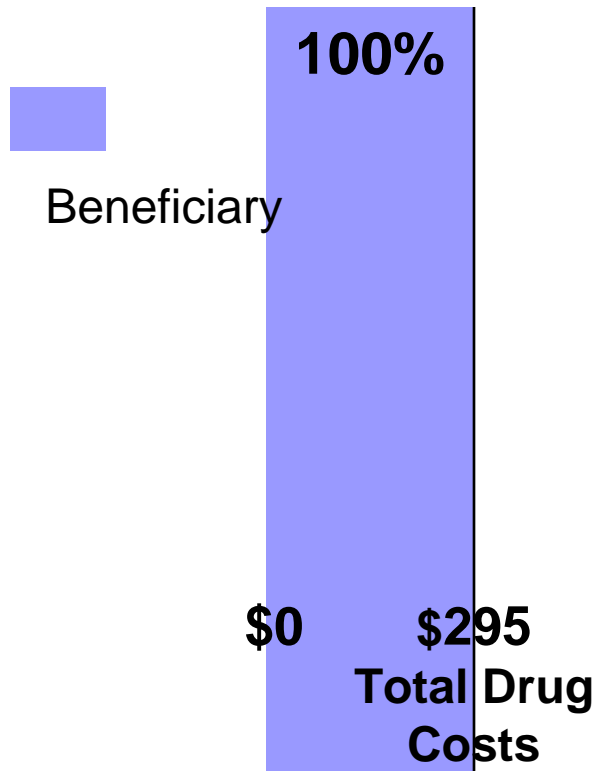


Understanding the Coverage Zones

A standard benefit Part D plan design has four coverage zones. The first zone of coverage is the **Deductible**, which in 2009 is \$295.

