



USERS' GUIDE



For constituents in Pennsylvania's Sixteenth Congressional District from Congressman Joe Pitts

Over the years, Medicare has offered relief to millions of seniors in need of health care. But in recent years, it has become obvious that Medicare simply cannot sustain the demands we are placing on it; reform is necessary.

On December 1, 2003, President Bush signed into law the first major overhaul of the Medicare program since its inception in 1965. While not perfect, this bill makes major changes to your Medicare coverage.

This newsletter is designed to answer your questions about the new law, help you understand its impact on your coverage, and direct you to resources that can address additional concerns you might have.

If I can be of any assistance to you or your family on this or any issue, please feel free to contact me.

Sincerely,

**Call Medicare:
1-800-MEDICARE
Visit the website at:
www.medicare.gov**

CHANGES TO MEDICARE

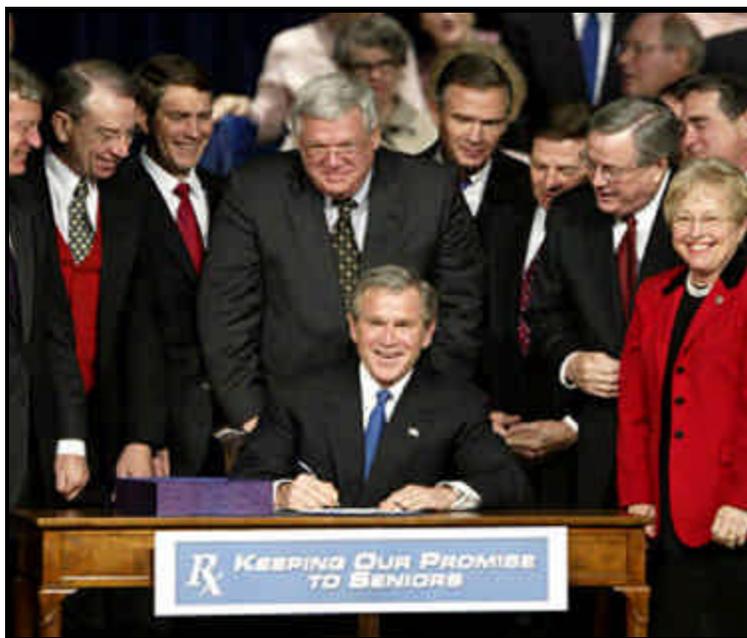
Congress and the Administration worked together to modernize Medicare to bring people with Medicare more choices in health care coverage and better health care benefits.

This new law strengthens the current Medicare program, adds important new coverage for prescriptions and preventive benefits and brings in features of more modern insurance plans. These new choices and benefits include:

- Prescription Drug Improvement
- Replacing Medicare+Choice with Medicare Advantage
- Changes to Fee for Service Payments
- Expanding Preventive Benefits coverage
- Coordinates with state plans like PACE and PACENET
- Sets up tax-free Health Savings Accounts (HSAs)
- Protects your Medicare Supplemental Insurance (Medigap)

It does not cut your benefits or force you into any plan or coverage that you do not feel is right for you and your family.

The pages that follow provide information on these new components of Medicare.



President Bush was joined by Congressional leaders from both parties when he signed the Medicare Prescription Drug and Modernization Act of 2003 into law on December 1, 2003.

PRESCRIPTION DRUG COVERAGE

Discount cards will be offered to seniors beginning in 2003 and will be available until the new drug benefit is up and running.

Medicare will contract with private companies to offer new, voluntary discount cards. A discount card with the Medicare-approved mark offers a discount off the full retail price of prescriptions. Savings are estimated to be 10-25% or more on many drugs.

Individuals with incomes less than \$12,124 a year or married couples with incomes less than \$16,363 may immediately qualify for \$600 to help pay for prescription drugs.

These voluntary cards are being offered temporarily with enrollment beginning as early as May 2004 and continuing through December 31, 2005. People whose

For a senior spending \$1,891 annually:

	Out of Pocket Costs
Deductible.....	\$250
Beneficiary pays 25% of \$1,641...	\$410.25
\$35 monthly premium.....	\$420.20
Total out of pocket cost.....	\$1,080.45
<hr/>	
Total Savings (\$1,891 - \$1080.45) =	\$810.55

assistance for people with low income and limited assets.

Most significantly, people with Medicare who are also fully eligible for Medicaid with incomes below 100% of the federal poverty level (and with no separate asset test) will

drugs are covered by **Medicaid** are not eligible for this card.

