

CASE STUDIES IN PART D

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CUR_xED

**Cornell University Resource Education
for Medicare Part D
COLLEGE OF HUMAN ECOLOGY**

PENALTY FOR DELAY

THE CASE

BH lives in Milford, Delaware and will retire when he turns 65 in 2 months. He does not have prescription drug coverage and is debating if he should join a Medicare stand alone prescription drug plan when he begins receiving Parts A and B.

BH currently takes one prescription medication for hypertension (or high blood pressure), one tablet of Hydrochlorothiazide 50mg daily. He pays \$14.50 for 90 tablets, a three month supply. The average premium, he is told "is about \$30 a month" for Medicare Part D prescription drug coverage. In addition to the premium, he will also be required to make a co-payment for his medication.

He feels that all of these upfront prescription costs are unfair, but BH realizes that as he ages, his hypertension could worsen, which would require him to need more medications. Progression of hypertension may also lead to other conditions which also could need medication treatment.

Reluctant to pay a premium that is more expensive than his current medication costs, BH is uncertain as to what to do. He knows that by joining a prescription drug plan, the coverage will offer cost savings for future prescription needs, if there are any. He would like to put off joining a plan but is also told "there is a penalty for not enrolling in a plan as soon as you are eligible."

Should BH enroll into a prescription drug plan now, as he turns 65, and avoid paying a future penalty in addition to the premium? Or, should BH delay enrolling in a plan, enroll in a plan only when his medication needs increase, and accept the additional cost of a penalty added to his premium when that need occurs?

WHAT WOULD YOU DO?

Part D Trivia

The least expensive premium for a stand alone Medicare Part D plan in 2008 is:

- A. \$2.60
- B. \$5.20
- C. \$10.40
- D. \$20.80

THE STUDY

The premium for not enrolling in a Medicare Part D prescription drug plan when first eligible is 1% of the national average premium for each month a beneficiary delays enrollment. This is in addition to the premium for the plan which the individual chooses. Each year the benchmark amount for the national average premium changes and so the penalty will change each year. In 2007 the benchmark is \$27.35 and in 2008 it will be \$27.93.

At the time that BH finally decides to enroll in a plan, he had delayed for 12 months and the benchmark premium to be applied to the calculation of his penalty was \$27.35.

To calculate BH's penalty:

>Multiply the national average premium benchmark by 1%

$$\$27.35 \times 0.01 = \$0.2735$$

>Multiply this number by the number of months that BH was eligible to join a Medicare drug plan and did not enroll.

$$\$0.2735 \times 12 = \$3.28$$

This amount, rounded to the nearest 10 cents (\$3.30), is the amount of late enrollment penalty that will be paid by BH in each month for the remainder of the calendar year.

The penalty is added to the monthly premium of whichever Medicare drug plan BH joins, for as long as he has a plan. His penalty is recalculated each year when the national average premium changes. The Medicare drug plan that he joins will tell him the additional amount he must pay.

When first eligible for Medicare, if BH had drug coverage that is, on average, at least as good as standard Medicare prescription drug coverage (called creditable prescription drug coverage), he would not have had to sign up for a Medicare Prescription drug plan and would not have to pay a late penalty when he did join one.

Many beneficiaries, when faced with BH's dilemma choose to join a plan with the lowest premium possible. An alternative strategy is to join a Medicare Advantage plan that offers prescription drug coverage at no additional premium.

A caveat that beneficiaries like BH must keep in mind is that Medicare prescription drug insurance is a risk loss indemnity, designed to protect a beneficiary from unexpected future catastrophic medication costs, not to simply serve as a subsidization of current drug expenditures.

Part D Trivia Answer

Nationally, the lowest premium for a stand alone Part D prescription drug plan is \$2.60, offered in Puerto Rico by Member Health as Community CCRx Basic. The most expensive premium is \$107.50, being offered in New York by Humana as Humana PDP Complete.

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