

1. Module 3: Medicare Part D Prescription Drug Coverage

2. Navigation Instructions

3. Terms and Conditions

This training program is protected under United States Copyright laws, 17 U.S.C.A. §101, et seq. and international treaties. Except as provided below, the training program may not be reproduced (in whole or in part) in hard paper copy, electronically, or posted on any website or intranet without the prior written consent of AHIP. Any AHIP member company in good standing sponsoring a Medicare Advantage or Part D plan may reproduce the training program for the limited purpose of providing training and education to the company's own employees and contractors on the subject matter contained in the training program. Employees or contractors participating in such training may not further reproduce (in whole or in part) the training program. No changes of any kind may be made to the training program and any reproduction must include AHIP's copyright notice. This limited license is terminable at will by AHIP.

The training program is intended to provide guidance only in identifying factors for consideration in the basic rules and regulations governing coverage, eligibility, marketing, and enrollment for Medicare, Medicare supplement insurance, Medicare health plans, and Part D prescription drug plans and is not intended as legal advice. While all reasonable efforts have been made to ensure the accuracy of the information contained in this document, AHIP shall not be liable for reliance by any individual upon the contents of the training program.

4. Learning Objectives

- After reviewing “Part 3 - Medicare Part D Prescription Drug Coverage” you will be able to explain:
 - What Part D plans are
 - Who is eligible to enroll in a Part D plan
 - Part D standard and alternate benefits
 - Part D management tools, covered drugs, and formulary requirements
 - Part D True Out-of-Pocket (TrOOP) costs and help for beneficiaries with limited income
 - Late enrollment penalties and premiums
 - The Medicare Prescription Payment Plan

5. Training Roadmap: Module 3

- Medicare Part D Basics and Eligibility
- Covered Drugs
- Part D Standard and Alternative Benefits
- “True Out-of-Pocket” Costs (TrOOP)
- Part D Premiums and Late Enrollment Penalties
- Part D Drug Management Tools and Formulary Requirements
- The Medicare Prescription Payment Plan
- Part D Enrollee Rights
- Part D Assistance Programs
- Part D and Other Coverage

6. Changes for 2026

As part of the Inflation Reduction Act (IRA), Congress made several changes to the Part D program, including elimination of the coverage gap and capping out-of-pocket costs. IRA changes that will be implemented for the first time in 2026 and are further addressed in this training include:

- Negotiated prices will apply to certain drugs selected for the Medicare price negotiation program.
 - The IRA provided Medicare the ability to directly negotiate the prices of certain high-expenditure, single source drugs without generic or biosimilar competition.
 - CMS [selected](#) ten drugs covered under Medicare Part D for the first cycle of negotiations for initial price applicability year 2026.
- During the initial coverage phase, CMS will pay Part D plans a subsidy of 10 percent of drugs selected for price negotiations during the price applicability period.
- During the catastrophic phase, CMS will pay Part D plans 40 percent reinsurance for drugs selected for price negotiations during the price applicability period.

The CMS subsidy and reinsurance changes do not impact beneficiary cost-sharing percentages, which were substantially reduced beginning in plan year 2025 by eliminating the coverage gap and capping beneficiary out-of-pocket costs. However, they will affect the price of the negotiated drugs.

7. Title Page- Part D Basics and Eligibility

8. Medicare Part D Prescription Drug Program Basics

- Medicare Part D covers certain prescription drugs, diabetic supplies, and vaccines.
- Coverage of Medicare Part D benefits is provided only through private companies. There is no fee-for-service Part D benefit.
- The types of Medicare plans that include Part D benefits are:
 - Stand-alone Prescription Drug Plans (PDPs)
 - Medicare Advantage-Prescription Drug (MA-PD) Plans:
 - MA-PDs are MA health plans that also cover Part D prescription drugs.
 - Cost-PD Plans
 - Cost-PDs are Medicare cost plans that cover Part D prescription drugs as an optional supplemental benefit.
 - PACE plans

9. Medicare Part D Eligibility

To be eligible for Part D, individuals must be:

- entitled to Part A and/or enrolled under Part B (not including enrollment in Part B solely for coverage of immunosuppressive drugs); and
- a U.S. citizen or lawfully present in the United States on or before the enrollment effective date. (CMS makes this determination).

