October 4, 2005

MEDICARE DRUG BENEFIT

How to Choose a Medicare Drug Plan
As Enrollment Period Nears,
Seniors Must Weigh Cost,
Convenience, Medical Needs

By BARBARA MARTINEZ and SARAH LUECK
October 4, 2005

As details emerge about the long-awaited Medicare drug benefit, Americans 65 and over now face some basic choices about which of the many plans out there is best for them.

The new policies aim to suit a wide range of medical needs and financial means. Some may appeal to people who take few medicines and want to keep premiums low. Others focus on convenience, with mail-order options or wide networks of local pharmacies. Still others target people with high drug bills who need brand-name medications rather than cheaper generics.

The elderly have never had much choice in the basic Medicare coverage they get for hospitals and doctors. But Congress chose a different approach for the Medicare prescription-drug benefit: To harness the benefits of competition, it set out to encourage as many private insurers and other companies as it could to offer the federally-subsidized drug policies. And a lot of companies are.

CONSIDERING COVERAGE?

We track seniors' experiences with the Medicare drug benefit, starting with an Illinois couple that spends about $20,000 a year on prescription drugs.
• See expanded coverage of the Medicare drug benefit.
Among the range of offerings, **Humana Inc.** is offering some of the cheapest plans available, with premiums as low as $1.87 in Montana, Wyoming and Nebraska. Humana and other insurers, including **Aetna Inc., Cigna Corp., PacifiCare Health Systems Inc.** and **WellPoint’s Unicare,** are offering plans with costlier but more comprehensive coverage. Other options aim for the middle, with slightly higher premiums, and better benefits, than the cheapest policies. Two of Aetna’s three plans have no deductible, among other features; premiums for those plans range from $27.50 to $50.45 a month, depending on location.

Information on individual plans’ coverage and costs can be found in the promotional materials that insurers are disseminating. But for other details, such as what specific drugs are covered, seniors may need to contact the plan providers directly. To help beneficiaries make a choice, Medicare in mid-October will unveil several new features on its Web site, [www.medicare.gov](http://www.medicare.gov), including one that will allow beneficiaries to see how much they would pay for their medications under various plans. At [www.cms.hhs.gov/map/map.asp](http://www.cms.hhs.gov/map/map.asp), people can get a state-by-state breakdown of plans where they live.

Over the next few months, perhaps the most important advice for Medicare’s elderly and disabled beneficiaries is to sign up for something by the deadline. With a few notable exceptions, the government requires Medicare-eligible people to sign up for a plan by May 15 next year, or face a penalty of higher premiums if they later decide to join. People can begin signing up Nov. 15 and the plans go into effect Jan. 1. People who already have comparable drug coverage, such as through an employer's retiree plan, aren't subject to the penalty if they join a Medicare plan down the road.

For those who would face a penalty, signing up on time will at least get them on board, and they can switch plans later if their needs change. Here are some basic questions to keep in mind while sorting through the options:

**If you want a dirt-cheap plan**

In most locations, seniors will be able to find plans for less than $20 a month. Humana is offering plans for less than $6 a month to seniors who live in California or New York.

For people with minimal drug costs, a plan with a low premium might be best. Generally, $20 or less per month can buy some help with medication costs, in case of an unexpected illness. And such plans offer a relatively cheap way to sign on when you’re first eligible and avoid penalties later.
Medicare tacks on a 1% higher premium for each month you wait to sign up after the enrollment period ends.

Of course, you get what you pay for. Low-premium plans don't have the most generous coverage. Generally they come with a $250 annual deductible. And they don't address the notorious coverage gap that Congress built into the Medicare plan, known as the "doughnut hole." After beneficiaries meet the deductible, they pay 25% of medication costs until their drug bill reaches $2,250 in a year. Then the hole: They must pay all the costs for a while, until they've spent $3,600 out of pocket. After that, the benefits kick in again and cover 95% of costs for the rest of the year.

People who want a low-premium plan with no deductible will have some options. Coventry Health Care Inc. and PacifiCare are offering zero-deductible plans nationally; in many places the cheapest options cost $18 to $20 a month.

If you have health problems

For many seniors, the "doughnut hole" issue is the most important one. Some people with serious or chronic conditions take so many medications that they will blow through the first $2,250 very quickly and thus be on their own for paying for a big chunk of their expensive drugs each year.

Some plans, like ones from Aetna, Cigna, PacifiCare and Unicare, are designed to eliminate that doughnut hole and continue coverage. In California, for instance, seven plans are available that offer some coverage through the doughnut hole. The other 40 plans in that state offer no coverage during that stretch. Most plans offer the doughnut-hole coverage only for generics, not brand-name drugs. Humana is one of the few that will cover brand-name drugs through the doughnut hole.

