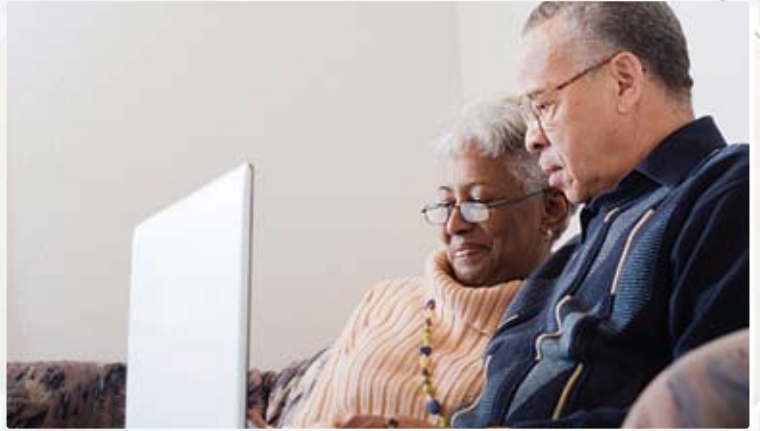


*Medicare Changes 2012:
Five Things You Need to Know*





In 2010, just 1 in 5 Medicare beneficiaries over the age of 65 planned to review their Medicare coverage options for 2011.¹

Why is this statistic so disheartening?

Because with Medicare, as with so many things in life, what you don't know could cost you.

That's because Medicare health and drug plans change every year—and there can be real consequences for seniors who don't pay attention. It was true last year. It's true this year. And, given all the debate taking place in Washington, it's going to be even more true in years to come.

So, how is Medicare changing in 2012? The good news is, many aspects of Original Medicare will stay the same. For example, last year's improved coverage of preventive services (e.g., wellness visits and certain screenings, such as mammograms and colorectal cancer screenings) will continue, as will the 50% discount on brand-name prescription drugs through the coverage gap.

But there are also important changes for 2012 that you should know about, and we've highlighted them in this easy-to-read pamphlet.

¹PlanPrescriber, Inc., 2010.

What's New for Medicare in 2012?



1. New Annual Enrollment Period (AEP)

Medicare's AEP is traditionally the time when seniors may change Medicare Advantage (MA) plans, enroll in a Part D prescription drug plan (PDP), change their Part D prescription drug plans, or return to Original Medicare. In fall of 2011, Medicare's AEP will begin Oct. 15 and end Dec. 7 for coverage that begins Jan. 1, 2012.

This is an important change from previous years, as seniors no longer have until Dec. 31 to enroll.

It is critical for seniors to make their enrollment selections during this new AEP if they wish to receive coverage in 2012. Seniors who fail to enroll during the AEP may effectively be locked out of coverage until Jan. 1, 2013.

As a result of the change to AEP dates, seniors enrolled in MA plans, MA-PDs (Medicare Advantage plans that provide coverage for prescription drugs), PDPs, and cost-based plans offering Part D prescription drug coverage should receive their Annual Notices of Change (ANOC) and Evidence of Coverage (EOC) documents for contract year 2012 by September 30, 2011. Read your ANOC carefully to make sure your current plan will meet your health and budget requirements in 2012.

No Additional Open Enrollment Period for Medicare Advantage Plans

As in 2011, the open enrollment period that had been held between Jan. 1 and March 31 has been replaced by a 45-day annual disenrollment period from Jan. 1 through Feb. 14. During this time, seniors are allowed only to drop Medicare Advantage and return to Original Medicare. Seniors who choose this option may also add a Part D prescription drug plan even if their Medicare Advantage plan didn't include drug coverage. Individuals in Medicare Advantage plans may not switch to a different Medicare Advantage plan, and people with Original Medicare may not make any changes.

2. Special Election Period (SEP) for Five-Star Plans

SEPs give seniors the opportunity to enroll in or switch plans outside of Medicare's Annual Enrollment Periods. Starting **December 8, 2011**, the Centers for Medicare & Medicaid Services (CMS) will allow Medicare beneficiaries to enroll in MA plans or PDPs with an overall quality rating of five stars at any time during the year—not just during the AEP. Plans will be rated prior to the AEP (Oct. 15–Dec. 7, 2011) and effective for the following contract year (Jan.–Dec. 2012). This change is intended to promote quality among MA and PDP providers.