Individuals meeting the above criteria are generally eligible to obtain Part D benefits through any PDP offered in the area in which the individual permanently resides, depending on how they receive their Medicare benefits. PDPs must enroll any eligible beneficiary who applies regardless of health status.

- To obtain Part D benefits from other types of Medicare health plans, such as an MA-PD, Medicare cost plan, or PACE Plan, the individual will have to meet the additional eligibility criteria for those plans. For example, to enroll in an MA-PD, individuals must be both entitled to Part A and enrolled in Part B.

10. Medicare Part D Prescription Drug Eligibility

Individuals' eligibility to enroll in a stand-alone PDP also depends on how they receive their medical benefits under Medicare.

- Generally, only beneficiaries enrolled in Original Medicare, an MA MSA, a PFFS plan, or a Cost plan may enroll in a standalone PDP to receive Part D benefits.
 - Beneficiaries enrolled in a MA MSA may only obtain Part D benefits through a standalone PDP.
 - Beneficiaries enrolled in a Cost plan or MA PFFS plan may obtain Part D benefits through their plan (if offered) or through a standalone PDP.
- Beneficiaries enrolled in a MA HMO or PPO may only obtain Part D benefits through their HMO or PPO plan.
 - In some cases, employer group plan enrollees may have additional choices.
- Individuals enrolled in a PACE plan may only receive their Part D benefits through their plan.

11. Medicare Part D Eligibility: Examples

Ms. Foley has just become eligible for Medicare. However, she is not eligible for premium-free Part A. She has chosen not to pay the premium to obtain Part A but will enroll in Part B. She asks her broker whether she can get coverage for her prescription drugs as well. Her broker correctly advises her that she is eligible to enroll in Part D and may choose among the free-standing PDPs available in the area in which she lives.

Mr. Page has Original Medicare and gets his Part D coverage through a standalone PDP. During the Annual Election Period, he wishes to enroll in an MA HMO to take advantage of a broad range of supplemental benefits. His broker correctly advises Mr. Page that if he chooses an MA HMO, he may no longer get his Part D benefits through a standalone PDP and must choose a plan through the HMO that includes Part D benefits (an MA-PD) if he wishes to maintain prescription drug coverage.

12. Title Page- Covered Drugs

13. Covered Part D Drugs

Part D plans cover:

- Prescription drugs
- Biologics
 - Biologics are drugs made from natural sources (human, animal, or microorganism) that are not chemically synthesized, examples include allergy shots and gene therapies.
- Insulin
- Medical supplies associated with the injection of insulin (e.g., syringes, needles, alcohol swabs, and gauze) or delivering insulin into the body (e.g., an inhalation chamber)
- Vaccines not covered by Part B, for example, vaccines for:
 - The shingles
 - respiratory syncytial virus (RSV), and
 - tetanus-diphtheria-whooping cough

14. Drugs Excluded from Part D Coverage

The following are excluded from the definition of a Part D covered drug:

- Drugs for weight loss or gain, fertility, cosmetic purposes, symptomatic relief of cough and colds
- Vitamins- Prescription vitamins and minerals with the exceptions of prenatal vitamins and fluoride preparations for certain uncommon Vitamin D analogs (Vitamins D2 and D3 are excluded from Part D coverage)
- Medical foods formulated to be consumed or administered enterally under the supervision of a physician that are not regulated as drugs under section 505 of the Federal Food, Drug, and Cosmetic Act
- Erectile dysfunction drugs (when used for sexual dysfunction)
- Non-prescription drugs
- Some off-label use drugs
- Drugs covered under Part A and B (even if an individual does not have such coverage)

Part D plans are permitted to offer supplemental benefits that cover drugs that otherwise meet the definition of a Part D prescription drug but are explicitly excluded from coverage, such as certain prescribed weight loss drugs.

