

# WHAT YOU MAY NOT KNOW ABOUT MEDICARE PRESCRIPTION COVERAGE

*By: Miranda Burks, CFP®, Financial Planner*

First, let's state the obvious — the rising cost of prescription medications can be troublesome. However, there's some good news for individuals on Medicare: Having Medicare drug coverage (Part D) — the program that provides prescription drug benefits through a number of qualified private plans across the country — helps with those expenses.

But here's something you may not know: Even if you don't take prescription drugs now, you probably should think about getting coverage anyway. Prescription coverage is optional, but it's offered to anyone on Medicare. Further, if you decline the coverage when you're first eligible and wait to join a plan later, you may have to pay a late enrollment penalty down the road. What's worse, you'll likely pay that premium penalty for as long as you have Medicare drug coverage.

Although prescription drug plans vary all across the board depending on where you live; they all provide a standard amount of coverage set by Medicare. Every plan offers a broad choice of brand name and generic drugs at local pharmacies or through mail order. For a higher premium, some plans will cover more drugs than others or offer a wider selection of pharmacies. So, you'll want to choose the plan that best suits your health needs and budget.<sup>2</sup>

There are several ways to get Medicare drug coverage if you don't already have it. You can start the process by visiting [Medicare.gov/plan-compare](https://www.Medicare.gov/plan-compare) to find and compare plans in your area.

## IF YOU ALREADY HAVE PRESCRIPTION DRUG COVERAGE

Like many people, you may already have prescription drug coverage under another type of plan, e.g., through a Medicare Advantage program, private health insurance such as Medigap, or a current or former employer's health plan.

If you're covered under an employer or union plan, it's important to call your benefits administrator before making any changes or signing up for different coverage. By signing up with another plan, you could jeopardize your employer or union health and prescription drug coverage for you and your dependents. Once you lose that coverage you may not be able to get it back. You'll also want to ask how Medicare drug coverage works or coordinates with other plan options you may have in mind.<sup>2</sup>

## NUMBER OF AMERICANS ENROLLED IN MEDICARE PART D

According to a recent report from the Kaiser Family Foundation, nearly 45 million people with Medicare coverage are currently enrolled in plans providing the Medicare Part D drug benefit. This represents 70% of all people on Medicare.

In 2019, the top three firms covering 57% of the participants enrolled in Part D were UnitedHealth, Humana, and CVS Health. These firms—along with WellCare and Cigna—account for 75% of Part D enrollment.<sup>1</sup>

## JOINING, SWITCHING, OR DROPPING A PRESCRIPTION DRUG PLAN

There are certain times designated for making changes pertaining to a Medicare drug plan or Medicare Advantage plan. You can join a plan, switch plans, or drop a plan during the following periods:

- **Initial Enrollment Period.** You can join a plan when you are first eligible for Medicare coverage.
- **Open Enrollment Period.** You can join a plan, switch plans, or drop a plan from October 15 through December 7 of each calendar year (requests must be received by the plans by the December 7 deadline). Your coverage will begin on January 1.
- **Medicare Advantage Open Enrollment Period.** Each year from January 1 through March 31, individuals enrolled in a Medicare Advantage Plan can switch once to a different Medicare Advantage Plan or Original Medicare. If you switch to the Original Medicare Plan, you'll need to join a separate Medicare prescription drug plan.

Additionally, if you have to pay a premium for Part A and enroll in Part B for the first time during the General Enrollment Period, you can also join a plan from April 1 through June 30 (with coverage beginning July 1).

As a general rule, participants stay enrolled in their plans for the entire calendar year. However, you may qualify for a Special Enrollment Period when certain events happen in your life, such as moving to another state or losing your insurance coverage. Under such circumstances, you may be able to make changes to your plan if you qualify.<sup>2</sup>

## INCOME AFFECTS WHAT YOU PAY FOR PRESCRIPTION COVERAGE

Your plan costs and coverage can change each year and will vary depending on the plan you choose. You may have to pay a premium, deductible, copayments, or coinsurance throughout the year.

Most plans charge a monthly premium that's paid in addition to what you pay for Medicare Part B. If you're covered under a Medicare Advantage Plan or a Medicare Cost Plan with drug coverage, your monthly premium may include your drug coverage as well.

It is important to note, however, that if you have a higher income, you might have to pay more for your Medicare or Medicare Advantage prescription drug coverage. If your income is above \$87,000 as an individual or \$174,000 as married and filing jointly, you'll pay an extra amount in addition to your plan premium. This is often referred to as "Part D-IRMAA." If you don't pay the extra amount then you could lose your drug coverage and may not be able to enroll in another plan right away.<sup>2</sup>

As you've probably discovered, Medicare and Social Security rules can be quite complex. If your income falls within this range, and before you make any decisions, it's in your best interest to visit [www.ssa.gov](http://www.ssa.gov) for more information and to take advantage of online services and calculation tools. Or, you can speak to a representative by calling Social Security toll-free at 1-800-772-1213 or at 1-800-325-0778 (TTY) if you're deaf or hearing impaired.

## WE'RE HERE TO HELP

Feeling confident that you're financially prepared for the potential impact of the decisions surrounding selection of your Medicare benefits during your retirement years is important. Commerce Trust Company will listen to your concerns and talk with you regarding any current or future financial issues that may require adjustments to your portfolio and retirement plan. Contact us today to learn more about how we can help protect your financial well-being down the road.

<sup>1</sup> Source: Juliette Cubanski, Anthony Damico, and Tricia Neuman, Kaiser Family Foundation, “10 Things to Know About Medicare Part D Coverage and Costs in 2019,” <https://www.kff.org/medicare/issue-brief/10-things-to-know-about-medicare-part-d-coverage-and-costs-in-2019/>, published June 4, 2019.

<sup>2</sup> Source: “Medicare and You: 2021,” U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services, CMS Product No. 10050-16, September 2020.

The opinions and other information in the commentary are provided as of March 02, 2021. This summary is intended to provide general information only, and may be of value to the reader and audience.

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Miranda is a financial planner with Commerce Trust Company. She is a member of the financial advisory services team, a dedicated financial planning practice within Commerce Trust that provides objective financial advice to clients. Following a thorough assessment of a client's unique situation and thoughts regarding wealth, Miranda develops holistic and coordinated plans to help clients meet their short-term and long-term goals as well as take full advantage of various planning, tax, and investment strategies along the way. Miranda joined Commerce Trust in 2018. Miranda received her bachelor of science degree in personal financial planning from Kansas State University. She also has earned her CERTIFIED FINANCIAL PLANNER™ designation.



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