

MEDICARE PRESCRIPTION DRUG BENEFIT

MEDICARE DRUG INSURANCE AND COLORADO CONSUMERS

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Medicare is undergoing the biggest change to the program in its 40 year history with the addition of prescription drug coverage. The Senior Health Insurance Assistance Program (SHIP), a part of the DOI, has created a consumer guide to help people understand the new Medicare Part D coverage, a listing of the companies offering the insurance, and some comparison information to help people choose a plan. If you would like the complete 16-page guide, contact Liz Tredennick at 303 894-7552 or Linda Whittington at 303 894-7553.

Everyone with Medicare is eligible for new Medicare prescription drug plan coverage. Enrollment is voluntary; however, consumers will pay a penalty if they do not enroll when first eligible unless they have drug coverage that is as good as or better than that offered by Medicare. The initial enrollment period is November 15, 2005 (for a January 1, 2006 effective date) through May 15, 2006.

How Coverage Works

In Colorado, there are 44 plans provided by 17 different carriers that are approved by Medicare. Each plan has different drug coverage, premiums, deductibles, co-pays and pharmacy networks. Each "standard" plan will have a coverage gap where consumers pay the full cost of drugs. After a consumer has paid \$3,600 out of pocket, they will pay only 5 percent of remaining drug costs; the plan will pay 95 percent. Most plans' coverage gaps will start at \$2,250 in total drug costs and end at \$5,100. Consumers have the option of enrolling in a "standard" plan with lower premiums, or they may choose a plan with higher premiums and receive increased drug coverage.

To get drug coverage, consumers must enroll in one of the drug plans. Consumers will not be enrolled automatically just because they have Medicare.

What Is Covered?

Medicare requires each drug plan to cover both brand name and generic drugs. While plans must cover drugs from each therapeutic category, it is not likely that plans will cover all drugs. In addition, standard plans will not cover over-the-counter drugs, cosmetic drugs, weight control drugs, vitamins, and two classes of drugs known as benzodiazepines and barbiturates.

Consumer Plan Options

Consumers enrolled in Original Medicare, Rocky Mountain Health Plans HMO, or San Luis Valley HMO, can choose to enroll in any of the 44 plans offered in Colorado. (Rocky Mountain Health Plans HMO will also offer an optional plan for their enrollees.)

If consumers are enrolled in a Medicare Advantage (MA) health plan, such as Kaiser Permanente Senior Advantage, PacifiCare Secure Horizons, Colorado Access, Humana PPO, or Humana Private Fee-For-Service Plan, they must get their coverage through their MA plan. Most Medicare Advantage plans offer more than one drug plan.

Marketing and Consumer Protection

To protect consumers from fraud, Coloradans are urged not to do business with representatives of prescription drug plans who:

- Come to their home uninvited.
- Say they represent Medicare, that Medicare wants the consumer to buy their plan, or that Medicare recommends their product.
- Ask for Social Security numbers, banking and credit card information, or similar information as part of their marketing.
- Want consumers to enroll over the phone – unless the consumer initiated the call. For enrollment over the phone, consumers

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should use the plan phone number supplied by Medicare or Division of Insurance materials. Consumers shouldn't use a different number given to them by someone who says they represent the plan.

- Use high-pressure sales tactics.
- Say consumers have to join their drug plan because they have your Medigap plan. (Medigap is different than a Medicare HMO)
- Say their plan will supplement a consumer's employer retiree health plan, TriCare for Life, or other comprehensive secondary insurance plan.

The Colorado Division of Insurance has issued Bulletin 13-05, "Marketing Medicare Part D and Medicare Advantage Plans", to give guidance to insurance producers on the rules regarding marketing Medicare Part D. The December 15 Bulletin may be found on the DOI website under Regulations and Bulletins.

Enrollment

The initial enrollment period for the new Medicare drug benefit is November 15, 2005 to May 15, 2006. If consumers enrolled in 2005, drug coverage began January 1, 2006. If consumers enroll after January 1, 2006, coverage begins on the first of the following month. For example, a consumer who enrolls on February 12, 2006 will have drug insurance coverage that begins on March 1, 2006. If consumers do not enroll before May 15, 2006, they will not be able to enroll until November 2006 and will pay a higher premium.

If consumers have special circumstances – such as moving in or out of Colorado during the year, losing their present drug coverage, or moving into or out of a long-stay nursing home -- they will have special enrollment rules and will be able to change plans during the year.