3. New Incentives and Requirements for Medicare Advantage Plans

Starting in 2012, as part of the Affordable Care Act (health care reform), CMS will introduce quality bonus payments to Medicare Advantage plans that earn three or more stars.

Star ratings are based on a plan's performance in the areas of preventive care, management of chronic conditions, plan responsiveness and care, member complaints and appeals, and customer service. In short, the star rating system allows you to gain a better understanding of the value of your health care dollar. Buyer beware of plans with low star ratings!

Other changes you should be aware of:

- Medicare Advantage plans are now prohibited from having higher cost-sharing requirements for key medical services such as chemotherapy, renal dialysis, skilled nursing care, and other services.
- Once again, the annual adjustment in payments by Medicare to Medicare Advantage plans will be quite low in 2012. Beginning in 2014, these plans also will be limited in the amount they are allowed to spend on administrative expenses and in their level of profits.
- In its analysis of the key changes in the Medicare Advantage program, the Kaiser Family Foundation offers the following perspective:
“Companies offering Medicare Advantage plans may respond to payment changes in several different ways . . . For example, some companies may decide to raise beneficiaries’ premiums and/or cost-sharing requirements, reduce their network of providers, reduce extra benefits, or make improvements to obtain quality-based payments. Some may choose to withdraw from the market entirely . . . Decisions made by these firms could have important implications for beneficiaries’ decisions with respect to Medicare Advantage enrollment, out-of-pocket costs, and access to providers—effects that should be monitored over time.”²

Keep a close eye on the plan ratings at Medicare.gov and on news about changes to Medicare Advantage plans to ensure that you continue to receive high-quality care from a stable and reliable plan.

² “Explaining health care reform: key changes in the Medicare Advantage program.”
Focus on Health Reform, The Henry J. Kaiser Family Foundation, May 2010: Page 3.

4. Increased Coverage for Prescription Drugs

Health care reform continues to create savings for seniors enrolled in PDPs and MA-PDs. As in 2011, these seniors will receive a 50% discount on brand-name drugs when they reach the Part D coverage gap (or “donut hole”). In addition, coverage for generic drugs in the gap will increase to 14% in 2012 (from 7% in 2011) and continue to rise each year until the coverage gap closes in 2020.



5. Changes to Part D Standard Benefits

2012 will see changes to the standard benefit model plan as determined by CMS. The table below highlights these changes.

	2011	2012
Initial coverage limit (where “donut hole” begins)	\$2,840.00	\$2,930.00
Individual out-of-pocket maximum before catastrophic coverage begins	\$4,550.00	\$4,700.00
Total Part D drug spending (Medicare + individual) before catastrophic coverage begins	\$6,447.50	\$6,657.50

In 2012, seniors enrolled in PDPs with standard benefits will pay a \$320 deductible and 25% of allowable costs up to \$2,930 (\$652.50). At \$2,930, the coverage gap (“donut hole”) begins, and the individual is responsible for a discounted percentage of the next \$3,727.50. (You may purchase coverage from one of many PDP plans to reduce your costs through the gap.) Catastrophic coverage begins at \$6,657.50, at which point the individual will have reached the out-of-pocket maximum of \$4,700 (\$320 + \$652.50 + \$3,727.50). From there, Medicare will generally cover 95% of prescription drug expenses.

Keep in mind that plan designs vary and yours may differ from the standard model above. Check your ANOC to see how your specific plan will change in 2012.

