

# Overview of **Drug Coverage for Branded Products under Medicare Parts B and D**

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in 2019

This brochure outlines Medicare coverage under Part B and Part D and illustrates the impact on patients who incur costs for covered brand-name drugs.

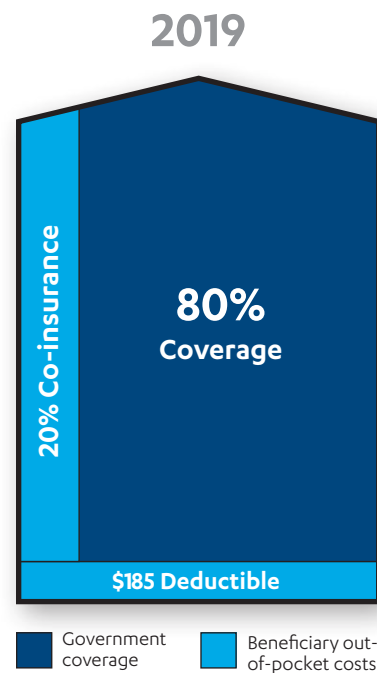
Starting in 2019 the Medicare Part D standard benefit design lowers cost-sharing in the Coverage Gap to 25% for brand drugs. This reduction, commonly referred to as “closing the coverage gap,” was accelerated by recent legislation.<sup>1</sup>

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# Medicare Part B: Coverage

Medicare Part B covers physician-administered therapy



## Medicare Part B in 2019

- The Part B standard monthly premium rate for all enrollees in 2019 is \$135.50.<sup>2</sup>
- Higher income enrollees (>\$85,000 individual tax returns; >\$170,000 joint tax returns) are subject to an income-related monthly adjustment which can raise premiums to \$460.50 per month.<sup>2</sup>
- The Part B deductible for 2019 is \$185 for all Part B beneficiaries.<sup>2</sup>
- The beneficiary is responsible for 20% of all medication costs incurred after the annual deductible has been met.
- Low-income beneficiaries may be eligible for Medicare Savings Programs that help cover components of beneficiary cost-sharing for Medicare Part B.<sup>3</sup>

## Most Medicare beneficiaries have supplemental insurance coverage<sup>4</sup> that fills in much of Medicare's Part B cost-sharing requirements.

Common forms of supplemental insurance include employer-sponsored insurance plans, Medigap (Medicare Supplement Insurance) plans, and Medicaid.

## Medigap coverage is available for Medicare Part B out-of-pocket costs<sup>5</sup>

- Medigap is a private health insurance that is designed to supplement Original Medicare, Part A and Part B, but does not supplement Medicare Advantage (Part C) or Medicare Prescription Drug plans (Part D).
- Medigap policies help pay a beneficiary's share (co-insurance, co-payments, or deductibles) of the costs of Medicare-covered services, and some policies cover certain costs not covered by the original Medicare plan.
- Eight out of ten of the standardized Medigap plans cover all of the Part B 20% co-insurance.
- "Standardized" Medigap policies (identified by letters A through N) are available in most states. Benefits and coverage percentages vary by plan type. For example, Medigap plans "A," "B," "C," "D," "F,"\* "G," and "M" **pay for all of the Part B 20% co-insurance**; plan "K" pays 50%, and plan "L" pays 75%; with the exception of office and Emergency Department co-pays, plan "N" also pays 100% of the Part B co-insurance.
- Beneficiaries should compare premiums and coverage options to determine the most appropriate Medigap policy.

\*Excludes the high-deductible version.

# How Medicare Part D Covers Branded Prescription Drugs

## The 2019 "standard" Medicare Part D drug benefit for brand-name drugs

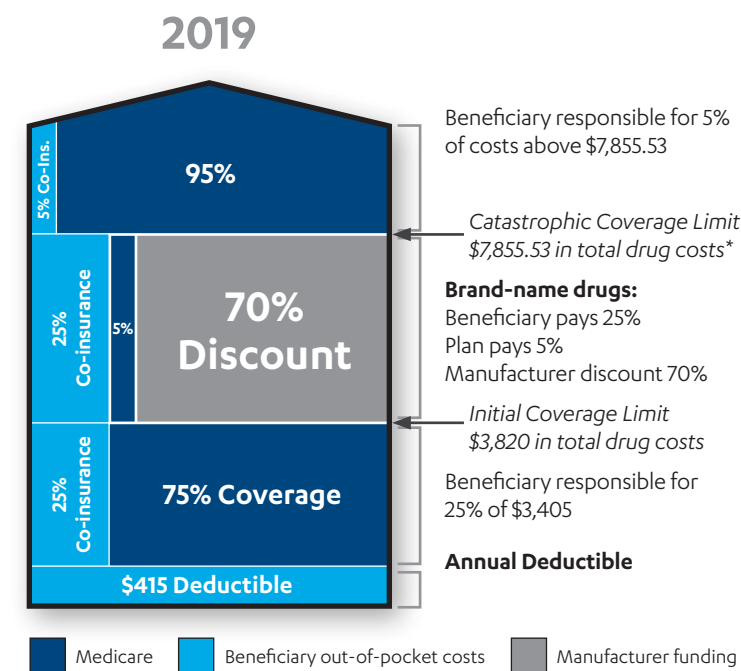
**Premium:** CMS estimates the 2019 base beneficiary Part D premium at \$33.19 per month.<sup>6</sup> Actual premiums can vary significantly between Part D plans.<sup>6</sup> In addition to the premium, higher income Part-D enrollees will pay an income-related monthly adjustment amount (Part D-IRMAA) that can range up to \$77.40.<sup>6</sup>

