

---

## FACT SHEET: The Problems with the Private “Part D” Prescription Drug Plan

**The Need:** Prescription drug prices are skyrocketing, and the biggest impact is on seniors and people with disabilities, who often take multiple medications.

For over 40 years, Medicare has provided health coverage for over four million California seniors and people with disabilities, a lifeline for those with significant health needs, and who otherwise would not get care. However, until this year, Medicare did not provide outpatient prescription drug coverage, leaving many to either bear this cost or skip needed medicines.

**The Law:** While many senior, health, and consumer advocates urged the federal government to simply expand Medicare to include prescription drugs, the Medicare Modernization Act of 2003 (MMA) took a different direction. **The new program, Part D, provides drug coverage through private prescription drug plans, rather than the traditional Medicare program.** Insurers and the drug companies successfully lobbied the bill. A fatal flaw was to prohibit the federal government from directly negotiating with drug companies to get the best prices.

As a result, **Part D is not comprehensive and complex, confusing, and costly, both to consumers and the community.** While some seniors and people with disabilities will benefit, others will find that they are worse off.

**Part D is Costly and Not Comprehensive,** partially because the federal government is prohibited from using the purchasing power of all 44 million in Medicare to negotiate for the best possible price from the drug companies. Such negotiations are left to the private prescription drug plans, which have only have a fraction of the bargaining power.

- **Most seniors and people with disabilities will have significant costs,** including monthly premiums (around \$30) a deductible (around \$250), and other high out-of-pocket costs. Under the program, only 75% of expenses are covered up to \$2250; then there is no coverage until costs reach \$5100—a huge “donut hole” gap in coverage --when the plan begins to pay 95% of costs.
- **The prescription drug plans often have restricted formularies,** so certain drugs are not covered.
- **In fact, many seniors and people with disabilities are worse off.** They include:
  - Nearly **one million low-income seniors and people with disabilities,** “dual-eligibles” that used to get Medi-Cal drug coverage from the state, but now have more restrictive coverage, with newly-imposed co-payments.
  - **Light users of prescription drugs,** which won’t see any coverage until spending several hundred dollars worth of drugs, yet **face a penalty for signing up later.** There is a 1% surcharge added each month to the premium for those who do not select a plan before May 15, 2006. Consumers who miss the deadline cannot then sign up until November with coverage beginning in January 2007.
  - **Some who had existing coverage** through other sources, or who fall through the “donut hole.”

### **Part D’s Private Plans Are Complex and Confusing**

- In California alone, there are 47 stand-alone drug plans offered, plus 16 plans available through HMOs, **plans with different formularies, pharmacy networks, and cost structures.** These range and details of these plans are expected to change every year.
- This complexity led to many of **the problems with the initial implementation of Part D, including people not getting enrolled and being denied the drugs they need.** Some plans did not live up to their contractual obligations. In turn, this led California and other states to extend emergency coverage.

### **Part D Lacks Consumer Protections and Community Oversight**

- **The program is run by private drug plans with only loose oversight** by the federal agency, the Centers for Medicare and Medicaid Services, and restricts the ability of states to provide consumer protections. There is no government-run Medicare plan which beneficiaries can select. There is no guarantee that plans will remain in the program and provide consistent coverage for beneficiaries.
- **There are limited unbiased resources** to provide consumer advice to navigate this complex program—and they are overwhelmed. Callers to the private drug plans suffer long waits, receive some incomplete and inaccurate information and receive little help if they speak no English.

## Take Action to Fix Part D

With Part D, the problem remains: seniors and people with disabilities need relief from prescription drug costs. We need action at the state and federal level so Californians can get needed care and coverage.

- Tell people about the problems with Part D and urge them to join the fight for affordable prescription drugs!
- Write a letter to the editor of your newspaper about the problems you experience with Part D.

Action at the State Level:	Action at the Federal Level:
<p><b>Call or write/fax a letter</b> to your California <b>Assembly Member</b> and <b>State Senator</b> and urge them to:</p>	<p>Call the U.S. Senate and House of Representatives at (202) 224-3121. <b>Ask your representatives to:</b></p>
<p><i>Actions Specific to Part D:</i></p> <p>→ <b>Support</b> efforts to have the state <b>cover the newly-imposed co-payments</b> of prescription drug coverage for low-income seniors and people with disabilities who are eligible for both Medicare and Medi-Cal.</p> <p>→ <b>Support AB2170 (Chan)</b> to create a <b>consumer report card</b> on Medicare Part D prescription drug plans.</p> <p>→ <b>Support AB2667 (Baca)</b> to allow the state to <b>monitor and regulate</b> prescription drug coverage plans in the same way it regulates health plans.</p>	<p>→ <b>Support H.R. 3861, (Stark, D-CA) The Medicare Informed Choice Act</b>, to extend the enrollment period and enable beneficiaries to make informed consumer choices.</p> <p>→ <b>Support H.R. 752, (Berry, D-AR) The Medicare Prescription Drug Savings and Choices Act</b>, to create a uniform drug benefit in Medicare and allow Medicare to negotiate for the best prices.</p>
<p><i>Actions on Drug Costs:</i></p> <p>→ <b>Support AB2877 (Frommer)</b> to establish a <b>website</b> to facilitate Californians purchasing safe &amp; affordable prescription drugs from other countries.</p> <p>→ <b>Support AB2911 (Nunez/Perata)</b> to establish a <b>prescription drug discount program</b> to use the purchasing power of the state (through its Medi-Cal program) to negotiate for the best possible drug prices for the 8-10 million uninsured and underinsured Californians.</p> <p>→ <b>Support other bills to promote access to safe, affordable prescription drugs.</b></p>	<p style="text-align: center;"><b>Health Access California</b> is a coalition of more than 200 consumer, community, senior, and other organizations committed to quality, affordable health care for all Californians. <a href="http://www.health-access.org">http://www.health-access.org</a></p> <p style="text-align: center;">For information, please contact: Elizabeth Abbott Health Access California (916) 497-0923, ext. 201 <a href="mailto:eabbott@health-access.org">eabbott@health-access.org</a></p>