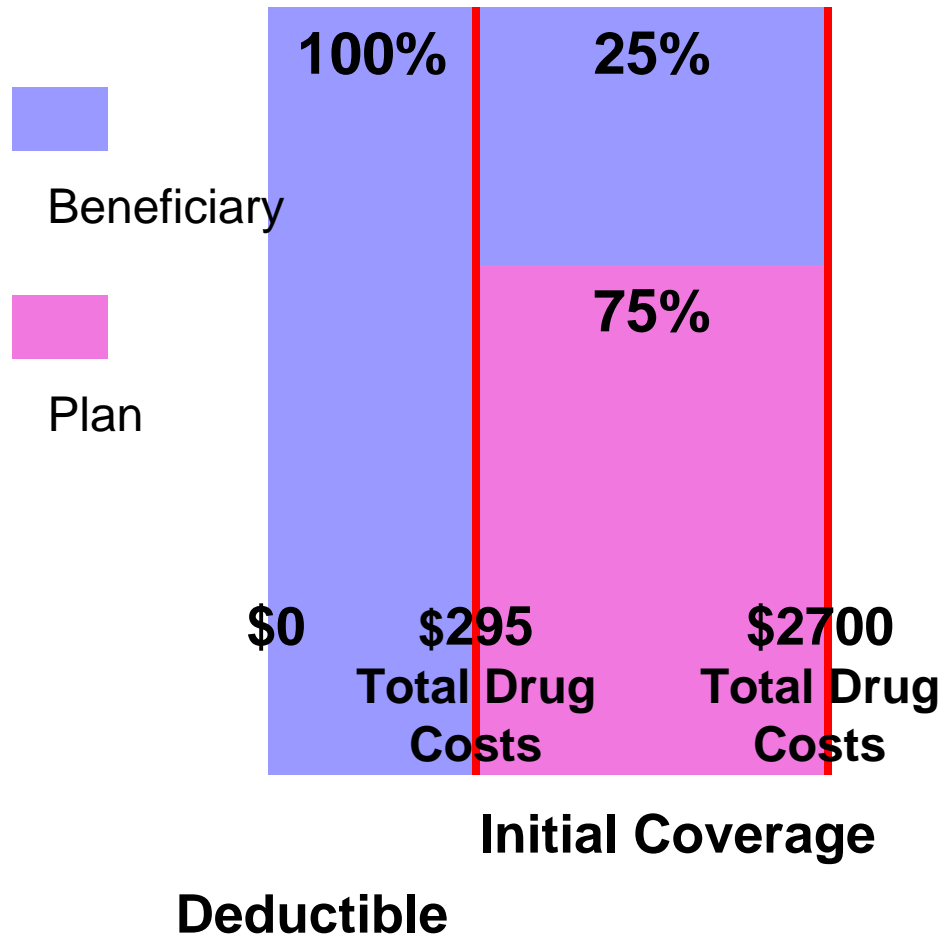


Deductible

Dollar amounts represent 2009 threshold limits

Understanding the Coverage Zones

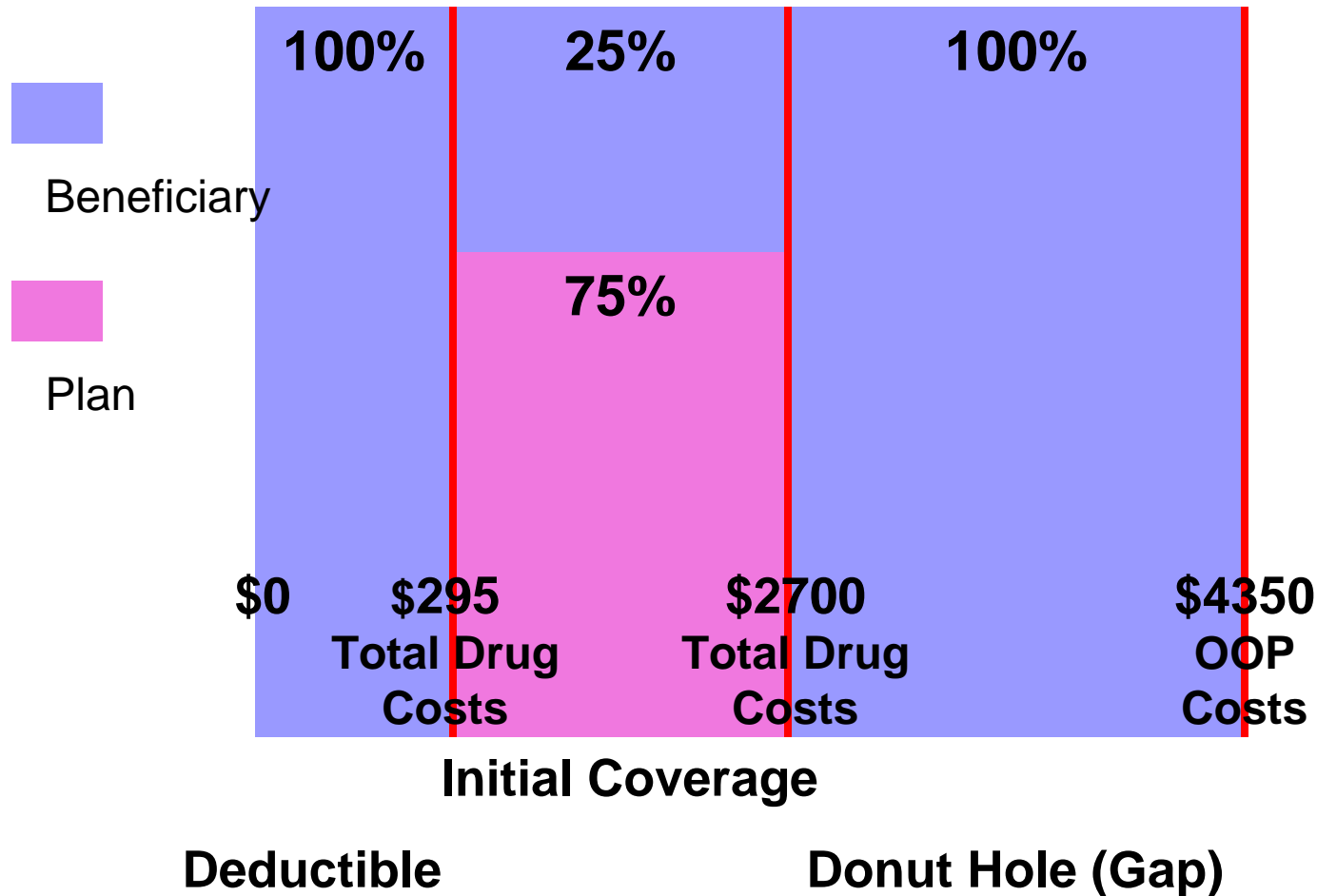
Following the Deductible is the **Initial Coverage Zone**. During the Initial Coverage Zone of the standard benefit, a beneficiary pays 25% of the drug costs and the plan pays 75% of the drug costs until \$2700 in total drug costs is reached.



