

Medicare Retirees and Prescription Drugs

This article is intended for retirees on Medicare that are also covered by the Pipe Fitters Local 597 Health and Welfare Fund. The article will highlight some upcoming changes to the Prescription Drug Benefits for Medicare retirees and dependents.

Background on Current Prescription Drug Benefit

Right now, the Local 597 Welfare Fund covers over 3,600 retired members and spouses that are on Medicare. Annually, the Plan pays about \$18 million in benefits to these individuals. Over half of those benefit payments are in the form of prescription drug payments which totaled about \$9.5 million in 2011.

In 2006, Medicare began covering some of the cost of prescription medications. This coverage was available through various Medicare Part D Plans. These plans were offered by private companies (for instance Humana and AARP), but much of the financing came from Medicare. In order to encourage health and welfare plans to keep their prescription drug benefits in place for their Medicare retirees, the government began providing a subsidy to plans that provided retiree drug benefits that were equal to or better than the minimums established by Medicare Part D.

Pipe Fitters Local 597's Health and Welfare Plan offered better prescription drug benefits than the levels established under the Medicare Prescription Drug, Improvement and Modernization Act. As a result, beginning in 2006, our Plan began receiving annual subsidy payments from the Federal government. In 2011, the Plan received about \$2 million in these rebates.

Now, with Health Care Reform, the Health and Welfare Fund has the opportunity to achieve significant, additional savings. However, to achieve these savings, we need to modify the current prescription drug benefit for Medicare retirees.

The New Drug Benefit for Medicare Retirees

Effective on and after March 1, 2012, all current and future retirees on Medicare and their dependents on Medicare will be enrolled in Medco's Medicare Prescription Drug Plan.

While, behind the scenes, there will be significant changes in the mechanics of how the Plan is operated, for the most part your benefits will be the same as they are now. The following are the changes/improvements in the prescription drug benefit for Medicare retirees covered by our Plan:

1. Currently there is an out-of-pocket maximum of \$5,000 per family per year. After the out-of-pocket maximum is reached, the Plan pays 100% of your family's prescription costs. Under the new Medco Medicare Prescription Plan, the out-of-pocket maximum will be \$2,500 per **individual** per year for all covered specialty and prescription drugs. There will be no family out-of-pocket maximum.

2. Once the \$2,500 out-of-pocket maximum is reached by an individual, the Plan will provide 100% coverage for all specialty and prescription drugs including narcotic agonists. Previously the out-of-pocket maximum did not apply to these types of drugs.
3. The Plan will cover a 31 day supply at retail instead of 34 days. **In addition, the Plan will cover up to a 90 day supply at retail (with higher copays).**

The following will be the new Schedule of Benefits for Medicare retirees effective March 1, 2012:

<i>Prescription Drug Benefits Co-Pay Percentage (if greater than minimum co-pay amounts)</i>	<i>20%</i>		
Minimum Co-Pay Amount	Retail (31 day supply)	Retail (90 day supply)	Mail (90 day supply)
Generic	\$5	\$15	\$10
Brand Preferred	\$15	\$45	\$30
Brand Non-Preferred	\$30	\$90	\$60
Specialty Drug Co-pay Percentage	20%		
Out-of-Pocket Maximum per year per individual for Specialty and Prescription Drugs	\$2,500		

Sometime this month, you will receive a welcome kit from Medco. This welcome kit will include a new prescription I.D. card for each individual (including spouses) that is covered under the Medicare Retiree Plan. Each individual will also have a new unique I.D. number. **Begin using your new prescription drug card for prescriptions filled on and after March 1, 2012. Discard your previous card.**

While much of the government mandated information that you receive from Medco may be confusing, please bear with us. These changes will enable the Health and Welfare Fund to obtain significant additional payments from large pharmaceutical companies and from the Federal government because of the Health Care Reform legislation. The new Medco Medicare Prescription Drug Plan will help keep our Plan benefits affordable both for working and retired members.

There will be no change in the \$102 per person per month premium rate that retirees on Medicare pay for their coverage under the Local 597 Welfare Fund. This coverage includes the Prescription Drug Benefit, the Retiree HRA, the Supplement to Medicare and the \$5,000 Death Benefit.

If you're a Medicare retiree who has questions or concerns about the new drug plan, please contact the Fund Office or Medco at 877-603-1028.