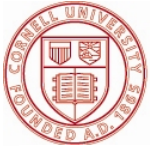


MEDICARE PART D RESEARCH FACTS

Volume 2 Number 10



Cornell University
College of Human Ecology

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Cornell University Resource Education
for Medicare Part D

FACT OR FALLACY ?

Increases in Part D premiums are determined by CMS as dictated by the MMA legislation..

UNDER BUDGET WITH HIGHER COSTS

For the more than 17 million beneficiaries enrolled in a Medicare Part D stand alone prescription drug plan, November 15 through December 31, represents an opportunity to review medication regimens and renew drug coverage for the coming year. For most, this may be the only chance all year.

To meet the budgetary constraints that it faced when crafting the legislation in 2003, Congress built automatic annual increases into the beneficiary share of Part D spending. These costs are collected in the form of deductibles, copayments, coinsurance, etc.

Legislation of MMA 2003 stipulates that cost increases to the beneficiary will be equal to the rate that drug spending under Part D increases. The overall share to the beneficiary remains the same – at about 25% - each year, regardless of how much costs increase.

In 2009, beneficiaries can expect to see an increase in overall out of pocket spending of about 7.5% under the standard benefit design. The rate of drug spending under Part D for the past year increased by about 6%. In the first two years of the program, because it was new, estimates of actual drug spending were used in order to make adjustments in a timely manner. However, these estimates were low. The agency has needed to adjust previous year figures and now the impact is an additional 1.5% increase.

Most beneficiaries are not enrolled in a standard benefit model and therefore will not see a straightforward 7.5% increase in their portion of drug

costs. However, the increases in the annual deductible and the out-of pocket threshold from 2008 to 2009 reflect this 7.5% increase. Analysis of the 2009 plan premiums shows an increase of 13.6 %, on average, in the premium of all plans nationally.

Prices of medications across the coverage zones remain to be seen. This information will be available after mid-October when CMS posts 2009 pricing information to its web-based plan finder tool.

For the 2008 plan year, the average premium for a stand alone prescription drug plan increased by about 8.8%. While most beneficiaries might have benefited by shopping for a new plan, relatively few opted to do so.

This year, it will be more imperative than ever to encourage beneficiaries to re-evaluate their plan choices. The Medicare prescription drug benefit has come in under budget by almost all estimates. And, it is showing that there are considerable savings that seniors can realize. However, the continued escalating cost of medications is causing the seniors' share of Part D expenses to rise faster than what most people can keep up with.



CUR_xED Cornell University Resource Education for Medicare Part D

www.CURxED.human.cornell.edu/

email: [CURxED @cornell.edu](mailto:CURxED@cornell.edu)

This material is based upon work supported by a grant from the Dean of the College of Human Ecology and Smith Lever funds from the Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture.