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## Facing the New Medicare

By STACEY L. BRADFORD

SMARTMONEY

Medicare has changed quite a bit in the past year. Some of the changes you can't do much about. The new drug benefit remains two years away. The health-care plan for the elderly is still complex. And Medicare bills are likely to escalate, because of a little-noticed but important change that calls for deductibles and premiums to be indexed to annual growth in per-capita Medicare spending. Still, there are things you can do -- or help older people do -- to prepare for the new Medicare. Among them:

**Read everything you get** in the mail from the Centers for Medicare & Medicaid Services. The new "comprehensive" drug benefit isn't available till 2006. But if you miss a deadline in the enrollment period next year, it'll cost you. That's because enrolling seniors must pay a 1%-a-month penalty fee, on top of the drug plan's monthly premium, for each month they were eligible for coverage but didn't participate.

**Consider drug-discount cards** in the meantime. Seniors with no drug coverage can get a little help by applying for a Medicare-endorsed drug discount card as soon as May 2004. The card will cost up to \$30 a year and should mark down medications 10% to 25%. Some seniors might do better sticking with certain existing drug-discount cards offered by drug makers and retailers like Sam's Club, says Kirsten Sloan, AARP's national coordinator for health issues. A card should cover as many of your current drugs as possible.

**Learn the new options.** Traditional Medicare may work well for some. It's still going to be around, with a new "Part D" for drugs. But others may save more by signing up for a new Medicare Advantage policy, the next generation in Medicare HMOs -- adding a drug benefit and more freedom of choice. Many such plans are expected to look more like preferred provider organizations, or PPOs. Formally called Medicare+Choice, these new plans will be run by private insurers under contract with Medicare. (If you elect a Medicare Advantage plan, there's no need to sign up for Medicare Part D.) The good news is that patients have ample time to decide. Open enrollment won't start till autumn 2005. In fact, these new plans including drug benefits don't yet exist.

**Track your spending.** Experts suggest keeping a log of doctor visits, lab tests and prescriptions to help make informed decisions that can cut your out-of-pocket costs later. The Kaiser Family Foundation estimates that traditional Medicare covers only 56% of a senior's total health-care spending, though the drug benefit could help.

**Deal with the "doughnut."** Suppose it's fall 2005 and you're finally able to buy Part D drug coverage. Here's how it works. Seniors must pay a \$35 monthly premium and the first \$250 of annual costs. Then the plan subsidizes 75% of the next \$2,250. Seniors are responsible for 100% of the next \$2,850 (what some call the "doughnut," a hole in the drug plan). Outlays over \$5,100, considered catastrophic, are picked up by Uncle Sam at 95%.

**Rethink Medigap.** Vulnerable to big out-of-pocket costs, many seniors now buy a supplemental, or Medigap, policy. Under Medicare reform, new beneficiaries won't be allowed to buy a Medigap plan that offers drug coverage. The government would rather

you sign up for Part D. If you already have a Medigap plan with drug coverage, you can keep it. But think hard. If your insurer raises premiums for this costly insurance so high that you cancel, you'll face the 1% monthly penalty if you go to Part D.

**Expect some higher costs.** The deductible for Part D, the drug benefit, is expected to rise from \$250 to \$445 by 2013. And the catastrophic threshold for drug coverage, the part that covers 95% of costs, is expected to climb to \$9,066 from \$5,100. Wealthier people's premium costs will rise fastest.

**Watch out for scams** until legitimate insurers start offering Medicare Part D and Medicare Advantage plans. Avoid any insurer that offers you a policy now. Con artists are already knocking on doors trying to exploit Medicare recipients.

- Stacey L. Bradford is an associate editor of SmartMoney.com. You may send an e-mail to: [letters@smartmoney.com](mailto:letters@smartmoney.com)

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