15. Formularies

- Part D plans generally do not cover all drugs available in each category of Part D covered drugs because in some cases several similar drugs are available to treat the same medical condition.
- Part D plans include the Part D drugs they will cover on a list known as a “formulary.”
 - Formularies are developed by pharmacists, doctors, and other experts
- Part D plan formularies must include:
 - at least two drugs in each therapeutic category.
 - generic and brand-name drugs.
 - all or substantially all so-called “protected class” drugs.

16. Formularies

- There are six protected classes, which are categories of drugs that treat life-changing or life-sustaining conditions:
 - Antidepressants
 - Antipsychotics
 - Anticonvulsants
 - Immunosuppressants (for prophylaxis of organ transplant rejection)
 - Antiretrovirals
 - Antineoplastics
- Each Part D covered drug selected for Medicare price negotiations for the period in which the negotiated maximum fair price is in effect.
 - The Part D plan may remove the selected drug if certain requirements are met, including but not limited to, replacing it with a generic version of a brand-name drug that was not available on the market when the plan submitted its formulary.

17. Tiering

A common feature of Part D benefit structures and formularies is cost-sharing tiers.

- Tiered cost-sharing means grouping Part D drugs into different cost-sharing levels within a Part D sponsor’s formulary. Many plans group drugs into 3 or 4 tiers with lower tiers requiring less beneficiary cost-sharing than higher tiers, for example:
 - Tier 1: Generic drugs
 - Tier 2: Preferred brand-name drugs
 - Tier 3: Non-preferred brand-name drugs
 - Tier 4: High-cost drugs or “specialty drugs”
- Thus, in evaluating whether a Part D plan should be recommended to a beneficiary, it is important to confirm not only that the beneficiary’s drugs are on the formulary, but to also evaluate which cost-sharing tier the drugs fall into.

18. Title Page- Part D Standard and Alternative Benefits

19. Part D Plan Benefits

- All Part D plans must cover at least the Part D standard benefit or meet the requirements for “alternative benefits.”
 - Benefit structures that are not standard but instead are actuarially equivalent, are known as “alternative” coverage.
- The standard benefit structure includes several coverage “phases” including:
 - a deductible
 - an initial coverage phase between the deductible and the annual out-of-pocket threshold
 - a catastrophic coverage phase that applies after the beneficiary reaches the annual out-of-pocket threshold

20. Part D Benefits: Alternative Coverage

- Alternative coverage is prescription drug coverage that is not standard drug coverage but is at least actuarially equivalent to standard drug coverage.
- Actuarial equivalent means that the value of Part D benefits must be at least the same as the standard coverage. Alternative coverage must also:
 - not have an annual deductible that exceeds the annual deductible under the standard benefit.
 - impose cost-sharing once the annual out-of-pocket threshold is met.
- Alternative benefits may also be structured with some or all of the coverage phases that are part of standard benefits.
- Some Part D plans may offer enhanced coverage for an additional monthly premium (known as enhanced alternative benefits).
 - Coverage enhancements may include, for example, a reduction of the deductible (including a waiver of the deductible for a subset of formulary tiers); coverage of excluded drugs, and/or a decrease in the beneficiary coinsurance amounts in the initial coverage phase.

21. Standard Part D Benefits for 2026

For 2026, the standard benefit requires the beneficiary to pay:

- a \$615 deductible
- 25% of prescription drug costs during the initial coverage phase.

Once beneficiary out-of-pocket costs reach a total of \$2,100, the beneficiary is through the initial coverage phase and reaches catastrophic coverage.

- The out-of-pocket costs that count toward reaching the catastrophic limit are known as true out-of-pocket costs or TrOOP. In some instances, amounts not directly paid by the beneficiary count toward TrOOP. After reaching the annual out-of-pocket threshold, the beneficiary pays nothing.

