Drugs.

How Medicare Part D helps you get them (legally) and pay for them.

2023 Updates

90 DAYS FROM RETIREMENT

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What is Part D?

Prescription Drug Plans
(PDPs)

Let's review the four parts of Medicare:

Government-run

Part A
Hospital Insurance

Part B
Medical Insurance

Private insurance company

Part C
Medicare Advantage

Part D
Prescription Drug Plans

Medicare Part D is a way for you to cover one of the biggest gaps left by Original Medicare: Prescription Drugs.

Part D Prescription Drug Plans are offered and administered by private insurance companies.

Formularies and Tiers

Classifying medications

The private insurance companies who administer these drug plans establish their own formularies and drug tiers.

Formulary

The list of medications your plan covers.

Drugs on the formulary are covered. Drugs not on the formulary are not covered.

Each drug is put into one of several tiers within the formulary.

Tiers

Medications within the formulary are put into different tiers. Copay or coinsurance amounts generally increase as you move up to higher tiers.

Tier 1 - Preferred Generics

Tier 2 - Non-Preferred Generics

Tier 3 - Preferred Brands

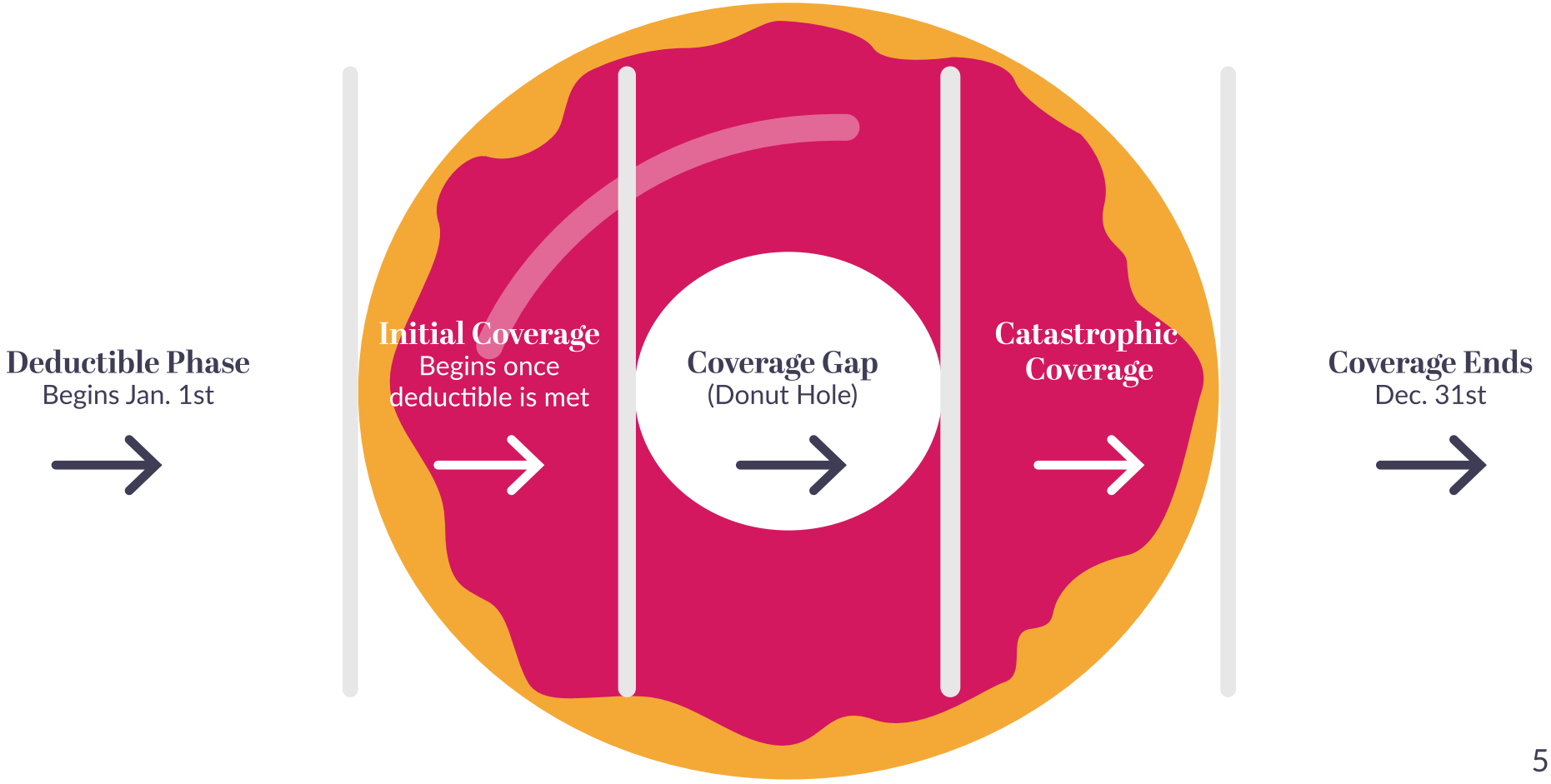
Tier 4 - Non-Preferred Brands

Tier 5 - Specialty

How does it work?