**Deductible:** The annual deductible for 2019 is \$415.<sup>7</sup> The beneficiary is responsible for 100% of this amount.

**Initial Coverage Period:** This period begins when the deductible has been satisfied and lasts until the Initial Coverage Limit is reached. For 2019, the Initial Coverage Limit is \$3,820<sup>7</sup> in total drug costs. The beneficiary is responsible for 25% of that amount, less the deductible (\$3,405). The beneficiary then enters the Coverage Gap.

**Coverage Gap:** In 2019 the costs for brand-name drugs within the Coverage Gap are again shared between the beneficiary, the manufacturer and the plan; however, the beneficiary responsibility has decreased to 25%. This reduction essentially "closes" the gap between the Initial Coverage Period and the higher cost-sharing that previously defined the Coverage Gap. This period ends when the total drug costs reach \$7,855.53, the 2019 Catastrophic Coverage Limit.<sup>8</sup>

**Catastrophic Coverage Period:** Once the 2019 Catastrophic Coverage Limit is reached, the beneficiary is responsible for minimal cost-sharing for the remainder of the year.<sup>7</sup>



\* Based on use of brand-name drugs only; correlates with \$5,100 Out-of-Pocket Threshold.<sup>7,8</sup>

## Other important points about Medicare Part D

- The costs illustrated in this brochure represent the standard Medicare Part D prescription drug benefit. Beneficiaries may choose to enroll in prescription drug plans with different benefit structures that vary in terms of premiums, deductibles, covered drugs and patient cost-sharing.
- Medigap (Medicare Supplement insurance) may not be used to cover the out-of-pocket costs (deductibles, copay, co-insurance) associated with Medicare Part D prescription plans.
- Some people with limited resources and income may be able to get help paying for Medicare Part D prescription drug plan costs (premiums, deductibles, co-payments) through the Medicare Low-Income Subsidy program, also called "Extra Help." In 2018 the Extra Help was estimated to be worth about \$4,900 per year.<sup>9</sup>

## Under certain circumstances, physician-administered therapies may be covered under Medicare Part D

- Some physician-administered drugs have been added to the formularies of Medicare Part D prescription drug plans
- To be eligible for coverage under Part D, the drug:
  - Must be included in a Part D plan's formulary, or treated as being included as the result of a coverage determination or appeal.
  - Must be obtained through a network pharmacy (retail, mail order, specialty) or an out-of-network pharmacy in accordance with the plan's policies.<sup>9</sup>