22. Part D Plan Benefits: The Standard Benefit Plan for 2026 (Illustrated)

Medicare Module 3 – Part D Standard Benefit Enrollee Cost Sharing

Catastrophic Coverage Enrollee pays \$0
\$2100 (out-of-pocket threshold)
Initial Coverage Enrollee Pays 25% of prescription drug costs
\$615 (deductible)
Deductible Enrollee pays 100%

23. Special Cost-Sharing for Insulin and Vaccines

- There is no cost sharing for Part D adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP) by in-network or out-of-network providers, even in the deductible phase. This includes, but is not limited to vaccines for:
 - Shingles vaccines
 - Tdap vaccines (tetanus, diphtheria, and pertussis/whooping cough)
 - RSV
- The cost-sharing for a one-month supply of a covered insulin product cannot be more than \$35 in any coverage phase.

24. CMS, Plan and Manufacturer Payments for Drugs

During the Initial Coverage Phase:

- the Part D Sponsor typically pays 65 percent for applicable drugs and drugs selected for negotiation (selected drugs) and 75 percent of the cost of all other Part D covered drugs
- the manufacturer, through the manufacturer discount program, typically pays 10 percent of the cost of applicable drugs
- CMS pays a subsidy of 10 percent of a drug's negotiated price for selected drugs during the period when the negotiated price applies

During the Catastrophic Coverage Phase:

- the Part D Sponsor typically pays 60 percent of the cost of all Part D covered drugs
- the manufacturer pays a discount typically equal to 20 percent for all applicable drugs
- CMS pays a reinsurance subsidy of 20 percent for all applicable drugs and 40 percent for all other Part D covered drugs during a price applicability period

25. Title Page- True Out-of-Pocket Costs (TrOOP)

26. True Out-of-Pocket Costs (TrOOP)

Part D True Out-of-Pocket costs, or TrOOP, are out-of-pocket costs that count towards the annual out-of-pocket threshold to move into the catastrophic coverage phase.

- TrOOP is calculated on an annual basis.
- Generally, TrOOP includes beneficiary payments for Part D prescription drugs, including:
 - The annual deductible and cost-sharing above the deductible up to the annual out-of-pocket threshold.
- Generally, for drug costs to count toward TrOOP, drugs must be on the plan's formulary and be purchased at the Part D plan's participating network pharmacy.

The following also count towards TrOOP:

- Amounts paid or borne by the AIDS Drug Assistance Program and the Indian Health Service.
- Amounts paid by or through qualified State Pharmaceutical Assistance Programs (SPAPs), most charities, health savings accounts, flexible spending accounts, and medical savings accounts.
- Supplemental Part D coverage provided by enhanced alternative Part D plans and other health insurance.
 - This includes supplemental coverage provided by Employer Group Waiver Plans as well as Medicare plan reductions in cost sharing for enrolled beneficiaries, such as reductions by D-SNPs.
- a Medicare Prescription Payment Plan participant's TrOOP-eligible costs that are paid by their Part D plan under the Medicare Prescription Payment Plan.

What is Excluded?

Some costs do not count toward TrOOP costs including:

- costs for drugs not on a Part D plan's formulary, unless the beneficiary requests and receives a formulary exception under which the plan covers the drug
- costs for over-the-counter (OTC) and other non-Part D drugs
- costs for covered Part D drugs obtained out-of-network (unless the plan's out-of-network coverage policy applies)
- costs paid for or reimbursed to an enrollee by insurance, a group health plan, most government-funded health programs, or another third party including:

- Medicaid, State Children’s Health Insurance Program (CHIP), Federally Qualified Health Centers, Rural Health Clinics, Patient Assistance Programs (PAPs) outside the Part D benefit, TRICARE, Federal Employees Health Benefits Program (FEHBP), Black Lung Funds, and health reimbursement arrangements (HRAs)
- costs for drugs purchased outside the United States
- any manufacturer payments made under the manufacturer discount program.