Tips to Remember

- **You are free to make changes to your Medicare supplement plan at any time.** Medicare's Annual Enrollment Period has no bearing on your Medicare supplement choices, so you don't have to wait to get the coverage that's right for you.
- **Read your Annual Notice of Change. Because Medicare plans change every year, it's essential to ensure that your current plan still meets your needs.** The Annual Notice of Change (ANOC), although it is a lengthy document, is particularly important to read. You should receive your ANOC by Sept. 30. The first section immediately following the cover letter will list the changes to your plan, such as changes in the premium, copays, formulary (for Medicare Advantage and Part D plans), tiers and restrictions, and will compare the benefits in 2012 with those in 2011. With these changes in mind, do some comparison shopping to see if your current plan makes the most financial sense for you.
- **Make coverage decisions with long-term value and benefits in mind.** Many make the mistake of signing up for the lowest-cost plan available, only to be disappointed later, either by high out-of-pocket costs or high rate increases. Even worse, many are left with insufficient coverage if their health declines, because their health status may make them ineligible to switch to a Medicare supplement. So look for a plan that will provide the coverage you need, both today and many years from now. The Wisconsin Board on Aging and Long Term Care offers the following advice: "Give yourself plenty of time to gather all the information you need to make informed choices in a timeframe that you are comfortable with. Also remember the old adage, *if it sounds too good to be true, it probably is.*"³



³The Wisconsin Board on Aging and Long Term Care (2006). Important Medicare and Part D changes are coming in October [Press Release].

For More Information

If you have Medicare-specific questions, please visit the Medicare website at www.medicare.gov, call **1-800-MEDICARE (1-800-633-4227)**, or consult one of the other organizations in the “Medicare Resources” section that follows.

Medicare Resources

Centers for Medicare & Medicaid Services (CMS)

The Medicare and Medicaid agency
1-800-MEDICARE (1-800-633-4227)
www.medicare.gov

Medicare Rights Center

A national, nonprofit consumer service organization that works to ensure access to affordable health care for older adults and people with disabilities
1-800-333-4114
www.medicarerights.org

Wisconsin Office of the Commissioner of Insurance

State agency created to ensure that the insurance industry responsibly and adequately meets the insurance needs of Wisconsin citizens
1-800-236-8517
www.oci.wi.gov

Administration on Aging

Federal agency responsible for advancing the concerns and interests of older people and their caregivers
www.aoa.gov

Medicare Quick Glossary

Below, you'll find definitions for essential terms used throughout this guide. For a comprehensive glossary, visit www.medicare.gov.

Annual Enrollment Period (AEP)—The annual period during which Medicare beneficiaries who do not have a Part D plan can enroll in one, and those who do have Part D coverage can change plans. Beneficiaries can also return to traditional Medicare from a Medicare Advantage plan, enroll in a Medicare Advantage plan, or change Medicare Advantage plans.

Annual Notice of Change (ANOC)—A notice provided by the insurance company that explains which benefits have changed and how they have changed for the upcoming plan year. ANOCs are required by the Centers for Medicare and Medicaid Services (CMS) to make sure you are aware of changes to your coverage.

Catastrophic coverage—Coverage for prescription drug expenses that are considered very high and unusual. At this level, you will receive the most help. In a standard 2012 plan, you will pay only 5% of any drug costs above \$6,657.50 (or less, depending on income).

Coverage gap (also known as the “donut hole”)—After you and your drug plan have reached the initial coverage limit for prescription drugs, the coverage gap begins and you are responsible for paying a discounted percentage of your drug costs out of pocket up to a yearly limit. Once your out-of-pocket expenses reach that limit, catastrophic coverage begins and your drug plan helps pay for covered drugs again.

Initial coverage limit—The point at which you and Medicare stop sharing covered drug costs. The initial coverage limit for 2012 is \$2,930 in total drug spending. This includes the \$320 deductible for which you pay 100% of the costs, and an additional \$2,610 worth of drugs, for which you pay only 25% of the costs. After that, you are responsible for a discounted percentage of the next \$3,727.50, up to the catastrophic coverage limit.

Medicare Advantage (MA) plans—Health plans offered by private insurance companies that contract with Medicare to provide health coverage. Depending on where the beneficiary lives, Medicare Advantage plans may be available with or without Part D plans.

Prescription Drug Plan (PDP)—A plan that adds prescription drug coverage to Original Medicare.

Special Election Period (SEP)—A time outside the normal AEP during which Medicare beneficiaries are allowed to change plans.

Sources:

<http://www.mymedicarematters.org/PrescriptionDrugs/Glossary/>

<http://www.medicare.gov/Glossary/a.html>