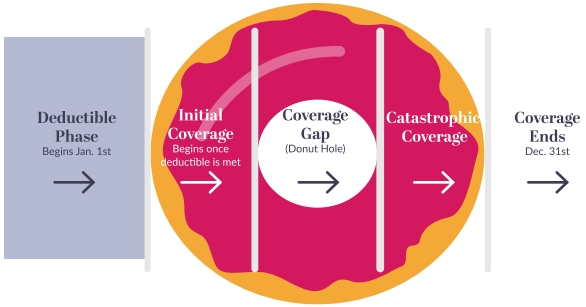
Surprisingly, the best way to explain Part D coverage is with a donut.

The next few pages will go into more detail about each phase of prescription drug coverage.



Phase 1:
Deductible Phase

The deductible phase begins on January 1st of every year.

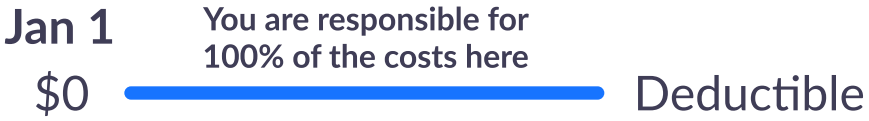


You are responsible for 100% of the costs of your prescription medications until you have paid your deductible amount.

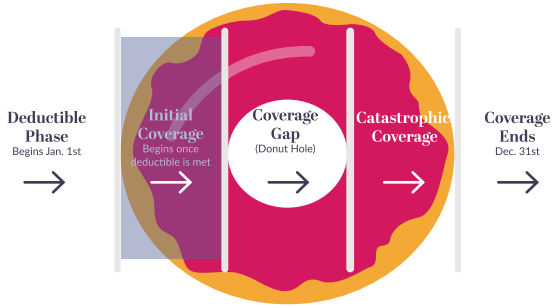
Deductible amounts depend on the drug plan you choose from a private insurance carrier.

The max deductible for 2023 is $505.

As a fictional example, if your deductible is $505, this means you would have to pay the full $505 before your prescription drug plan would begin contributing any money towards your medications.



Phase 2:
Initial Coverage



Initial coverage begins as soon as you have reached your deductible.

Once you have met your deductible, the insurance company will begin contributing towards your prescription costs.

Copays & Coinsurance

Instead of paying the full cost of your medication, you will only be responsible for a copay (fixed dollar amount) or coinsurance (percentage of total cost) amount.

Once your deductible, copays, coinsurance, and the amount your insurance company paid adds up to **$4,660** you will move to the next phase.

Examples

Tier 1 - $0 - $5
Tier 2 - $5 - $15
Tier 3 - $40 - $47
Tier 4 - 30% - 50%
Tier 5 - 25% - 35%

*These do not reflect any specific plan amounts and serve only as examples.

Phase 3: Coverage Gap

The notorious "Donut Hole"

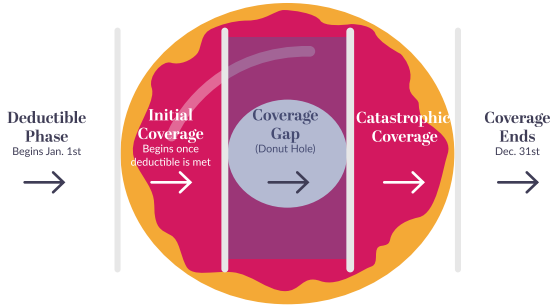
Once your deductible, copays, coinsurance and the amount your insurance company paid adds up to $4,660, you will find yourself in the Coverage Gap.

Everything changes here and costs can get quite high, quite quickly.

25%

While in the Coverage Gap, you are responsible for 25% of the medication's contracted rate with the pharmacy.

As an example, if your drug costs $100 per month through the pharmacy, you would be responsible for paying $25 per month.



How to get out of the Donut Hole

You get out of the Donut Hole once the following items add up to **$7,400**:

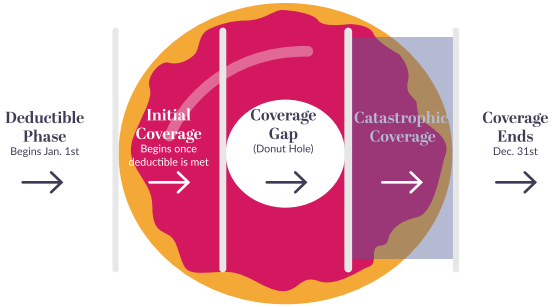
- Your deductible
- All you've paid in copays
- All you've paid in coinsurance
- Drug manufacturer discounted amounts

Note: The amount your insurance company has paid towards medications does not go toward this $7,400 figure.

This means that it is more than just the difference between $7,400 and the $4,660 level from the Initial Coverage phase.

Phase 4:
Catastrophic Coverage

Once you make it through the Coverage Gap, Catastrophic Coverage kicks in.



You are responsible for <u>the greater of</u>:

- 5% of the drug cost
- $4.15 for generic drugs
- $10.35 for brand drugs

Note: There is no maximum. You are responsible for these costs until the new year where you go back to Phase 1.

Is it worth it?

You're healthy.
You exercise.
You eat organic foods.
You don't use prescription drugs.

Should you even consider a drug plan?

Yes.

Life comes at you fast, and unfortunately, you aren't always in control. There is a penalty if you decide to purchase a prescription drug plan outside your initial enrollment window.

Should you decide you want a drug plan later, you may only get a plan during the Annual Enrollment Period (AEP) that runs from October 15th - December 7th.

This means that should you eventually need expensive medications, you would be responsible for 100% of the costs for those medications until AEP when you could enroll in a drug plan. And, your Part D premiums will be higher for the rest of your life.

Your team of Medicare experts

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