Dollar amounts represent 2009 threshold limits

Understanding the Coverage Zones

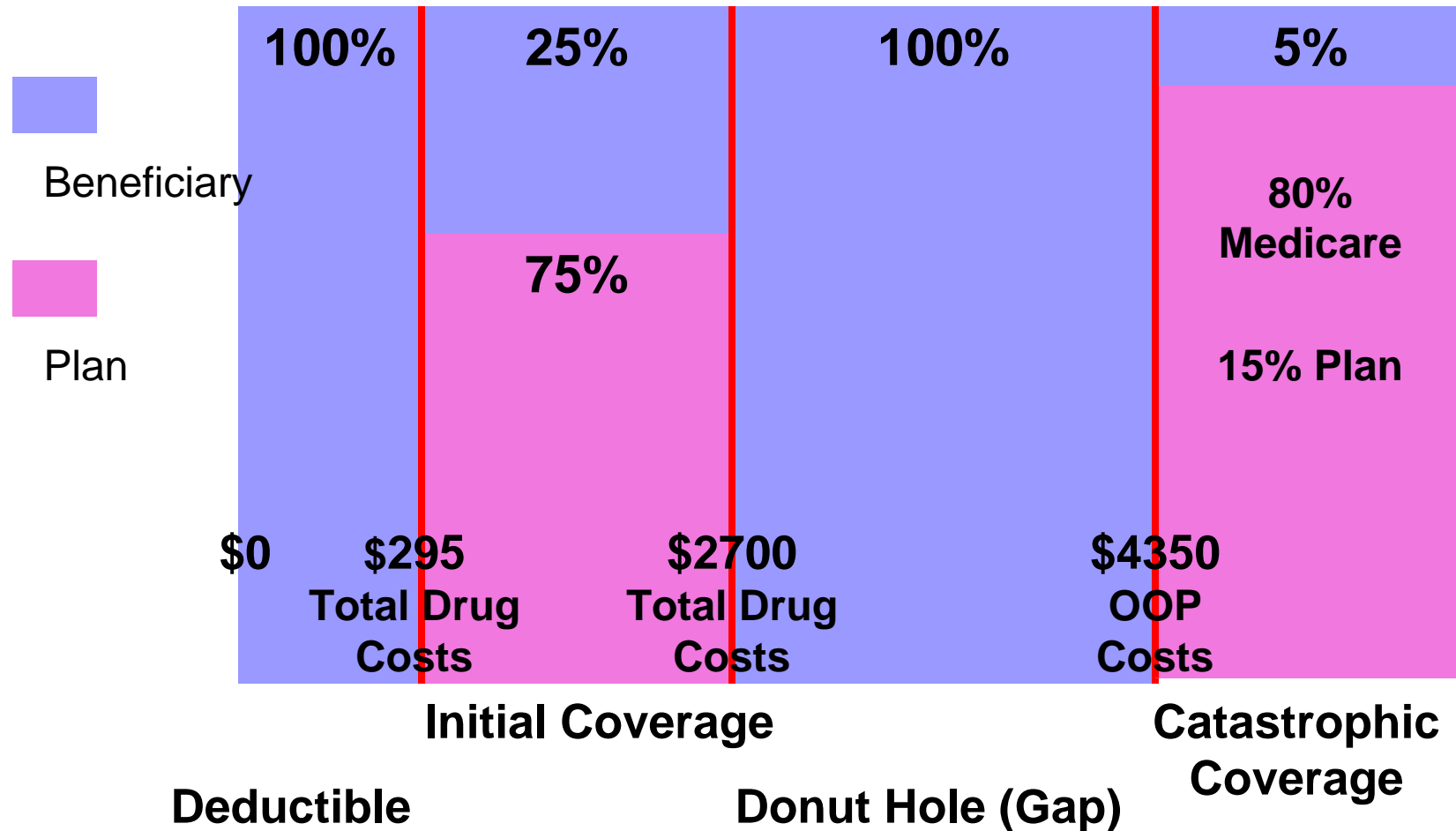
Following the Initial Coverage Zone in the standard benefit is the **Donut Hole**, or **Coverage Gap**. This is a second deductible in which the beneficiary is responsible for 100% of the drug costs until a total of \$4350 in out of pocket costs is incurred.