27. Part D Enrollee Costs: True Out-of-Pocket Costs (TrOOP), Examples

Example 1: Mr. Bingham takes blood pressure medication. He requested a formulary exception, which was denied by his plan. He decided to continue taking the non-formulary prescription and pay for it out-of-pocket. The amounts Mr. Bingham pays for the drug do not count toward his deductible or other out-of-pocket costs.

Example 2: Ms. Howard has terrible seasonal allergies. To address her allergies, she takes a prescription drug that is on the formulary and supplements it with over-the-counter drugs to address specific symptoms, such as a runny nose. Only the amount that Ms. Howard pays for her prescription allergy medication counts toward her true out-of-pocket costs. Her costs for over-the-counter drugs do not count toward TrOOP.

28. Part D Pharmacy Networks

- Part D coverage is generally provided through contracted pharmacies (network pharmacies) in the Part D plan’s service area, except that PFFS plans are not required to use a pharmacy network but may voluntarily choose to have one.
- Network pharmacies include retail pharmacies, long-term care pharmacies, and may also include mail-order pharmacies.
- Within their networks, Part D plans may designate some pharmacies as preferred pharmacies that offer lower levels of cost-sharing (“preferred cost-sharing”) than apply at other network pharmacies (“standard cost-sharing”).
- Enrollees are generally required to fill prescriptions for covered drugs at network pharmacies.
- Under certain circumstances, enrollees may fill prescriptions for covered drugs at out-of-network (non-network) pharmacies, but possibly at a higher cost to enrollees. For example:
 - If the enrollee has an illness or loses a drug while traveling outside the service area; or
 - If circumstances result in limited drug access through an in-network pharmacy.

29. Title Page - Part D Premiums and Late Enrollment Penalties

30. Part D Premiums

- Part D plans may charge a premium.
 - Typically, a higher premium means lower out-of-pocket costs for the plan.
- Part D enrollees have three options for paying their Part D premium.
 - An automatic electronic monthly mechanism, such as withdrawal from their checking or savings bank account or automatic charge against their credit or debit card.
 - Direct monthly billing from the plan.
 - Automatic deduction from their monthly Social Security Administration (SSA) benefit check.
 - Typically, it takes 2-3 months for SSA withholding to begin or end.
 - When withholding begins, it will be for the 2-3 months of premiums owed.
- Generally, the beneficiary must stay with the premium payment option they choose for the entire year.
- If an enrollee does not choose an option, the beneficiary will be billed by the Part D plan monthly.

31. Part D Late Enrollment Penalty

- Non-Medicare insurers are required to notify beneficiaries annually whether or not the prescription drug coverage they have is creditable (that is, coverage that expects to pay, on average, at least as much as Medicare's standard Part D coverage expects to pay).
- Beneficiaries may have to pay a monthly premium penalty to join a Part D plan if:
 - they do not have creditable drug coverage and do not enroll when first eligible for Part D.
 - there have been at least 63 continuous days following a beneficiary's initial enrollment period for Part D during which the beneficiary did not have either Part D or other creditable drug coverage.
- The penalty will be 1% of the national average beneficiary premium for each month the beneficiary did not have Part D or creditable coverage.
- In general, the penalty is in effect for as long as the beneficiary has Medicare prescription drug coverage.
- Beneficiaries who qualify for the low-income subsidy are not subject to the late enrollment penalty.

32. Late Enrollment Penalty Examples

Mr. Russell first became eligible for Part D on December 1, 2023. He did not sign up and has not had creditable drug coverage. Mr. Russell wishes to obtain drug coverage during the Annual Election Period to be effective on January 1, 2025. He is not LIS eligible. Mr. Russell will have to pay a penalty of 13% of the national average beneficiary premium (1% for every month he did not have creditable drug coverage after becoming eligible) for every month that he stays covered under Part D.

