as well as your drug costs in Stage 1 and 2.

Confusing ? The next slide has an example:

“Donut Hole” Example...Brand Drugs

Brand Drug Cost		\$1,000	
Drug Mfg. Discount	70%	\$ 700	
Drug Plan Discount	5%	\$ 50	\$700 + \$250 = \$950
Your Drug Cost	25%	\$ 250	

Amount counted towards the \$8,000 Donut Hole spending in this example is \$950. Monies spent by you in stages 1 and 2 also count towards the \$8,000. (except premiums). This cost is also referred to by the term TrOOP (True Out of Pocket costs).

Stage 4 Catastrophic Coverage

Once you have been credited with \$8,000 in spending, you enter the Catastrophic Coverage stage for the balance of the year where **beginning in 2024 you pay zero for the cost of any drug**. Depending upon your drug costs, the calendar year may end before you reach all these various stages. Each January 1st your cost stages will start over. You could save drug costs by deferring a refill from December to January if your supply on hand is sufficient.

Depending upon how an insurer sets drug prices, establishes formularies or selects tiers, your drug costs can vary significantly and result in your entering the so called “donut hole” much sooner than with other insurers. The website detail tells you if you will reach the donut hole and when. Your insurer also sends a monthly tally indicating which stage you have entered.

Most insurers charge a deductible, but a few do not. However, **the best way to choose your provider is based on total costs including the drugs, the premium and the deductible (the drug cost will include the deductible).** You may need to use a different insurer than your spouse to minimize your individual drug costs, that’s ok. Also, you do not need to use the same insurer you enroll with as your Medigap insurer.

If you choose a pharmacy for receiving your drugs, it is important that you use your insurers’ “preferred” pharmacy to obtain the lowest price. The website will indicate if the pharmacy(s) you have chosen is “preferred” or “standard” for the particular insurer you are considering. You can also refer to the insurer’s website.

With a new insurer, you will need to provide new prescriptions for mail orders. If using a new pharmacy the prescriptions can be transferred from your current pharmacy. **If you are using the same preferred pharmacy, you should not need new prescriptions written, but the pharmacy needs to record your new insurer.** Show your new ID card in January with your first prescription order.

In some cases, with a generic drug where the pharmacy offers the drug for a few dollars, regardless of your insurance, you could consider buying the drug and not using your Part D insurance plan, especially if you are at risk of entering the Donut Hole. Make the comparison. Check out GoodRx.com, Costco or Meijer's for example. Also, you can ask the druggist if they have a better price over the counter. Also compare pricing on Brand drugs, but be aware your initial purchase of a brand drug using your insurer will include the cost for the annual deductible and will be higher than the cost after the deductible has been paid.

It is highly recommended that once you have selected a Part D insurer using this website, you can also visit the insurer's website or contact them by phone to verify the total drug costs you have identified using the Medicare.gov. site. This is important. If the Medicare website has an error in pricing, **you** must live with it for a year.

You can easily enroll online by clicking Enroll on the insurer you have chosen or by phone using the contact number for the insurer. As mentioned already, our recommended consultants can also enroll you.

You have several options for paying the premium, a deduction from your Social Security payment, a credit card, by mail with a check, or an auto deduction from your checking account.

As mentioned, you are eligible to change your Part D plan every year during the Annual Election Period (AEP) which is Oct 15th until Dec 7th. **If you are changing Part D plans, you do not need to notify your prior insurer, they will be notified for you.** You should receive a cancellation letter from your prior insurer and a welcome letter with a contract number from your new insurer and an insurance card. You can also call them to confirm enrollment.

If you don't have a confirmation letter before Dec 7th, contact your new insurer before that date to verify you were properly enrolled. The earlier you enroll after October 15th and before December 7th, the better the timing will be for your confirmation letter.

Many insurers are accepted as the preferred providers at the major brand pharmacies, but with more insurers are doing specific tie ins with pharmacies, it is important to check.

Also, if you have a second residence for part of the year, you may want to make sure you have a pharmacy available that is a preferred provider, if possible, or use mail order.

You can also call your local pharmacy and have the prescriptions temporarily transferred to your current location. But, again try to use a preferred provider for the least cost or definitely an in-network provider.

Next is an overview of what the Medicare.gov site will provide.

The site is user friendly, just follow the prompts. You will first be asked to either enroll or sign in if you have previously enrolled. By enrolling you will be able to sign in multiple times without re inputting your list of drugs or pharmacy choices. Use this same enrollment user name and password to visit the site for other Medicare information at any time.

For Medicare Part D the site will:

- List your current provider if previously enrolled.
- List your current drugs and allow you to edit or add them.
- Allows you to edit or add to your pharmacy list, including temporary locations if you travel.
- List your current drug insurer first (If you already have one).
- List all the Insurers available in your state in order of least cost.
- List total drug costs and also list total drug and premium costs based on the least cost pharmacy you have chosen. Be sure you have chosen at least one pharmacy listed as preferred.

The Medicare.gov site (Continued)

- Lists your pharmacy choices indicating whether they are just in network or Preferred and their cost for your drug list.
- Lists your individual drugs and their annual cost.
- Lists your monthly cost for drugs.
- Indicates whether you will or will not enter the “Donut Hole”, and if yes, when.
- Lists your drugs and their respective tiers.
- Allow you to choose up to 3 insurers for side by side comparison of total cost.

The next page shows the opening page of the Medicare.gov website. Now, that was a lot to read!



Welcome Member

[Get Started](#)



**Log in or create
an account**

Access your information
anytime, anywhere



**Find health &
drug plans**

Find & compare plans in
your area



**Find care
providers**

Compare hospitals,
nursing homes, & more

Concluding Remarks



This presentation hopefully enables you to better understand Medicare Part Drugs (Rx) and how the Medicare.gov site will allow you to investigate your drug costs and choose the lowest cost provider. It has been updated for the latest version of the Medicare.gov Part D Plan Finder which includes 2024 Stage level amounts.

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