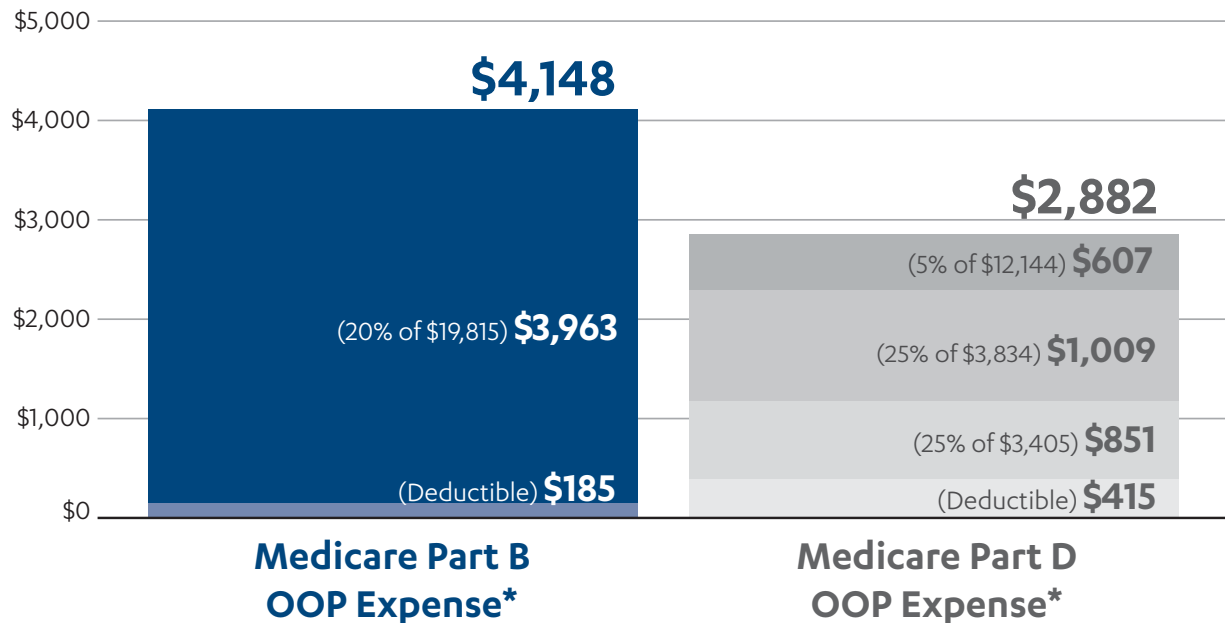
## Part D coverage and cost-sharing policies for therapies vary by plan and may include:

- Being placed on a higher or lower co-pay tier than other alternative therapies
- Being assigned to a specialty tier that may include higher beneficiary cost-sharing
- Limiting the use of specialty drugs to specific indications
- Requiring prior authorization processes<sup>10</sup>

## Comparison of patient out-of-pocket expenses in 2019:

# Medicare Part B and Medicare Part D

The following is an example of potential out-of-pocket (OOP) expenses based upon \$20,000 in annual medication cost. This example assumes the use of only brand-name drugs (25% beneficiary cost-sharing during the coverage gap) and excludes monthly premiums for Medicare Part B and Medicare Part D and the combined cost of premiums for patients enrolled in both Part B and Part D.



\*Rounded to nearest whole dollar.

## Resources

“Medicare and You 2019”

<https://www.medicare.gov/sites/default/files/2018-09/10050-medicare-and-you.pdf>

Extra Help with Medicare Prescription Drug Costs

<https://www.ssa.gov/benefits/medicare/prescriptionhelp/>

Medicare Savings Programs

<https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs#collapse-2625>

“Your Guide to Medicare Prescription Drug Coverage”

<https://www.medicare.gov/sites/default/files/2018-07/11109-your-guide-to-medicare-prescrip-drug-cov.pdf>

Medicare

<https://www.medicare.gov/>

or call: 1-800-MEDICARE (633-4227)

**References:** 1. Bipartisan Budget Act of 2018. (Pub.L.115-123), §53116 2. Medicare Program; Medicare Part B Actuarial Rates, Premium Rates, and Annual Deductible Beginning January 1, 2019; Notice. 83 Fed. Reg. 52,462. (October 17, 2018). 3. Medicare.gov. Medicare Savings Programs. <https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs>. Accessed October 10, 2018. 4. The Henry J. Kaiser Family Foundation. Issue Brief (July 2018). Medigap enrollment and consumer protections vary across states. <https://www.kff.org/medicare/issue-brief/medigap-enrollment-and-consumer-protections-vary-across-states/>. Accessed October 10, 2018. 5. Centers for Medicare & Medicaid Services. 2018 Choosing a Medigap policy: A guide to health insurance for people with Medicare. <https://www.medicare.gov/Pubs/pdf/02110-Medicare-Medigap-guide.pdf>. Accessed October 10, 2018. 6. Centers for Medicare and Medicaid Services. Annual release of Part D national average bid amount and other Part C&D bid related information. (July 31, 2018). <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2019.pdf>. Accessed October 11, 2018. 7. Centers for Medicare & Medicaid Services. Announcement of calendar year (CY) 2019 Medicare Advantage capitation rates and Medicare Advantage and Part D payment policies and final call letter. (April 2, 2018). <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2019.pdf>. Accessed October 11, 2018. 8. Moran Company analysis; data on file. 9. Social Security Administration. Understanding the Extra Help with your Medicare prescription drug plan. (February 2018). <https://www.ssa.gov/pubs/EN-05-10508.pdf>. Accessed October 14, 2018. 10. Centers for Medicare & Medicaid Services. Medicare Prescription Drug Benefit Manual. Chapter 6 – Part D Drugs and Formulary Requirements, Rev. 18. <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovContra/Downloads/Part-D-Benefits-Manual-Chapter-6.pdf>. Accessed October 12, 2018.