Ms. Smith lost her creditable drug coverage that her employer provided when she retired. Ms. Smith signed up for Part D with an effective date of 60 days after the date she lost her coverage. Ms. Smith will not be subject to a late enrollment penalty.

33. Title Page – Part D Drug Management Tools and Formulary Requirements

34. Part D Drug Management Tools

In addition to formularies and cost-sharing tiers, Part D plans use a variety of prescription drug benefit management tools including:

- Step therapy: Requires enrollees to try one or more similar lower-cost drugs before other costlier drugs are covered, if necessary.
- Prior authorization: Requires the doctor to contact the plan and request authorization before the plan will cover the prescription drug. The doctor must show the plan that the drug is medically necessary for it to be covered.
- Quantity limits: For safety and cost reasons, Part D sponsors may limit the amount of certain prescription drugs they cover over a specified period.
- Substitution: Part D sponsors may substitute generic drugs for brand name drugs if the generic drugs have the same or lower cost-sharing and certain conditions are met.
- Comprehensive Addiction and Recovery Act (CARA) programs: Plans may impose certain limitations on the prescribers or pharmacies a beneficiary can use to manage utilization for beneficiaries who are at risk of misusing or abusing frequently abused drugs, such as opioids.

35. Transition Requirements

- Part D sponsors must provide coverage of a one-time, temporary supply of non-formulary drugs or Part D drugs that are on a sponsor's formulary, but require prior authorization, step therapy, or are subject to a quantity limit that is not safety-based, to the following individuals taking such a drug:
 - beneficiaries initially enrolling in Part D,
 - beneficiaries switching plans, and
 - current enrollees affected by certain formulary changes (other than allowable substitutes of a generic drug for a brand name drug)
- This coverage is known as a "transition refill."

36. Transition Requirements

- Beneficiaries eligible for transition refills must receive coverage of at least a one-month fill (unless a lower amount was prescribed) of their non-formulary drugs during the first 90 days after their enrollment, the plan switch, or the formulary change.
- Transition refills are only for drugs the beneficiary was already taking. They do not apply to new prescriptions.
- During the transition period:
 - the Part D plan does not apply to prior authorization, non-safety-based quantity limits, or step therapy rules.
 - the enrollee and their physician can request an exception to the Part D plan's formulary to continue coverage of the non-formulary drug or can transition to a formulary drug.

37. Title Page – The Medicare Prescription Payment Plan

38. The Medicare Prescription Payment Plan (1 of 2)

Part D sponsors are required to provide all Part D enrollees the option to pay their cost-sharing amounts (including any deductibles, copayments, or coinsurance) in monthly amounts spread out over the plan year, instead of paying them in full at the point of service (e.g., the pharmacy).

- Part D enrollees can opt into the Medicare Prescription Payment Plan (“the program”) at the beginning of the year or any point during the year.
- Part D enrollees who choose to participate in the program pay nothing at the point of service for a Part D covered drug but are billed each month by their Part D plan.
- Monthly payments do not start until the beneficiary opts into the program and first incurs out-of-pocket costs for covered Part D drugs.
- The amount that the Part D sponsor bills the enrollee for a month under the program cannot exceed a maximum monthly cap, calculated based on each enrollee’s costs and the point in the plan year in which the enrollee enrolled in the program. The monthly cap varies from month to month.
- Opting into the program will not impact how a Part D enrollee moves through the phases of the Part D benefit (i.e., deductible, initial coverage period, and catastrophic coverage) or what counts towards their true out-of-pocket (TrOOP) costs.