Dollar amounts represent 2009 threshold limits

Understanding the Coverage Zones

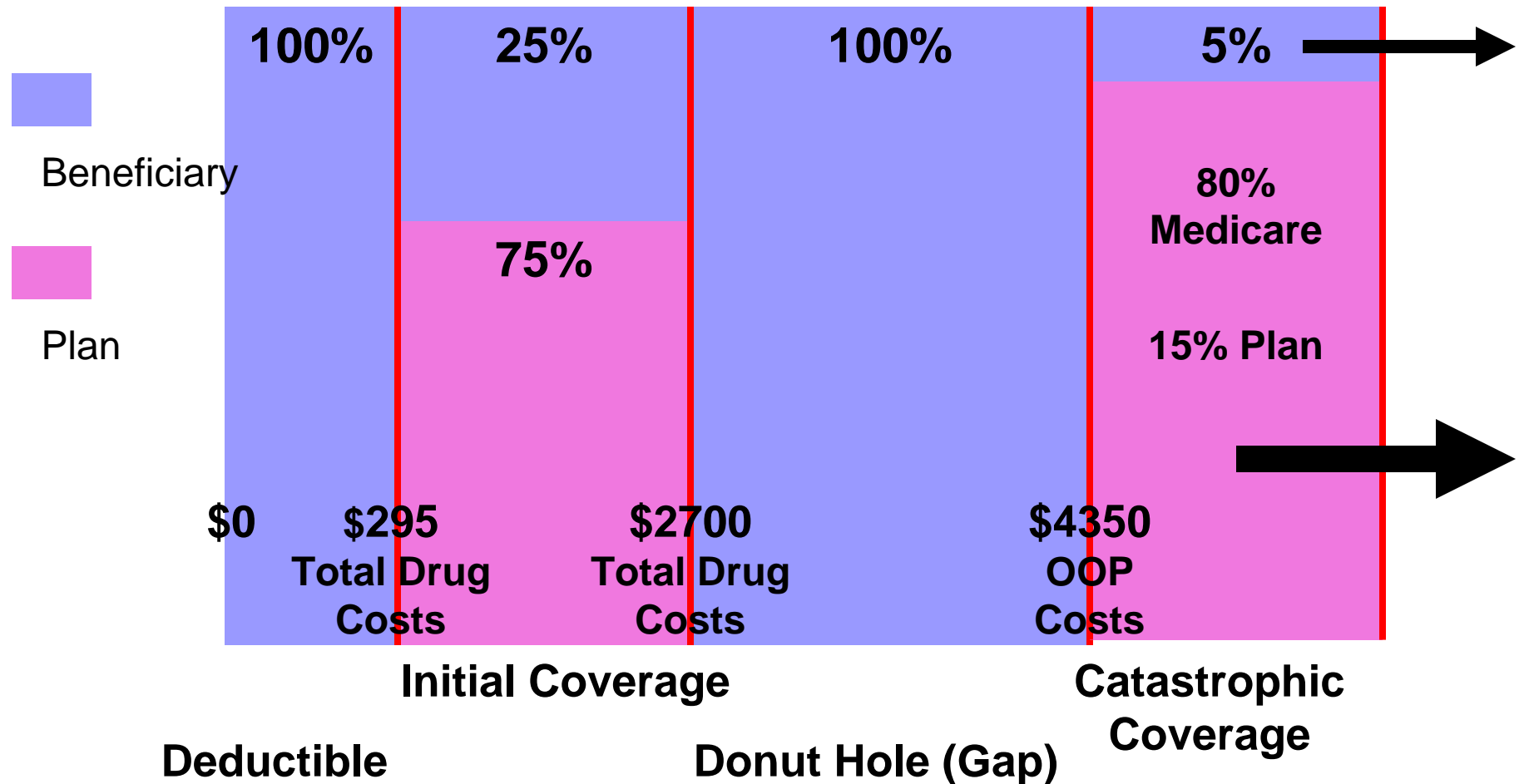
After satisfying the requirements of the Gap the beneficiary receives **Catastrophic Coverage** and is responsible for a small co-payment, about 5% of the cost of medications. Of the balance, the plan pays 15% and Medicare subsidizes 80%.



