



Medicare Part D: What Do BPAOs & PABSS Need To Know? Post Initial Enrollment Update 2006

May 15 marked the end of the initial enrollment period for Medicare Part D. There were many calls for its extension, but that has not occurred to date. However, in the last few weeks of the initial open enrollment, some major changes in Part D policy were announced by the Center for Medicare and Medicaid Services. These changes are discussed below.

The next general enrollment period will begin on November 15, 2006 and last through the end of the calendar year. During this time, individuals already enrolled in Part D may switch to a new PDP. In addition, those who have not enrolled in Part D for 2006 will be able to do so for 2007. Each year, the insurance companies may offer different PDPs.

Penalty for Late Sign-Up

For those not later determined eligible for "extra help" during 2006, there is currently a 1% per month penalty through the end of the year for those who did not meet the May 15 deadline. Unless a person becomes eligible for a special enrollment period before December 31, a Medicare beneficiary cannot sign up for Part D again until the open enrollment period at the end of the year. And, this sign-up will not be effective until January 1, 2007. Therefore, those who failed to sign up for Part D and do not get a special enrollment period will pay a 7% penalty on their premiums if they enroll for 2007.

This 7% penalty is a lifetime penalty. The person will pay a penalty of 7% of the year's national benchmark premium amount. Each year, the amount of that benchmark will change and will, in all likelihood, rise. Everybody pays a percentage of the same national benchmark amount. The penalty is NOT based upon the premium amount of the particular PDP in which a person enrolls.

There is currently a movement among key Congresspersons to waive this penalty for 2006.

New Special Enrollment for People Determined Eligible for “Extra Help”

Individuals determined eligible for extra help after May 15 will still be given the opportunity to sign up for Part D in 2006 with no penalty. This is an important change in the original policy. In effect, this opens up enrollment to individuals who qualify for “extra help” and waives the deadline and penalty.

BPAO/PABSS staff should be counseling individuals who have not signed up for Part D but who are eligible for “extra help” to apply for “extra help.” Once that individual receives a favorable “extra help” determination, he or she will be given the opportunity to choose a Part D plan. And, if he or she does not, an auto-enrollment will occur.

Changing the Formulary During the Year

Originally, PDP (“PDP”) could change their formulary at any time with 60 days written notice to enrollees. This rule would allow a PDP to take a drug off of its formulary during the year, change its price, or subject it to new benefits management tools. So, an individual could choose a PDP because of its coverage of certain drugs and that coverage could change. The individual would have to stick with this coverage change until the next open enrollment period, unless he or she could change plans every month or had another special enrollment period.

This original rule has been changed. Now, PDPs may take a drug off of the formulary with 60 days notice, but **the change will not be applicable to those already prescribed the particular drug for the remainder of the year.** This added protection assures that the individual is allowed access to the drug until he or she can change to another plan during the next open enrollment period.

This update was created by Health & Disability Advocates. If you have any questions, please contact John Coburn at 312-218-0941.