In **2006**, the Prescription Drug Benefit will be added to Medicare. All people with Medicare will be able to enroll in plans that cover prescription drugs. People with Medicare will pay a premium estimated to be \$35 a month and there will be a \$250 deductible.

Medicare will pay 75% of drug costs between the deductible and \$2250. Medicare then pays 95% of drug cost above \$5100.

The Prescription Drug Benefit includes additional

receive:

- Full premium subsidy
- Full subsidy of deductible
- Minimal co-pays

Other beneficiaries with low income and limited assets will receive premium and deductible assistance and have limited cost sharing.

MEDICARE ADVANTAGE PLANS

In 2004, Medicare Advantage replaces the Medicare private health plan option known as Medicare + Choice. Changes made to the way Medicare pays these Medicare Advantage plans will help to ensure beneficiaries access to more health plan choices and better benefits.

In 2006, Medicare

Advantage plan choices will be expanded to include regional preferred provider organization plans (PPOs). Regional PPOs will help ensure that beneficiaries in rural and urban areas have multiple choices of Medicare health coverage.

A Preferred Provider Organization (PPO) Plan is a

Medicare + Choice Plan (soon to be referred to as Medicare Advantage plans) in which you use doctors, hospitals, and providers that belong to the network. You can use doctors, hospitals, and providers outside of the network for an additional cost.

PREVENTIVE HEALTH

In **2005**, Preventive Benefits coverage will expand, including:

- One-time initial preventive physical exam within 6 months of when a person with Medicare first enrolls in Medicare Part B
- Screening blood tests for early detection of cardiovascular diseases
- Diabetes screening tests for people at risk of diabetes.

MEDIGAP

The only change in your Medigap coverage is that after 2006, when the Medicare drug benefit begins, you will no longer be able to purchase Medigap policies with drug coverage (currently known as H, I, and J policies), because prescription drug coverage will be available through Medicare. H, I, and J policies will still be available to you, minus the drug coverage component.

If you do not currently have drug coverage through

Medigap, you will see no change in your Medigap coverage in 2006.

If you have drug coverage through Medigap, you will be allowed to keep that coverage if they do not enroll in the new drug benefit.

If you enroll in the new prescription drug program, you will be able to keep your current Medigap coverage, adjusted to **exclude** prescription drugs, or you may choose an alternative Medigap policy offered by your current insurer.

To calculate your out of pocket expenses under the new Medicare prescription drug benefit visit this website:

<http://www.gop.gov/medicare/gopdrugcalc.htm>

PACE/PACENET COORDINATION

Pennsylvania is a model for developing programs to take care of low and middle income seniors and provide a prescription drug benefit through PACE and PACENET.



It is critically important that this law not affect your coverage from state programs, such as PACE and PACENET. This legislation contained language that protects state prescription assistance programs and

coordinates your benefits with the new federal program.

Under this new law, federal funds will be made available to states to assist you in signing up for the federal

program and understanding its provisions. Because this new law sets up the federal government as the "primary payer" of your Medicare prescription drug benefit, the bill allows states with prescription drug programs to save millions of dollars each year.

States like Pennsylvania are given money to educate PACE and PACENET beneficiaries.

The bill allows PACE and PACENET beneficiaries to carry one prescription drug coverage card for both programs. thousands more seniors in the Commonwealth.

The bill also requires states to use electronic claims processing, allowing all coordination of the benefits to take place behind the scenes before the program takes effect ensuring no disruption of benefits or confusion for seniors.

HEALTH SAVINGS ACCOUNTS

This law sets up Health Savings Accounts (HSAs) which will allow all working age employees and retirees to allocate a share of pre-tax dollars to a medical savings account.

These savings are portable. So you can take them with you from job-to-job and into retirement.

Contributions can be made to your account by individuals, employers, and family members. And the money you pay into your HSA will be carried forward from year to year.

Total yearly contributions can be as large as your health insurance plan deductible, between \$1,000 and \$5,000 for

self-coverage and \$2,000 and \$10,000 for family coverage.

Interest and investment earnings generated by the account are not taxable within the HSA.

Any distributions from the account will not be taxed as long as the money is used for qualified medical expenses including, but not limited to, prescription and over-the-counter drugs, long-term care services, and health-coverage purchases under COBRA policies.

The new HSA provision is effective for taxable years beginning after December 31, 2003.

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