

## Medicare Update

Regulatory changes in the Medicare program have introduced major changes and new annual requirements for plan sponsors. This *Willis EB Alert* summarizes these key changes. Our *Alert* reminds plan sponsors of the subsidy application deadline, reviews the results of a new national survey that measures beneficiary satisfaction with the prescription drug program, and provides the Medicare Part B premiums (including new income-adjusted premiums) for 2007. A *Willis EB Alert* centering on creditable coverage disclosure notices is being published separately.

### RDS Subsidy Applications Due

Plan sponsors that provide prescription drug coverage to retirees who are eligible for Medicare Part D may apply for a tax-free subsidy payment through the Retiree Drug Subsidy (RDS) program. Many plan sponsors chose this option when Medicare's prescription drug program first went into effect. These organizations are reminded that a new application is required *every* year in order to maintain eligibility for the subsidy payment. As part of the application process, plan sponsors must submit a new retiree list and an updated actuarial attestation. The RDS website contains a "How To" section that instructs users about the application process.

A one-time 30-day application extension is available — but only if the extension is requested through the RDS website and only if the extension is applied for on a timely basis. CMS is not granting automatic extensions this year. *Sponsors of calendar year plans must apply for the subsidy or the extension by October 2, 2006.* The RDS website address is: [www.rds.cms.hhs.gov](http://www.rds.cms.hhs.gov). Plan sponsors applying for the subsidy payment for the first time should allow at least an extra week to establish an account before an application or extension request is submitted.

The calculation of the subsidy amount is based on indexed thresholds. For 2007, the subsidy payment is 28 percent of allowable retiree costs between \$265 and \$5,350.

### AHIP Survey Results

Soon after the Medicare prescription drug program launched, unflattering news stories surfaced about the complexity of the program and about senior citizens unable to get their prescriptions filled. Many who experienced coverage problems were low-income individuals whom Medicare automatically enrolled. These high-profile problems generated poor initial reviews about a program that has since improved and is now generally heralded as a success by many of the individuals covered.

America's Health Insurance Plans (AHIP) conducted three similar surveys at staggered intervals since the Medicare Part D launch to measure satisfaction with the Medicare prescription drug program. Responses reveal growing program appreciation as claims are being paid and individuals can better assess its value. AHIP survey respondents centered on self-enrolled Part D program participants. Low-income individuals, who have a different (but more generous) benefit schedule, were specifically excluded from the study.

Highlights from the AHIP survey include the following:

- Eighty-eight percent of respondents experienced no enrollment or benefit usage problems
- Eighty-one percent reported the plan covers the prescription drugs they need
- Sixty-nine percent said it was worth the time and effort to select a plan (increased from 57 percent in the first survey)

- Forty-four percent take four or more prescriptions every month
- Fifty-eight percent reported saving money with the new program

Seventy percent would recommend that others sign up for the prescription drug benefit (up from 56 percent in the original survey)

These survey results are good news as the Medicare prescription drug program begins to re-enroll for the first time. The other part of the good news is that costs for Part D remain stable, with only very modest overall increases reported for 2007.

#### Part B Premiums Vary by Income Level

Medicare Part B premiums for most Medicare beneficiaries will be \$93.50 per month in 2007 — a 5.6 percent increase. For the first time ever, Part B premiums will vary by income level. This change was included in the *Medicare Prescription Drug, Modernization, and Improvement Act of 2003* with a 2007 effective date.

Unlike the Part A or hospital insurance which is funded by FICA taxes, Parts B and D are funded by Medicare beneficiaries and from general tax revenues. Despite the change to Part B premiums, Part D prescription drug premiums are not based on income and, while a tempting target for Congress, there is no law currently in place that assesses Part D premiums based on income. The chart below shows the 2007 Medicare Part B premiums.

The adjustment for income-related contributions is based on an individual's modified adjusted gross income for the taxable year two years prior. This means that 2007 premiums are based on an individual's 2005 tax return. Special rules apply if no income tax return is filed or if an individual's subsequent tax return reports much lower income due to an adjustment such as the death of a spouse, marriage or divorce. As enacted by Congress, the income-related Part B premium is being rolled out over five years. The full effect of this change will appear by 2011.

<b>Medicare Part B Premiums*</b>		
<b>Individual Tax Return In- come**</b>	<b>Joint Tax Return Income</b>	<b>Total Monthly Part B Premium</b>
Less than or equal to \$80,000	Less than or equal to \$160,000	\$93.50
More than \$80,000 but not more than \$100,000	More than \$160,000 but not more than \$200,000	\$105.50
More than \$100,000 but not more than \$150,000	More than \$200,000 but not more than \$300,000	\$124.40
More than \$150,000 but not more than \$200,000	More than \$300,000 but not more than \$400,000	\$142.90
More than \$200,000	More than \$400,000	\$161.40
* Different premium schedule applies for individuals who are married but file separately		
**Single, head of household, qualifying widow(er) with dependent child, or married filing separately but lived apart from spouse for entire taxable year		

## U.S. Benefit Office Locations

Anchorage, AK (907) 562-2266	Atlanta, GA (404) 224-5000	Austin, TX (800) 861-9851	Baltimore, MD (410) 527-1200
Birmingham, AL (205) 871-3871	Boise, ID (208) 340-0645	Boston, MA (617) 437-6900	Cary, NC (919) 459-3000
Charlotte, NC (704) 376-9161	Chicago, IL (312) 621-4700	Cincinnati, OH (513) 762-7661	Cleveland, OH (216) 861-9100
Columbus, OH (614) 766-8900	Dallas, TX (972) 385-9800	Denver, CO (303) 218-4020	Detroit, MI (248) 735-7580
Eugene, OR (541) 687-2222	Farmington, CT (860) 284-6137	Florham Park, NJ (973) 410-1022	Ft. Worth, TX (817) 335-2115
Grand Rapids, MI (616) 954-7829	Greenville, SC (864) 232-9999	Houston, TX (713) 625-1023	Jacksonville, FL (904) 355-4600
Knoxville, TN (865) 588-8101	Las Vegas, NV (702) 562-4335	Long Island, NY (516) 941-0260	Los Angeles, CA (213) 607-6300
Louisville, KY (502) 499-1891	Memphis, TN (901) 248-3100	Miami, FL (305) 373-8460	Milwaukee, WI (414) 271-9800
Minneapolis, MN (763) 302-7100	Mobile, AL (251) 433-0441	Mountain View, CA (650) 944-7000	Naples, FL (239) 514-2542
Nashville, TN (615) 872-3700	New Orleans, LA (504) 581-6151	New York, NY (212) 344-8888	Omaha, NE (402) 778-4851
Orlando, FL (407) 805-3005	Philadelphia, PA (610) 964-8700	Phoenix, AZ (602) 787-6000	Pittsburgh, PA (412) 586-1400
Portland, OR (503) 224-4155	Roswell, NM (505) 317-3397	St. Louis, MO (314) 721-8400	San Diego, CA (858) 678-2000
San Francisco, CA (415) 981-0600	San Juan, PR (787) 725-5880	Seattle, WA (206) 386-7400	Spokane, WA (206) 386-7400
Tampa, FL (813) 281-2095	Washington, DC (301) 530-5050	Wilmington, DE (302) 477-9640	

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