Dollar amounts represent 2009 threshold limits

The Defined Standard

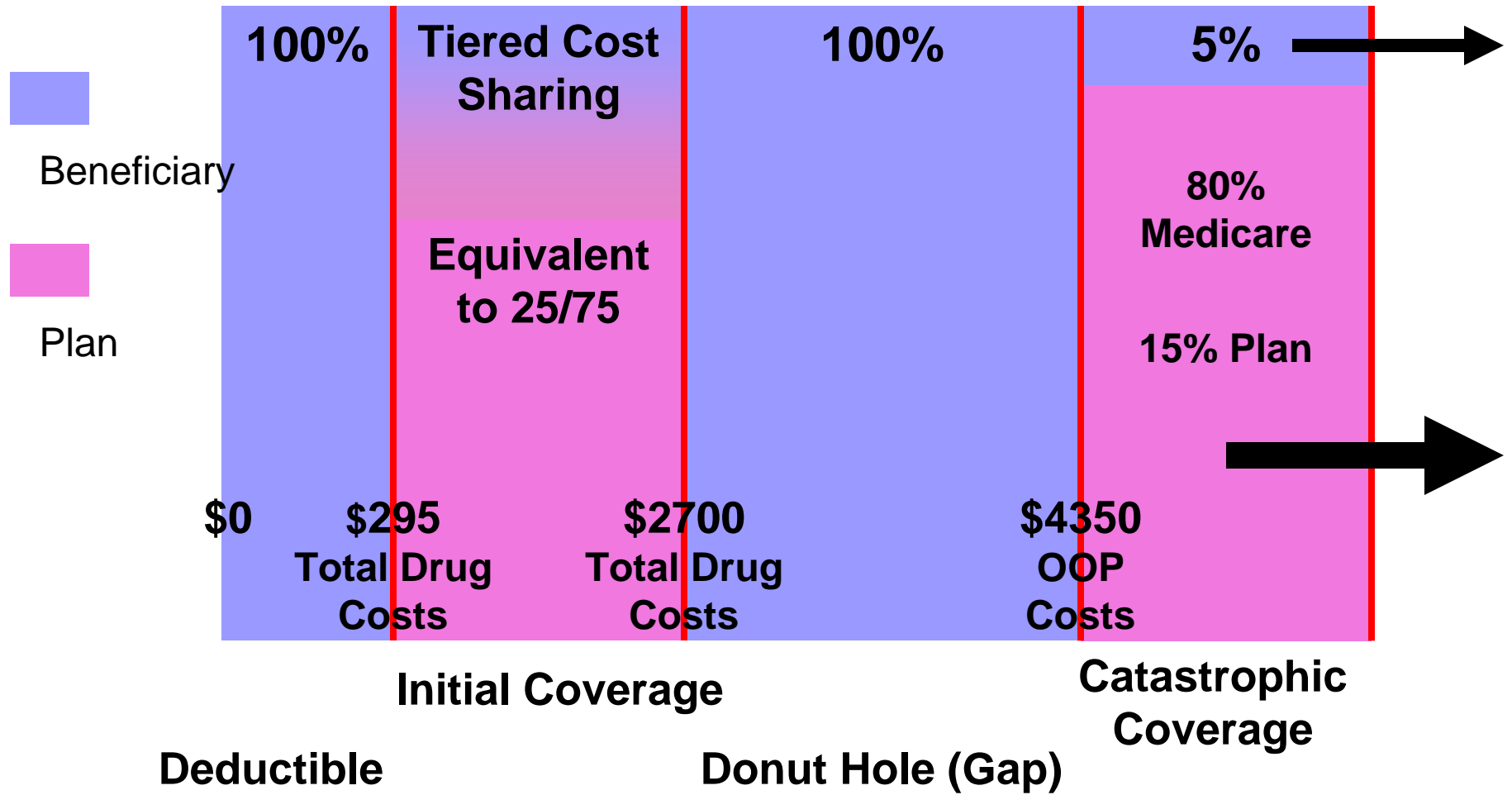
Coverage continues until the end of the plan year, December 31st, when coverage is renewed. This coverage is called the **Defined Standard** benefit design, and is one of the three types of designs that is a **Basic Benefit**.



