Summary

Starting January 1, 2006, Medicare will offer prescription drug coverage for everyone with Medicare. Advertisements on television, on the radio, in newspapers and in the mail will encourage people with Medicare to sign up for the Medicare drug plan called Medicare Part D. The Medicare drug plan will have an additional cost of approximately $32 per month. Since the State System's Annuitant Health Care Program already covers prescription drugs under Highmark's Major Medical to annuitants over 65 and this coverage is on average better than the Medicare drug plan, annuitants should not enroll in the Medicare drug plan which is called Medicare Part D. The Highmark ID card, that includes the Medco logo, should be used to obtain all prescription drugs.

Notices

An initial notice about the Medicare Prescription Drug Plan (sample attached) is being sent the week of September 12, 2005 to all annuitants enrolled in the PA State System Annuitant Health Care Program and advises them not to enroll in the Medicare prescription drug plan called Medicare Part D. An additional “Notice of Creditable Coverage” that is required by Medicare law will be provided to all employees and annuitants prior to November 15, 2005, the start date for Medicare Prescription Drug plan enrollment. This creditable coverage notice will advise that since the State System's health plan coverage is on average at least as good as the standard Medicare prescription drug coverage, they will not pay a higher monthly premium if they later decide to enroll in the Medicare prescription drug coverage.

Standard Medicare Prescription Drug Coverage Plan Description

- Monthly premium of around $32 in 2006
- $250 deductible
- From $251 to $2,250, Medicare pays 75% of drug costs and Medicare beneficiary pays 25% of drug costs
- From $2,251, Medicare beneficiary pays 100% of drug costs until true out-of-pocket spending reaches $3,600
- After Medicare beneficiary reaches $3,600 in true out-of-pocket spending, Medicare pays about 95% of drug costs
Help for People With Limited Income and Resources

Medicare beneficiaries with incomes under 150% of the Federal Poverty Level and with limited assets may qualify to join a Medicare Prescription Drug Plan and pay little or nothing out of pocket. For annuitants with low income and limited assets, enrollment in Medicare D should be considered and will not affect their enrollment in the PA State System of Higher Education’s Annuitant Health Care Program. If an annuitant thinks they might qualify for low income help in paying for a Medicare prescription drug plan, they should contact the Social Security Administration.

The Medicare Retiree Drug Subsidy Program

The PA State System of Higher Education is making an application for the Medicare Retiree Drug Subsidy for January 2006. This program is designed to encourage employers to continue to provide drug coverage to Medicare-eligible retirees. To qualify for the subsidy, the plan must be certified as actuarially equivalent or better than the defined standard coverage under the new Medicare prescription drug benefit. The subsidy only applies to retirees eligible for but not enrolled in a Medicare Part D plan. The Medicare Retiree Drug Subsidy will pay 28 percent of eligible retiree’s drug costs between $250 and $5,000 in 2006 to the PA State System of Higher Education. In order for Highmark to have the information for the State System to obtain the retiree drug subsides from Medicare, the Highmark/Medco ID card must be used when annuitants obtain prescription drugs that are submitted to Highmark for consideration under Major Medical.

Sources of Information for Annuitants

- Medicare & You 2006 Handbook, which will be mailed to Medicare beneficiaries in October 2005
- Medicare website at www.medicare.gov
- Medicare’s toll free number 1-800-633-4227 available 24 hours a day, 7 days a week

Final Note

The information provided in the document has been obtained from the Centers for Medicare and Medicaid Services (CMS) website www.cms.hhs.gov/medicare/reform/factsheets.asp and is believed to be reliable as of the date of this communication.