

Big changes coming to Medicare - closing the donut hole and adjustments to Medicare Advantage

Jean Chatzky

Monday, October 4th 2010, 4:00 AM

Recommend

5 people recommend this. Be the first of your friends.

Not only is there a lot of [Medicare](#) confusion right now - information, both true and false, has been flying around since the health care overhaul law was signed this year by [President Obama](#) - but as with most group insurance plans, fall is open enrollment.

That makes now the right time to reevaluate your coverage. Whether you're approaching 65, already enrolled in Medicare or trying to help a relative or friend, here's what you need to know:

BYE-BYE DONUT

While the health overhaul was mainly about providing insurance coverage to people younger than 65, there were important tweaks to Medicare.

The first was a move to gradually close the so-called donut hole, a gap in prescription drug coverage under Medicare Part D. The coverage comes with a monthly premium, a deductible and a co-pay that varies by plan.

This year, enrollees pay a \$310 deductible and 25% of their subsequent drug costs until their total drug spending reaches \$2,830. Then they fall into the donut hole and are responsible for all their expenses until out-of-pocket spending reaches \$4,550.

That gap in coverage will close gradually. This year, people who fall into the hole will get a one-time check of \$250. The check is a temporary fix.

In 2011, if you're in the donut hole, you'll pay 50% of your brand-name drug costs. Over the next 10 years, the system will work its way up to covering 75% of drug costs, leaving you to cover 25% no matter how much your costs are that year. That closes the hole completely.

YOUR ADVANTAGE?

The other big change involves [Medicare Advantage](#), the portion of Medicare run by private insurance companies that's also known as Medicare Part C. These plans are like the coverage you may have had through work. Some people choose this coverage over traditional Medicare because they want to stay with a certain doctor, or continue with the health insurance they had at their job.

Historically, Medicare has overpaid these plans, said [Tricia Neuman](#), a Medicare expert at the [Kaiser Family Foundation](#), a research group. But the health care overhaul changed that to ensure Medicare wasn't losing money every time someone signed up for an Advantage plan.

This could mean benefit cuts for the 25% of beneficiaries patients enrolled in Medicare Advantage, Neuman said.

These plans will still have to provide all Medicare covered services, but they may cut back on some of the extra benefits they've been offering - like eyeglasses - or may increase cost sharing.

Neuman said there probably won't be any big shifts until after 2011 and, in fact, the Obama administration announced two weeks ago that Medicare Advantage premiums will actually drop by an average of 1% in 2011.

With Arielle McGowen

Your Money columnist [Jean Chatzky](#) is financial editor of NBC's "Today" show, a contributor to "The Oprah Winfrey Show" and the author of seven books, including "Money 911: Your Most Pressing Money Questions"

10/4/2010

Big changes coming to Medicare - clos...

Answered, Your Money Emergencies Solved." Check out her blog and learn about her Debt Diet Online at jeanchatzky.com.

[Share](#)

0

0 tweet

[Email](#)

[Print](#)