

## **True Out-of-Pocket Costs (TrOOP)**

The portion of cost-sharing incurred by the individuals in a health plan. Under Medicare Part D, TrOOP will be counted to determine when a beneficiary reaches the coverage gap, and when a beneficiary qualifies for catastrophic coverage.

## **Wraparound Benefits**

When a state or another organization helps defray the out-of-pockets costs incurred by a Medicare beneficiary under Part D. The final Part D regulations clarify situations when wraparound payments made on behalf of the individual will count towards the individual's TrOOP.

## ***Medicare Glossary of Key Terms***

### **Auto-Enrollment**

A process by which certain individuals may be automatically enrolled in Medicare Part D, regardless of whether they actively sought enrollment. Full-benefit dual eligibles (i.e., those eligible for both Medicare and Medicaid) who do not actively choose a Part D plan will be auto-enrolled into a qualifying Medicare Part D plan to receive their prescription benefits.

### **Beneficiary**

An elderly or disabled person who has health insurance through the Medicare program.

### **Centers for Medicare & Medicaid Services (CMS)**

The federal agency responsible for administering Medicare and parts of Medicaid (formerly the Health Care Financing Administration).

### **Cost-Sharing**

An insurance policy requires the insured person to pay a portion of the costs of covered services. Medicare Part D cost-sharing requirements include deductibles, copayments, and co-insurance.

### **Deductible**

Money or value of services that beneficiaries must cover before costs (or percentages of costs) are covered by their health plan. In 2006, the Part D deductible will be \$250.

## **Dual Eligible**

An individual who is eligible for both Medicare and comprehensive Medicaid coverage. This includes medically needy individuals.

## **Fee-for-Service (FFS)**

Traditional Medicare. A defined benefit program that guarantees a defined range of services to all eligible persons.

## **Fail-First Program (Step Therapy)**

A cost-containment mechanism that requires providers to try preferred/generic treatments, and prove they are ineffective for a given patient, before a non-preferred treatment will be covered.

## **Federal Poverty Level (FPL)**

The government's working definition of poverty that is used to determine benefit levels for many low-income assistance programs, such as Medicaid and Medicare Part D subsidies. The Census Bureau updates the FPL each year; the FPL in 2005 is \$9,570 for a single person, and \$12,830 for a family of two in the contiguous United States.

## **Formulary**

The entire list of Part D drugs covered by a PDP sponsor's or MA organization's drug plan. Includes both a therapeutic classification system and other elements, such as tiered cost-sharing and fail-first programs.



## **Late Enrollment Penalty**

Under current Medicare law, individuals who do not enroll in Medicare Part B when they are first eligible to do so must pay a penalty for every month they have not participated. A similar late enrollment penalty will be imposed for individuals who enroll in Part D after the initial enrollment period, or who fail to maintain continuous coverage during the period of non-enrollment.

## **Medicaid**

A joint Federal and state program that helps with medical costs for certain people with low incomes and limited resources. Medicaid programs vary from state to state, but most healthcare costs are covered if a beneficiary qualifies.

## **Medicare Advantage (MA) Program**

The program that offers Medicare beneficiaries the option of enrolling in a managed care plan to receive their Medicare benefits. The program that replaces the Medicare + Choice (M+C) program under Part C in Medicare.

## **Medicare Advantage Prescription Drug Plan (MA-PD)**

Medicare Advantage plans approved by CMS to offer the Part D prescription drug benefit.

## **Medicare Part A**

Covers inpatient hospital care, skilled nursing facility care, some home health agency services, and hospice care. Eligible Medicare beneficiaries are automatically enrolled in Part A.

## **Medicare Part B**

Also referred to as Supplementary Medical Insurance. Covers physician services, outpatient care, medical equipment and supplies, and other medical services not covered under Part A. Enrollment in Part B is optional (but 94% of those eligible were enrolled in 2002), and beneficiaries pay monthly premiums and an annual deductible.

## **Medicare Part C**

Medicare Part C refers to private managed care plans that offer Parts A and B services together. (See also Medicare Advantage.)

## **Medicare Part D**

Created under the the Medicare Modernization Act of 2003 (MMA), it is a voluntary outpatient prescription drug benefit for Medicare beneficiaries that begins in 2006.

## **Medigap**

A Medicare supplemental insurance policy sold by private insurance companies to fill "gaps" in original Medicare coverage.



## **Negotiated Prices**

Prices for covered Part D drugs that take into account discounts, subsidies, rebates, and other price concessions from pharmaceutical companies, and include any dispensing fees. PDP sponsors and MA organizations are required to provide their enrollees with access to negotiated prices for covered Part D drugs included in the plans' formularies.

## **Patient Assistance Program (PAP)**

A program administered by a pharmaceutical manufacturer that provides assistance with prescription drug costs. PAPs often offer free and discounted prescription drugs to those who qualify.

## **Pharmacy Benefit Managers (PBMs)**

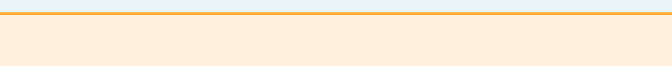
Independent administrators who focus exclusively on providing pharmacy benefits, and who are typically engaged by large employers, managed care plans, or the government.

## **Premium**

The monthly payment for healthcare coverage to an insurance or healthcare plan. Medicare Parts B and D are voluntary and require payment of premiums.

## **Prescription Drug Plan (PDP)**

Prescription drug coverage that is offered to beneficiaries enrolled in fee-for-service Medicare by a plan sponsor under a contract with CMS.



## **Preventive Services**

The MMA expands preventive services under Medicare Part B to include coverage of an initial preventive physical examination, cardiovascular screening blood tests, and diabetes screening tests. It also improves payment for certain mammography services.

## **Prior Authorization (PA)**

A cost-containment tool used by health and drug plans that requires advance approval from the plan prior to providing coverage for particular services or procedures.


## **Regions (PDPs and MA-PDs)**

Areas in which a contracting PDP provides access to covered Part D drugs.

## **Standard Benefit**

The standard Medicare Part D drug package in 2006 has an annual deductible of \$250, and beneficiary coinsurance of 25% for spending above the deductible and up to the initial coverage limit of \$2,250. The enrollee then pays 100% of the negotiated price between this initial coverage limit and the stop-loss threshold of \$5,100 in total Rx spending (\$3,600 in out-of-pocket drug spending.) After reaching that threshold, an enrollee pays the greater of \$2 for generics, \$5 for brand drugs, or 5% co-insurance.

Plans may alter certain aspects of the benefit design (e.g., lowering the annual deductible or



reducing cost-sharing above the initial coverage limit), as long as the design provides benefits at least “actuarially equivalent” to, or richer than, the standard Part D benefit.

### **State Pharmaceutical Assistance Program (SPAP)**

Program operated by or under contract with a state to provide financial assistance for the purchase or provision of supplemental prescription drug coverage, or for benefits on behalf of Part D eligible individuals.

### **Subsidy-Eligible Individual**

Part D eligible individual who is enrolled in a PDP or MA-PD plan, has an income below 150% of the federal poverty level, and meets certain resource requirements.

### **Therapeutic Classification System**

System that lists categories and classes of drugs, which PDPs may use to design their formularies.

### **Tiered Cost-Sharing**

A process of grouping Part D drugs into different levels within a PDP sponsor’s formulary that have varying costs for beneficiaries.

### **Transitional Assistance (TA)**

The federal subsidy provided in 2004 and 2005 to Medicare-endorsed discount card enrollees with incomes below 135% FPL to assist with pharmaceutical costs.