Dollar amounts represent 2009 threshold limits

Actuarially Equivalent

The same deductible, but different cost sharing is applied in the **Actuarially Equivalent** plan design, compared to the standard benefit. Instead of a 25% co-insurance, the beneficiary may pay a fixed co-payment dollar amount based on the drug tier.

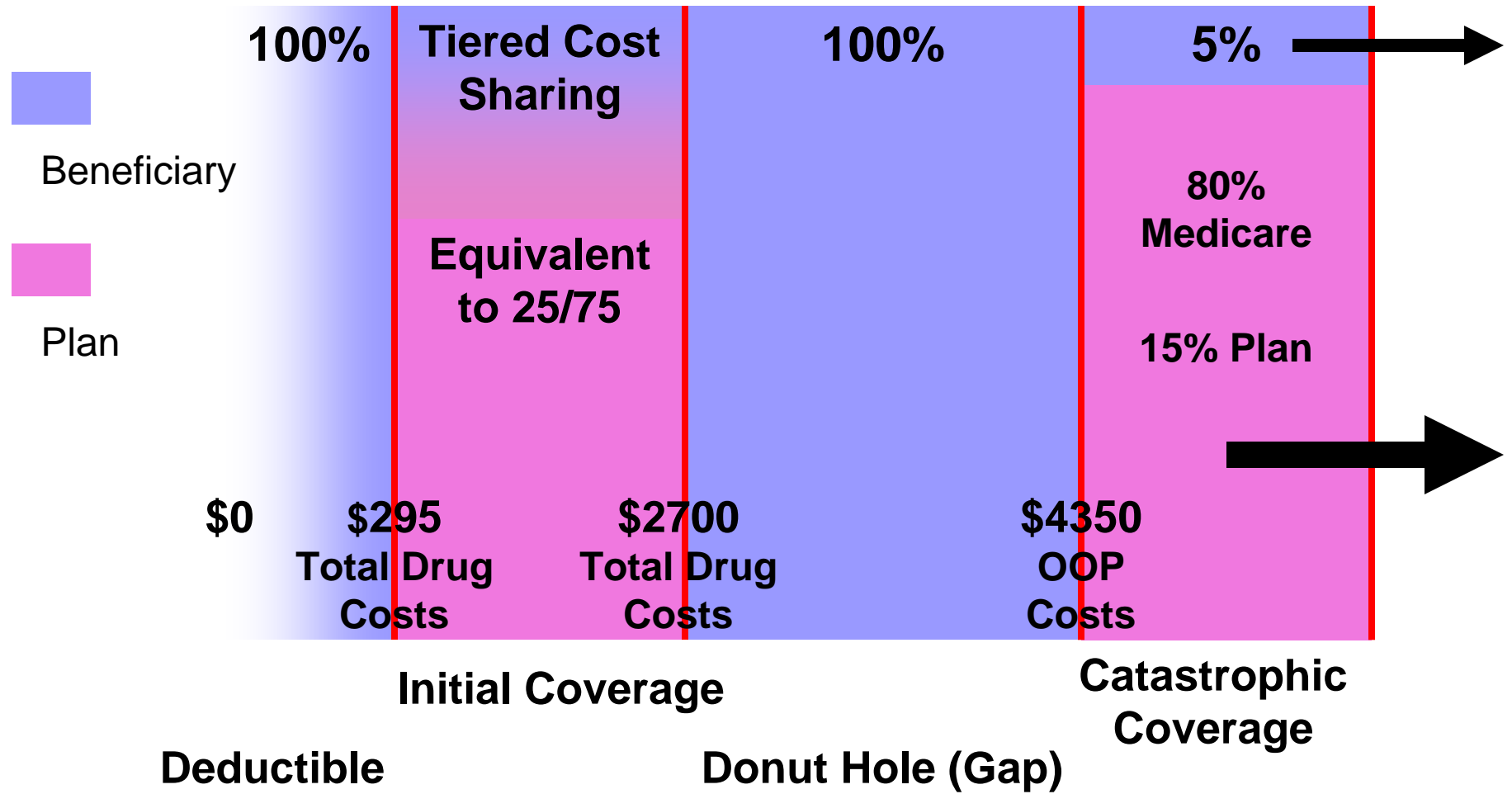


Dollar amounts represent 2009 threshold limits

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Basic Alternative

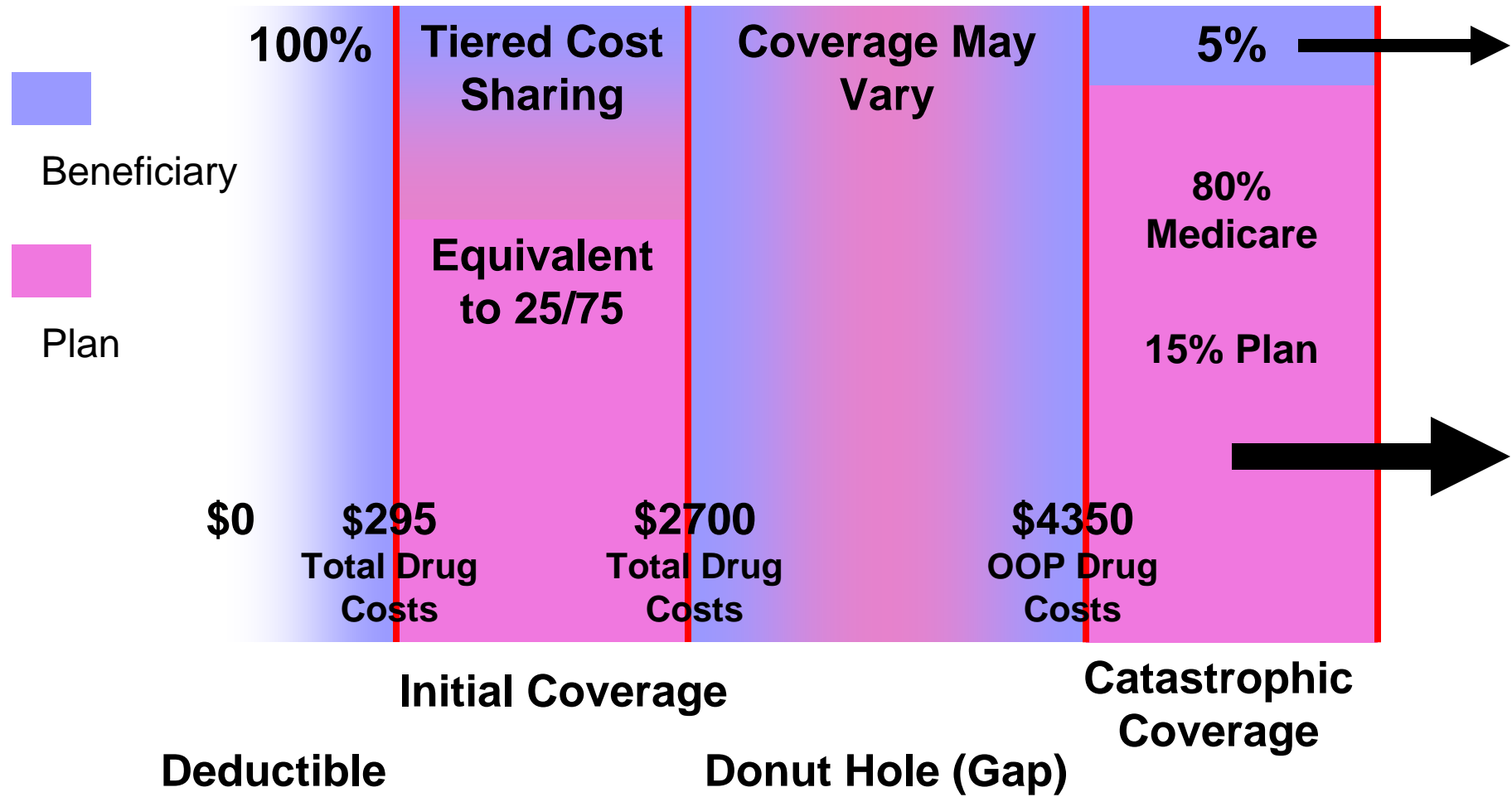
The third type of basic benefit is the **Basic Alternative**, where there may or may not be a reduced or no initial deductible and there may or may not be different cost sharing in the initial coverage zone.



Dollar amounts represent 2009 threshold limits

Enhanced Benefits

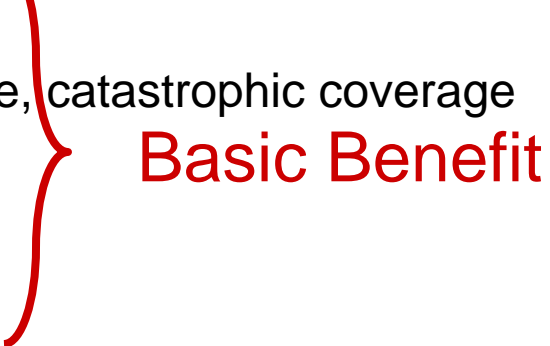
There usually is an additional premium associated with the more generous coverage offered by a plan with **Enhanced Benefits**. Coverage of medications not allowed by Part D legislation is not subsidized by Medicare but additional medications may be recognized by the plan. There may also be coverage of medications during the coverage gap.



Dollar amounts represent 2009 threshold limits

Insurance Company PDP Plan Options

In summary, there are four types of plan designs which may be offered under the Medicare Part D Prescription Drug benefit program:

- **Defined standard**
 - \$295 Deductible, 25% co-insurance, donut hole, catastrophic coverage
 - **Actuarially equivalent**
 - Same deductible, different cost sharing
 - **Basic alternative**
 - May be smaller deductible, with or without different cost sharing
- 
- Basic Benefit**

- **Enhanced benefits**
 - Additional premiums associated with more generous coverage which is not subsidized by CMS
 - May be gap coverage
 - May be coverage of medications not allowed by legislation