To enroll in a prescription drug plan, consumers may contact the plan directly or call 1-800-MEDICARE. They can also enroll through an authorized producer representing that plan, or on

the Internet by visiting the plan's Web site or visiting Medicare at www.medicare.gov.

Restrictions on Changing Plans

Most people on Medicare will not be able to change Medicare drug insurance plans whenever they want. They will be able to change only during a special enrollment period each year. Only people with both Medicare and Medicaid, and those with special circumstances, will be able to change plans at other times.

How Does Medicare Drug Insurance Affect Different Consumers?

There are special issues involved in Medicare prescription drug plans for consumers in these groups:

1. Consumers who have employer/union retiree drug insurance, VA or TRICARE for Life (including PERA and FEHBP);
2. Consumers enrolled in a Medicare HMO;
3. Consumers with both Medicare and Medicaid;
4. Consumers with limited income and resources who are not on Medicaid;
5. Consumers with Medigap Drug Insurance;
6. Consumers who currently have little or no drug costs.

How to Choose a Medicare Prescription Drug Plan

Issues for consumers to consider in choosing a Medicare prescription drug plan include:

1. Ensuring their preferred pharmacy is in the insurer's network;
2. Ensuring their current drugs are on the insurer's formulary;
3. Comparing co-payment amounts to receive each drug the consumer takes;
4. Comparing other costs such as premiums and deductibles;
5. Determining what costs the consumer may pay due to entering the 'coverage gap'.

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Where to Get Information and Assistance

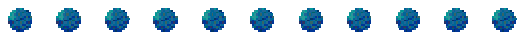
Medicare can provide information on how drug plans cover current prescriptions. This information can be obtained at their website: www.medicare.gov, or by calling 1-800-MEDICARE 24 hours per day, 7 days per week. Medicare can provide information for residents of any state.

Access to Benefits Coalition-Colorado (ABC-CO) is a group of Colorado organizations organized to help consumers with questions and, usually, provide one-on-one assistance if necessary.

ABC-CO materials and presentations are developed by people who do not market Medicare prescription drug plans. Materials include a comparison of the 44 prescription drug plans, and formulary and co-pay information for 200 common prescription drugs. Colorado SHIP and ABC-CO have developed information specific to Colorado choices. Call 1-800-503-5190 or review the information at: www.coloradomedicare.com.

Social Security takes applications and determines eligibility for the "Extra Help" program for low-income seniors. They can be contacted from 7 am to 7 pm weekdays at 1-800-772-1213. Consumers and caregivers can obtain more information and complete an on-line application at: www.socialsecurity.gov.

National Access to Benefits Coalition has a helpful website at: www.accesstobenefits.org. They also can help determine whether consumers may be eligible for many other assistance programs.



PERSONNEL CHANGES IN THE SENIOR HEALTH INSURANCE ASSISTANCE PROGRAM (SHIP)

Robert (Bob) Pierce, Program Administrator for the Senior Health Insurance Assistance Program (SHIP), retired after 12 years on December 31, 2005. "Bob was instrumental in creating and administering the SHIP program. Bob was a

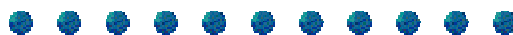
dynamic worker and produced many consumer publications and trainings, several of which won awards and recognition," said Commissioner Rivera.



Linda Whittington and Liz Tredennick

Two employees are 'filling his shoes' in 2006: Liz Tredennick, who has worked for DOI since July, 2005; and Linda Whittington who joined the staff on January 1, 2006.

Tredennick has worked with seniors for the past 20 years, collaborating with Pierce on community events. Whittington was the past director of Benefits CheckUp, and worked with Pierce in the Access to Benefits Coalition-Colorado. Both Tredennick and Whittington are thrilled to be at the 'helm' of the Colorado SHIP program and vow to do their best to keep up the stellar reputation of the program that Pierce built throughout the State of Colorado



OTHER INSURANCE NEWS

ELECTRONIC PAYMENT OF FEES AND PREMIUM TAXES

Debbie Hulstrom, Supervisor, Corporate Affairs

Starting with the 2006 tax year for direct premiums written in Colorado during 2005 all insurers will be able to file and pay their fees and premium taxes electronically. A simple on-line registration will be required prior to

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