



# Retirement Income Solutions

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*Safe . . . Simple . . . Sure Solutions*

Asset Safety

Increasing Income (finding money)

Recovery of Investment Losses

Medicare, Home Care, and Long-Term Care Strategies

Wealth Protection and Transfer

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# Let's Continue To Talk About Medicare . . .

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## Part D - Prescription Drug Plan

The biggest Medicare change in  
40 years!



# Medicare Part D

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Is intended to help all on Medicare:  
Regardless of income  
No income/means testing



# Medicare Part D

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To understand Part D we need to add some vocabulary:

**Formulary** -- the list of medications that the insurance company uses;

**Tier**-- the numerical category or level that is applied to each prescription, injectible, or supply.

**Branded Drugs** - Preferred and Non-preferred



# Medicare Part D

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Preferred brands typically are well known names that are not yet generics.

They have significant discounts built in.

Example . . . Lipitor



# Medicare Part D

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Non-preferred brands typically are the newer medications. They do not have significant discounts, and cost more.

Example . . . Crestor



# Medicare Part D

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Tier 1 = generic medications



# Medicare Part D

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Tier 1 = generic medications

Tier 2 = preferred brand names



# Medicare Part D

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Tier 1 = generic medications

Tier 2 = preferred brand names

Tier 3 = non-preferred brand names



# Medicare Part D

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Tier 1 = generic medications

Tier 2 = preferred brand names

Tier 3 = non-preferred brand names

Tiers 4 & 5 = injectibles and supplies



# What Drugs Are Covered

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- PDPs can cover any drug as long as it is available by prescription
- Approved by the FDA
- Purchased in the United States (not purchased in Canada or Mexico)
  - Prescription Drugs
  - Biological Products
  - Insulin
  - Medical Supplies for injections of insulin
  - Vaccines

*The actual drugs covered by each Medicare Drug Plan are determined by the plan.*



# What Drugs Are Not Covered

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- Drugs purchased outside the U.S.
- Drugs not covered by the Plan
- Over-the-counter drugs
- Vitamins
- Part B Drugs

*The actual drugs covered by each Medicare Drug Plan are determined by the plan.*



## Medicare requirements to offer a plan

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- That all plans conform to a minimum design and benefit level;
- Enhanced plan designs must be “actuarially equivalent”, meaning that they must not contain any inherent advantage or disadvantage that is not proportional to the premiums and benefits.

*The actual drugs covered by each Medicare Drug Plan are determined by the plan.*



# Standard Medicare plan

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They have somewhat different costs and approaches, but they all have some common characteristics:

1. \$250 annual deductible (some plans, \$0 on others)
2. Co-payments
3. Two thresholds, or “triggers”



# Standard Medicare plan

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## Threshold 1:

Your deductible (if any)

+

Your co-payments (your part of the medication cost)

+

The Medicare portion of your medication cost

EXCEED \$2,250, you are on your own.

You are in “The Gap”, or “The Donut Hole”

We call it “The Twilight Zone”



# Standard Medicare plan

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During “The Gap” you are on your own, until:

Your deductible

+

Your co-payments

+

Your additional prescriptions (that you pay for)

=

\$3,600. Total, out of your pocket.



# Standard Medicare plan

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When that happens, you leave The Gap, The Donut Hole, The Twilight Zone;

You have reached the 2<sup>nd</sup> threshold - called  
“Catastrophic Coverage” (\$3,600 out of your pocket);

Uncle Sam will now pay 95% and you will pay 5% of  
your prescription drug costs.



# Standard Medicare Part D Benefit

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	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0



# Standard Medicare Part D Benefit

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	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0
+		
2. Co-payments	\$0 - \$60 per prescription	Balance of prescription cost



# Standard Medicare Part D Benefit

	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0
+		
2. Co-payments	\$0 - \$60 per prescription	Balance of prescription cost
If you + Medicare reach	\$2,250	



# Standard Medicare Part D Benefit

	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0
+		
2. Co-payments	\$0 - \$60 per prescription	Balance of prescription cost
	If you + Medicare reach <b>\$2,250</b>	
3. Then,	On your own	

# Standard Medicare Part D Benefit

	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0
+ 2. Co-payments	\$0 - \$60 per prescription	Balance of prescription cost
	If you + Medicare reach <b>\$2,250</b>	
3. Then,	On your own	
4. When / if	Deductible	
	+ Co-payments	
True out-of-pocket	= <b>\$3,600</b>	

# Standard Medicare Part D Benefit

	You Pay	Medicare Pays
1. Annual Deductible	\$0 - \$250	\$0
+		
2. Co-payments	\$0 - \$60 per prescription	Balance of prescription cost
If you + Medicare reach	<b>\$2,250</b>	
3. Then,	On your own	
4. When / if	Deductible	
	+	
True out-of-pocket	Co-payments	
	<b>= \$3,600</b>	
5. You pay	Greater of \$2 / \$5 OR 5%	THE REMAINDER



# Enrollment Periods

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- Initial Enrollment Period (IEP)
- Annual Coordinated Election Period (AEP)
- Special Enrollment Period (SEP)



# Initial Enrollment Period

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November 15, 2005  
through  
May 15, 2006



# Annual Coordinated Election Period

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- November 15 - May 15, 2006
- After May 2006:
  - November 15 - December 31



# Special Enrollment Period

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- Permanent move into a different plan service area
- Individual entering, residing in, or leaving a long-term care facility
- Involuntary loss, reduction, or non-notification of creditable coverage
- Other exceptional circumstances



# Part D Enrollment

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Medicare “encourages” all eligible enrollees to do so.

- The incentive is that you are likely to save money;

- The penalty is a 1% premium addition for each month that you do not have “creditable coverage” and do not enroll;

- The penalty remains forever.



# Part D Creditable Coverage

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Beneficiaries who have another source of drug coverage may stay in that plan and not enroll in Medicare Part D:

- If that other source of coverage is at least as good as the Part D standard benefit, which is called “creditable coverage”, the beneficiary will avoid late enrollment penalties.



# Filling Prescriptions

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- Use a Network Pharmacy
- Present your ID card
  - Pay Deductible, Co-payment, or coinsurance
- Mail Order Pharmacy Services
  - Use for Maintenance Drugs



# Premium Payment Options

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You have two options to pay the premium:

- Pay the Plan Provider directly
- Have the premium deducted by Social Security (from check), Railroad Retirement, or Office of Personnel Management



# Common Characteristics

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- The leading plans offer:
  - A variety of Prescription Drug Plans
- Easy to Apply
  - No health questions
  - No medical forms
- 60,000 Chain Pharmacies



# Summary of Medicare Part D

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Meaningful to nearly all:

- Will limit/lower your out-of-pocket costs
- As a plan of *insurance*, a Part D policy is an important risk management tool.
  - Limits your financial exposure by shifting great and unknown risk off your shoulders.
  - Permits better financial planning and predictability, and *peace of mind*



# Summary of Medicare Part D

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- Meaningful to nearly all
- Marginal to a few . . . for now
  - Will require individual analysis of specific medications and amounts to determine how helpful
  - **We are able to provide that analysis for those who wish**



# Retirement Income Solutions

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Would you like us to help you?

Please contact us by any of the ways on the following page.



# Retirement Income Solutions

*Safe . . . Simple . . . Sure Solutions*

How can you make the most of your finances, your time, and your results?

Contact us and find out. We will do our best to satisfy your objectives, and to exceed your expectations.

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In addition to Missouri and Kansas, we also are licensed to conduct business in Arizona, California, and Texas. Professional alliances enable us often to assist in other states as well.

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