

Medicare Part D: How it Works

If you're already enrolled in Original Medicare or a Medicare Advantage plan, you may already be familiar with Medicare Part A (hospital coverage) and Part B (medical coverage). But you may still be wondering how prescription drug coverage works and how you can get help with the costs of your medications. The answer depends in part with how you're currently getting your Part A and Part B benefits and whether you're enrolled in Original Medicare or a Medicare Advantage plan.

Medicare Part D (prescription drug coverage)

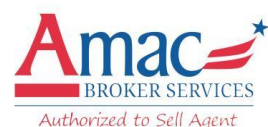
Medicare Part D is the prescription drug coverage, available through Medicare-approved private insurance companies. You can either get this coverage through a stand-alone Medicare Prescription Drug Plan if you're enrolled in Original Medicare or a Medicare Advantage plan that includes prescription drug benefits, also known as a Medicare Advantage Prescription Drug plan.

If you enroll in a Medicare Prescription Drug Plan that works alongside your Original Medicare coverage, keep in mind that this plan may come with its own separate costs, which may include a plan premium, deductible, copayments, and coinsurance. If you enroll in a Medicare Advantage plan that includes prescription drug coverage, the cost of your prescription benefits may be included in the plan's premium cost, in addition to cost sharing expenses. For both Medicare Prescription Drug Plans and Medicare Advantage plans, you must continue to pay the Part B premium, in addition to any premium required by your Medicare plan.

One benefit of enrolling in a Medicare Advantage plan that includes prescription drug benefits is that you can get your Part A, Part B, and Part D coverage through a single plan. Keep in mind that if you have Medicare Part C and want prescription drug coverage, you should generally get it through a Medicare Advantage Prescription Drug plan. In some situations, you can enroll in a Medicare Prescription Drug Plan if you have a Medicare Advantage plan type that doesn't include prescription benefits, such as a Medicare Savings Account (MSA) plan, but this is an exception.



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Signing up for Medicare Part D coverage

You're eligible for Medicare prescription drug coverage if:

- You have Part A and/or Part B.
- You live in the service area of a Medicare plan that covers prescription drugs.

Like other parts of Medicare, you can only enroll in Part D during certain periods. You're first eligible for Medicare prescription drug coverage during your **Initial Enrollment Period (IEP) for Part D**, which is the seven-month period that usually coincides with your Initial Enrollment Period for Part B. This period starts three months before your 65th birthday, includes the month you turn 65, and ends three months later. If you qualify for Medicare because of disability, your IEP for Part D starts three months before your 25th month of disability benefits from Social Security or the Railroad Retirement Board and lasts seven months.

After this period has passed, your next chance to sign up for or make changes to your Medicare prescription drug coverage is during the **Annual Election Period**, also known as the Fall Open Enrollment, which runs from October 15 to December 7 every year. During this period, you can:

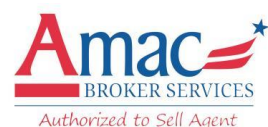
- Enroll in a Medicare Prescription Drug Plan
- Enroll in a Medicare Advantage plan that includes or doesn't include prescription drug coverage
- Switch Medicare Prescription Drug Plans
- Switch Medicare Advantage plans
- Disenroll from your Medicare Prescription Drug Plan
- Disenroll from your Medicare Advantage plan to return to Original Medicare

If you're enrolled in a Medicare Advantage plan, you can change your mind and return to Original Medicare during the **Medicare Advantage Disenrollment Period**, which occurs from January 1 to March 31 each year. If you disenroll from your Medicare Advantage plan, you'll also have the opportunity to enroll in a stand-alone Medicare Prescription Drug Plan, whether or not your Medicare Advantage plan included prescription drug coverage. These are the only changes you can make during this period; you can't use this period to switch Medicare Advantage plans or make other changes to your Medicare prescription drug coverage.

It's important to enroll in Medicare Part D when you're first eligible, especially if you don't have other creditable prescription drug coverage (insurance that is as good as the Part D benefit). If you wait to sign up for Part D and go without creditable coverage for 63 consecutive days or more, you may have to pay a late-enrollment penalty if you decide to sign up for Part D later on. **** THIS PART IS IMPORTANT** The late enrollment penalty amount typically is 1% of**



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the national base beneficiary premium (also called “base beneficiary premium”) for each full, uncovered month that the person didn’t have Part D or creditable coverage. The national base beneficiary premium for 2022 is \$35.02. The monthly penalty is rounded to the nearest \$0.10 and added to the monthly Part D premium. That means you are penalized approximately .35/month for each month you are not on a plan and this penalty is added to your Part D Premium for the rest of your life. Please note that if you’re eligible for Extra Help (see below), you won’t have to pay a late-enrollment penalty, even if you didn’t get Part D when you were first eligible.

Medicare Part D costs

Medicare Part D costs vary, depending on the specific Medicare Prescription Drug Plan or Medicare Advantage Prescription Drug plan you’re enrolled in, what medications you take, whether you take generic or brand-name drugs, and the cost tier that your prescription drugs fall under. Medicare plans that include prescription drug coverage place covered drugs into different “tiers,” with different copayment and coinsurance costs for the medications on each tier.

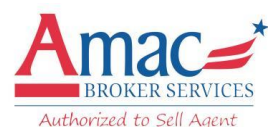
Some of your Part D costs may include a monthly premium, deductible, copayments, and/or coinsurance. Because each plan determines its own costs, it’s important to shop around and compare plan options to find the plan that covers your medications at the lowest cost sharing. See this article for more information on Medicare Part D costs and how Medicare plans cover prescription drugs.

Keep in mind that some beneficiaries may have to pay a higher premium for Medicare Part D if they make above a certain income. Also known as the Part D income-related monthly adjustment amount, or IRMAA, this extra cost gets added to your Part D premium if the income as reported on your tax return from two years ago falls above a certain threshold. This cost isn’t paid to your Medicare plan; instead, you’ll pay the Part D-IRMAA directly to Medicare. You’ll be contacted by the Social Security Administration if you need to pay this amount. Visit [Medicare.gov](https://www.Medicare.gov) for more information on how much you may have to pay for your Part D premium.

Some Medicare plans that cover prescription drugs have a coverage gap, or “donut hole.” A coverage gap is a temporary limit on what your Medicare Prescription Drug Plan or Medicare Advantage Prescription Drug plan will pay for your covered medications. Once you and your Medicare plan have spent a certain amount on covered prescription drugs (known as the initial coverage limit), you enter the coverage gap and pay a higher share of out-of-pocket costs for covered prescription drugs. Government subsidies and manufacturer discounts are shrinking the costs you pay in the coverage gap every year. You’re out of the coverage gap after your total costs for covered medications reach a certain amount; that’s when catastrophic coverage



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starts. This means that for the rest of the year, you will only have to pay a small copayment or coinsurance for covered medications the rest of the year.

Extra Help with Medicare prescription drug costs

If you have limited income and need help paying for Part D costs, you may qualify for additional help through the Extra Help (Low-Income Subsidy) program. This program helps with certain prescription drug costs, such as plan premiums, deductibles, copayments, and coinsurance. You must meet certain income and asset requirements to qualify, which may change from year to year. If you're not sure if you qualify, contact your state's Medicaid department or Social Security Administration to learn more on how to apply.