However, such plans have higher monthly premiums. For instance, in Georgia, the Humana plan that covers brand name drugs through the doughnut hole costs seniors about $73 a month in premiums. In the same state, a Humana plan with no coverage through the doughnut hole would be
Another big consideration for people who take costly medicines is how the patient's share of the cost is figured. In some instances, beneficiaries will pay a flat co-payment for each prescription. Other times they will be charged "co-insurance," which sounds similar, but actually means the patient pays a percentage of the total cost. That can add up with pricier drugs.

Two of Humana's drug-plan options charge a flat co-payment for most prescriptions, such as $7 for generics, $30 for one category of brand-name drugs, and $60 for a third category that typically includes more-expensive brand-name drugs (often called "nonpreferred" drugs).

But there's also a fourth tier called "specialty" drugs, for which the patient pays 25% of costs until catastrophic coverage kicks in. These are very-high-cost drugs, such as injectables Rebif for multiple sclerosis and anemia treatment Aranesp. After a person spends $3,600 out of pocket in a year -- the other side of the doughnut-hole coverage gap -- the catastrophic coverage kicks in and the plan pays 95% of the costs.

**If a local pharmacy is important**

Many of the plans have set up pharmacy networks that patients must use. Medicare beneficiaries who want to continue to use a familiar pharmacy should find out which plans that pharmacy participates in. The government's Web site and 1-800 number, as well as the plans, eventually will be able to confirm whether a pharmacy is available under a specific plan.

One company is touting its plans' close ties to individual pharmacists who can help seniors save money -- largely by encouraging the beneficiaries to switch to cheaper generics. MemberHealth Inc. is offering its Community Care Rx plans in every region nationwide. The company will pay pharmacists for time they spend helping a beneficiary go over his or her drug choices, says Chuck Hallberg, chief executive of the Cleveland-based pharmacy-benefit manager. The Community Rx Basic plan, the cheapest one, provides generic drugs without a co-payment or cost-sharing. Premiums in many places are about $30 a month.

None of the three Community Rx plans offer a mail-order option, something that has become increasingly popular with seniors. But the plans are employing an option given them under the Medicare law, and allowing seniors to get 90-day prescriptions in person, so they don't have to make monthly trips to the pharmacy.

**If rock-bottom generic drug costs are important**

**Medco Health Solutions** Inc., one of the country's biggest pharmacy-
benefit managers, offers the YOURx Plan in all regions nationwide that offers a 90-day supply of a generic drug for a $4 co-pay as long as the prescription is filled in Medco's mail-order facility. The monthly premium runs from $27 to $35, depending on where the patient lives.

Mail order could be one of the easiest ways for seniors to save money in most plans. Most plans will offer seniors a three-month supply for only two co-pays instead of three, saving 33% right off the bat. The rub with the YOURx Plan, however, is that "nonpreferred" brands carry a 75% coinsurance, meaning the patient pays 75% of the price.

For instance Medco lists the cholesterol drug Pravachol as "nonpreferred." According to a pricing tool on Medco's Web site, a patient could pay $68 for a 30-day supply of Pravachol. But on the YOURx Plan, a patient can get a 30-day supply of rival drug Lipitor for only $17.

Patients are on their own through the coverage gap and have to pay 100% of their drug costs.

If you need a specific medication

Probably the most important question you could ask about a prospective plans may not be an obvious one: Are the drugs you're taking on the plan's "formulary"? The formulary is one of the strategies insurer have in place to help control their own costs. It lists the "preferred" drugs that the plan covers at a lower co-pay -- typically drugs that are less expensive than a rival medicine, or for which the insurer has worked out a pricing deal with the drug's maker. Brand-name drugs that are listed as "nonpreferred" will carry a higher co-pay or co-insurance.

A plan with a low monthly premium and zero deductible may look enticing, but could end up being costly if a seniors' particular drugs are not on the plan's formulary. That's why it's critical for a senior to request formularies from health plans, or at least call to find out if the medicines they take are either generics or are on the plan's preferred list of brand-name drugs.

"This is where you'll see a lot of variability by plans," says Frank McCauley, head of Aetna retiree markets.

It's also important to ask what kind of hurdles the insurers might place in order for you to get the drug your doctor ordered if it's an expensive one. AARP's plan, for instance, says that it will require "prior authorization" from the plan, as well as make seniors try less-expensive medicines first, before paying for certain more expensive drugs.

At PacifiCare, which is offering three plans in each region nationwide, two of
the plans will require seniors to get permission or trying less-expensive drugs first, says Jackie Kosecoff, executive vice president. But PacifiCare is also offering a costlier plan with no barriers. Premiums for that plan will average $30 to $48 a month, compared with $19 to $35 for the Saver plan.

Write to Barbara Martinez at Barbara.Martinez@wsj.com and Sarah Lueck at sarah.lueck@wsj.com

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