

The New Medicare Drug Benefit: How Much Will You Pay?

These tables can help you estimate what you'll pay for prescription drugs under the new Medicare drug benefit. Table 1 outlines the Basic Benefit—that's what most people in Medicare will receive. However, if you are enrolled in Medicaid or have a low income and limited assets, you may qualify for added help. If you are enrolled in Medicaid, Table 2 outlines your 2006 Medicare drug benefits. If you are not in Medicaid but have a low income and limited assets, Table 3 will help you determine whether you might qualify for added help and, if so, what your benefits will be in 2006.

Table 1: Basic Benefits under the New Law

Component	Basic Benefit in 2006
Premium	\$32.20/month (average) (\$386.40/year on average)
Deductible	\$250
Copayment	After meeting the deductible, you pay 25% up to \$2,250 in drug expenses
Initial coverage ends and "gap" or "doughnut hole" starts	Coverage stops after you have \$2,250 in drug expenses
Coverage gap—when you have <u>no</u> coverage	There's no coverage for the \$2,850 in drug expenses between \$2,250 and \$5,100
Catastrophic coverage	Coverage begins again after your 2006 out-of-pocket spending on Rx drugs reaches \$3,600—that's when you've incurred \$5,100 in drug expenses
What you pay after catastrophic coverage begins	The greater of: <ul style="list-style-type: none"> • \$2/generic, \$5/brand, or • 5%

If you are enrolled in Medicaid, you qualify for added assistance.

Table 2:
How Much Will You Pay if You Are Enrolled in Medicaid?

Component	2006 Low-Income Benefit if Enrolled in Medicaid*	
	Annual Income below \$9,570 (individual) or \$12,830 (couple)	Annual Income above \$9,570 (individual) or \$12,830 (couple)
Premium	None	None
Deductible	None	None
Copayment	\$1/generic; \$3/brand	\$2/ generic; \$5/ brand
Initial coverage ends and “gap” or “doughnut hole” starts	No gap in coverage	No gap in coverage
Coverage gap—when you have <u>no</u> coverage	No gap in coverage	No gap in coverage
Catastrophic coverage	After your total 2006 drug expenses (what you paid plus what Medicare paid) reach \$5,100, your drugs are free for the rest of the year	After your total 2006 drug expenses (what you paid plus what Medicare paid) reach \$5,100, your drugs are free for the rest of the year

* If you are in a nursing home or other institution—even if it’s just for a brief stay—your drugs are free while you are there.

Note: Income levels are based on the federal poverty level for 2005. Income levels will go up every year based on changes in the federal poverty level.

If you are not enrolled in Medicaid, you may still qualify for added help, depending on your income and your assets.

Table 3:
How Much Will You Pay if you Are Not Enrolled in Medicaid?

Component	2006 Low-Income Benefit if Not Enrolled in Medicaid	
	Tier 1: Annual Income below \$12,919 (individual) or \$17,320 (couple)	Tier 2: Annual Income between \$12,919, and \$14,355 (individual) or \$17,320 and \$19,245 (couple)
Asset limit—how much you can have and still qualify*	Up to \$6,000 for an individual/ \$9,000 for a couple (If your assets are too high, you may qualify for the low-income benefit outlined in the column to the right.)	Up to \$10,000 for an individual/ \$20,000 for a couple (If your assets are too high, you only qualify for the basic benefit described in Table 1.)
Premium	None	Depends on Income (See Table 4 on next page)
Deductible	None	\$50
Copayment	\$2/generic; \$5/brand	After the deductible, you pay 15% of the cost of covered drugs
Initial coverage ends and “gap” or “doughnut hole” starts	No gap in coverage	No gap in coverage
Coverage gap—when you have <u>no</u> coverage	No gap in coverage	No gap in coverage
Catastrophic coverage	Begins fter your total 2006 drug expenses (what you paid plus what Medicare paid) reach \$5,100	Copay changes after your 2006 out-of-pocket spending on Rx drugs reaches \$808 for the year—that’s when you’ve incurred \$5,100 in drug expenses
What you pay after catastrophic coverage begins	Your drugs are free	\$2/generic; \$5/brand

Note: Income levels are based on the federal poverty level for 2005. In 2006, the income limits for low-income help will be slightly higher.

*“Assets” do not include the value of your house, one care, or some other non-cash assets, such as a wedding ring.

Table 4

2006 Estimated Premiums for Those Eligible for Tier 2 Benefits in Table 3

Income Level	Monthly Premium	Annual Premium
For an Individual:		
Up to \$12,919	\$0	\$0
\$12,920 to \$13,398	\$8.05	\$96.60
\$13,399 to \$13,876	\$16.10	\$193.20
\$13,877 to \$14,355	\$24.15	\$289.80
For a Couple:		
Up to \$17,320	\$0	\$0
\$17,321 to \$17,962	\$8.05 per person	\$96.60 per person
\$17,962 to \$18,603	\$16.10 per person	\$193.20 per person
\$18,604 to \$19,245	\$24.15 per person	\$289.80 per person

What Happens after 2006?

After 2006, the amounts that you have to pay will change.

- ◆ The deductible, the point where the doughnut hole begins, and the point where catastrophic coverage begins will all increase based on increases in Medicare's drug spending.
- ◆ The \$2 to \$5 copayments also will increase based on Medicare's drug spending.
- ◆ The \$1 to \$3 copayment will increase at the same rate as consumer inflation.

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