**What Does Medicare Part D Insurance Cover?**

*Presented by* ***Eric C. Tolmie, MBA***

Medicare Part D offers prescription drug coverage.

**How—and when—do I enroll?**

Unlike Part A and B, your enrollment in Part D is not automatic. You will need to apply for Part D insurance during the appropriate enrollment period to avoid a potential penalty.

* **Initial enrollment period:** The initial seven**-**month enrollment period is the three months preceding your 65th birthday, the month of your birthday, and three months following your birthday.
* **Disabled individuals receiving social security or Railroad Retirement Board disability benefits:** Enrollment is not automatic.
* **Under Age 65:** The seven**-**month enrollment period for disabled persons under age 65 begins three months before the 25th month of receiving benefits, includes the 25th month, and ends three months after the 25th month of receiving disability benefits.
* **At Age 65:** The initial seven**-**month enrollment period applies.
* **Open enrollment period:** Open enrollment begins October 15 and ends December 7.
* **Annual disenrollment period:** If you’re enrolled in a Medicare Advantage plan, you may disenroll from it and then enroll in Original Medicare coverage (Part A, B, and D) during the period from January 1 to February 14.

**What are my out-of-pocket expenses?**

Private health insurers offer two types of prescription coverage: stand**-**alone prescription drug plans (PDPs) and Part C Advantage plans. Stand**-**alone PDPs are for enrollees with traditional Part A and Part B insurance. Part C (Medicare Advantage) plans may offer prescription coverage as part of their managed care benefits.

* Premiums vary by plan.
* Part D has four coverage phases; out**-**of**-**pocket costs depend upon your coverage phase. If your plan has a deductible, you start at phase 1; if not, you begin at phase 2. You continue progressing to each coverage phase when your out**-**of**-**pocket costs reach a certain amount.
* **Phase** **1: Annual deductible**—You pay 100 percent of all medication costs until your out**-**of**-**pocket costs reach the annual deductible.
* **Phase** **2: Initial coverage**—Once you’ve met your annual deductible, you and your insurance plan pay medication costs until the shared total costs reach a certain amount.
* **Phase** **3: Coverage gap** (a.k.a., “the donut hole”)—Once you’ve reached the limit in phase 2, you typically pay 40 percent–51 percent of the plan’s cost for drugs until you reach a certain amount. Click the link for more information on Medicare Part D Late Enrollment Penalty: <https://www.medicare.gov/part-d/costs/penalty/part-d-late-enrollment-penalty.html>
* **Phase** **4: Catastrophic coverage**—Once you’ve reached the limit of out**-**of**-**pocket costs in phase 3, you pay only a small coinsurance or copayment for covered prescription drugs for the remainder of the year.
* The monthly Explanation of Benefits is a notice that details the amount spent by the insurance company when you’ve received medical services or items.
* Each Part D plan has a list of prescriptions it covers, known as the formulary. Prescriptions within the formulary are categorized within tiers, and each tier has an associated cost.
* Total or true out**-**of**-**pocket costs (a.k.a., TrOOP costs) include Part D deductibles and costs you paid during the initial coverage and coverage gap phases. The TrOOP does not include Part D premiums and costs for prescriptions that are not listed in your plan’s formulary.

**What else do I need to know about Medicare Part D coverage?**

* **Late enrollment penalty:** Failure to enroll during the initial enrollment period may result in a 1**-**percent penalty for each month that you are eligible for Part D but do not enroll. The 1**-**percent penalty is added to the Part D premium.

**Creditable coverage exception:** Creditable prescription coverage is equal to or exceeds the standard coverage under a Part D plan. An employer health insurance plan with prescription coverage typically qualifies as a creditable coverage exception. **Please note:** Enrollment in a Part D plan must occur within 63 days after creditable coverage ends. COBRA and retiree health plans *may* qualify as credible coverage for Part D. Check with your insurance provider to see whether your plan would qualify.

* **If you have COBRA:** If COBRA offers creditable coverage, you are not required to enroll in Part D until 63 days after your COBRA coverage ends.
* **State Health Insurance Assistance Programs (SHIPs):** SHIPs offer free counseling on the costs, coverage, and formularies of Part D plans. Information on each state’s SHIP program is available at [***www.shiptacenter.org***](http://www.shiptacenter.org/).

**Medicare Plan Finder:** There is an online tool at <https://www.medicare.gov/find-a-plan/questions/home.aspx> that compares drug**-**specific plan options within your state.

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