

Medicare Part D and Medicare Advantage

By David Belk MD

In a previous section I showed that buying a supplemental insurance policy probably isn't a good idea for most people who have Medicare. But what about prescription drug coverage? Is it a good idea to buy a part D plan as soon as you qualify for Medicare? The answer to that question really depends on whether you're taking any medications at the time and, if so, which medications you're taking.

The Penalty

First, I'd like to address the penalty you'll have to pay if you delay buying a Part D plan. Seniors are often warned about the "enormous" fine they'll get if they don't buy a Part D plan as soon as they qualify for Medicare. What very few people are told, though, is exactly how much that fine really is.

That "enormous" fine is 1% of the average Part D premium price for each month you delay buying into a Part D plan. In 2019 the average Part D premium price is \$33.19 per month. That means you'll owe about \$3.98 per month extra for every year you delay. That's hardly enormous.

So the penalty isn't likely to break you if you postpone buying prescription coverage for a few years. In fact, if you're not taking any medications, then buying Medicare prescription drug coverage now is, effectively, paying over \$30 a month now in order to save \$4 a month later. How does that make sense?

What if you're already taking prescription medications?

If the medications you are taking are all generic then you might be better off purchasing them without using insurance. By using the website GoodRx.com, you might find that the cash price of your medication is less than the insurance copay for many of the medications you're taking. If you add the cost of insurance premiums to that of your copays, then you're almost certainly saving money by going without insurance and buying your generic medications directly.

If the medication you've been prescribed is rather expensive, you can also check if an alternative medication is available that does the same thing but costs less. Most of the time there will be several alternative medications that have the exact same effect as the one you're taking and prices can vary significantly for different medications in the same class that do the same thing. What's more, doctors are quite used to substituting medications for patients since insurance formularies change all of the time. If a doctor is willing to change a patient's medication simply because an insurance company asks, he should also be willing to change your medication when you ask.

What if you do need an expensive medication?

The prices of most brand name medications are more than most people can easily afford. Even with insurance, the copays for some of these medications can be quite steep (\$50 a month or more per medication). So, if you are prescribed a brand name medication, first ask your doctor if there is an inexpensive alternative to that medication. Often there is, but most doctors don't consider price when writing prescriptions (after all, it's not their money).

If there is no inexpensive alternative for a medication that you'll need to take regularly, you should definitely buy prescription drug coverage. If you need the medication for only a short term, the doctor might have some free samples to start.

The main problem with having prescription drug coverage before needing it is that you'll never know if the plan you have will cover a new medication should you need it. Most prescription drug plans have their own list of "approved" medications and, if the medication you're prescribed isn't on your insurance company's list, they'll do anything they can to avoid paying for it. What's more, a "covered" medication might still have an obscenely high copay that's only slightly less than the cash price for that medication (if that).

Insurance companies can deny paying for just about any medication they want. They'll even deny the coverage of medications that, in reality, wouldn't cost them anything. If your doctor is willing to fill out enough paperwork in exactly the right way, an insurance company will cave for a short while and pay for a medication that's not on their list. They'll issue another denial for that medication as soon as they can though.

Insurance companies will work very hard to avoid paying for unapproved medications, and their lists of approved medications usually have very few brand name drugs. Since you can't possibly know in advance if a medication you might need would be on your insurance company's approved list, or how much the copay will be when you need it, there is really little benefit in buying prescription drug coverage before you need it.

Buying prescription drug coverage isn't the same as buying other types of insurance like, for example, fire insurance. It's really more like buying a fire insurance policy that only covers you if the fire starts at a certain time of day or in a certain room of your house.

The real problem with Medicare Part D plans is that they weren't set up with the intent of benefiting seniors. They were set up to benefit:

–Pharmacies, by having copays for generic medications that are often far more than the actual cost of most of the medications.

–Pharmacy benefit managers, by allowing them to get large rebates on certain brand name medications that they’re allowed to keep, which drives up the prices of all brand name medications for consumers.

-Insurance companies, by allowing them to collect premiums from seniors then deny the coverage of any medication that might cost them anything

and

-Pharmaceutical companies, by forbidding the federal government from negotiating the prices of brand name medications so that nothing can be done to lower the cost of these medications in the US.

These policies were specifically designed to take advantage of seniors in order to maximize the revenues for the above industries. The only option seniors have to avoid being taken advantage of is to not buy into a plan until they really need it. Insurance companies won’t like that advice because it hurts their business model. Still, if they want more business, they shouldn’t be offering such lousy policies.

Medicare Advantage

Medicare Advantage policies are very different from the supplemental policies described in the previous section. Here’s how they work: When you choose a Medicare advantage plan, you sign over your Medicare benefits to a third party (the Advantage insurance provider) and they administer your benefits for you. Is that a good deal for you? Well, I like to think of it this way–all insurance companies have overhead costs and are there to make a profit (including the non-profit ones).

How do they pay for all of their costs, pay for your health care and still have a profit left over at the end of the year? Well obviously, you pay premiums to your Advantage plan in addition to your Part B premiums costs. There are two ways they make money in addition to your premiums, though. One is to overcharge the federal government and the other is to restrict your benefits. They usually restrict benefits by requiring your doctor to authorize any medical test, procedure or referral you need. They also limit the number of doctors you can see by creating “networks” of doctors and hospitals and not allowing you to see any doctor outside of your network.

Insurance companies can’t grow money from a money tree so, when you think about it, there’s no other way Advantage programs can exist. So, how can they be a good deal for you? The math just doesn’t add up.