

The Medicare Prescription Drug, Improvement and Modernization Act of 2003

Key Points *(a brief summary)*

Presentation by

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Key Points: The Medicare Prescription Drug, Improvement and Modernization Act of 2003

Medicare Advantage:

- Medicare+ Choice is being renamed "Medicare Advantage", with payment rates increases starting in 2004, and further encouragement for PPO participation starting in 2006
- Starting in 2010, demonstration markets will be named for more intense Medicare private market competition

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Part B Coverage:

- For 2004, the \$100 Part B deductible will increase to \$110,
- Will be indexed to Part B spending increases starting in 2005.
- Starting in 2007, high income beneficiaries (>\$80,000) must pay up to 80% of their Part B premiums costs, as opposed to the continuing 25% requirement for others.

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Rx Discount Cards:

- From 2004 to 2005, beneficiaries can purchase a drug discount card for around \$30.
- Government estimates are the card will provide 15-25% savings per prescription.
- Low-income seniors are eligible to receive up to \$600 per year to pay for drugs during this period.

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Medicare Prescription Coverage (Part D) starting in 2006:

- Coverage is voluntary, and for those who elect it, the additional monthly premium will start at around \$35
- There is a \$250 Deductible
- There is 25% coinsurance for drug costs from \$251 to \$2,250
- The Beneficiary is then entirely responsible for drug costs until they reach \$3,600 in out-of-pocket expenditures
- Catastrophic Coverage then kicks in with 5% coinsurance for after the \$3,600 out-of-pocket expenditures level is reached

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Low Income Seniors Rx Cost Sharing:

- Seniors with incomes of less than 150 percent of the federal poverty line will not be required to pay Part D premiums or deductibles,
- Also will pay no more than \$2 for generic prescriptions and \$5 for brand-name drugs.

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Employer Retiree Rx Coverage:

Starting in 2006, employers with retiree drug coverage that offer retirees "actuarially equivalent" to the Part D coverage or greater will receive a government subsidy for 28% of drug costs between \$250 and \$5,000 per person.

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Health Savings Accounts:

Health Savings Accounts (HSAs) are established starting in 2004, as a tax advantaged savings account for disbursement of medical expenses in combination with a high deductible insurance plan, that must be opened before age 65 and can be funded either solely by employer contributions, through pre-tax payroll deductions under a cafeteria plan, or by an employee without employer involvement

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Other Provisions Include:

- Increased Medicare payments to rural providers and hospitals,
- Physician payment adjustments
- New beneficiary protections and new processes for Medicare claims appeals
- Debit card payments under HRAs and FSAs no longer require 1099 reporting requirements