39. The Medicare Prescription Payment Plan (2 of 2)

- While this program is available to any Part D enrollee, those incurring high out-of-pocket costs earlier in the plan year are generally more likely to benefit.
- Part D enrollees with low-to-moderate recurring out-of-pocket drug costs (e.g., maintenance drugs whose annual costs are not expected to exceed the out-of-pocket threshold) are not likely to benefit from the Medicare Prescription Payment Plan because their costs are already distributed evenly throughout the year.
- Enrollees can opt out of the program at any time. However, they will continue to be billed monthly for any cost-sharing amounts still owed.
- Failure to pay the monthly billed amount will result in disenrollment from the program (but not the plan) after a specified grace period. However, the Part D sponsor will continue to bill amounts owed under the program in monthly amounts. The sponsor may also offer the beneficiary the option to repay the full outstanding amount in a lump sum.
- Once a beneficiary leaves the program, they must resume paying their out-of-pocket cost sharing at the point-of-service.

40. Title Page- Part D Enrollee Rights

41. Enrollee Rights: Requesting Coverage Determinations and Appealing Decisions

- Enrollees have a right to request a determination of whether the plan will cover a drug (a coverage determination) and appeal adverse coverage decisions (including decisions tiering or formulary exception requests).
- Part D Plan Sponsors must provide access via a secure website or secure e-mail address on the website for enrollees to quickly request a coverage determination or appeal a coverage decision.
- Plan Sponsors must also require network pharmacies to provide enrollees with a printed notice with the plan's toll-free number and website for requesting a coverage determination.

Enrollee Rights: Requesting Exceptions for Drugs

- Enrollees have the right to request coverage of a drug that is not on the Part D plan's formulary or to request exceptions from plan rules such as prior authorization, step therapy, or quantity limits. Such requests are known as formulary exception requests.
- Enrollees also have a right to request coverage of formulary drugs at a less costly formulary tier. This is known as a tiering exception.
- Exception requests must be accompanied by a supporting statement by a physician or other prescriber explaining why the exception is necessary.
- A standard form is available on Part D plan websites for enrollees to request a coverage determination, including a formulary or tiering exception. A physician or other prescriber may also request a tiering or formulary exception.

Enrollee Rights: Filing Grievances

- Beneficiaries may also file complaints about their Part D plan or their pharmacies. These complaints are known as grievances.
- Grievances include complaints about issues such as pharmacy wait times, a plan's failure to mail a beneficiary requested material, or the length of hold time on the plan customer service line.
- Grievances do not include complaints about a Part D sponsor's refusal to cover a drug or approve an exception request. Beneficiaries must resolve such issues through the appeals process.

42. Title Page- Part D Assistance Programs

43. Agents/Broker Should Encourage Individuals with Limited Income/Resources to Apply to the State Medicaid Office

- Beneficiaries with limited income and resources should be encouraged to apply for the low-income subsidy (LIS) – also called extra help – through the State Medicaid office or the Social Security Administration (SSA). Beneficiaries may apply at any time.
 - If beneficiaries apply to the State Medicaid office for Part D help, the State Medicaid office also will check for eligibility for other low-income assistance programs.
 - They may also call SSA at 1-800-772-1213 (TTY users can call 1-800-325-0778) or apply online at <https://secure.ssa.gov/i1020/start> for help with Part D costs.
- After SSA or the State approves an application for extra help, it is effective on the first day of the month in which the individual applied.

44. Certain Individuals Automatically Qualify for Extra Help

Individuals automatically qualify for Extra Help if they have Medicare and meet any of these conditions:

- They have full Medicaid coverage
- They get help from their state Medicaid program paying their Part B premiums (in a Medicare Savings Program)
- They get Supplemental Security Income (SSI) benefits

Medicare mails these individuals a purple letter to let them know they automatically qualify. They should keep this letter for their records. They do not need to apply for Extra Help if they get this letter.

45. Help for Individuals with Limited Income and Limited Resources

If a beneficiary has limited income and resources, they may qualify for a low-income subsidy (LIS) to cover all or part of the Part D plan premium and cost-sharing. To qualify for the LIS in 2025:

- Beneficiary income may not exceed 150% of the Federal Poverty Level (FPL). The 150% FPL varies geographically. In addition, beneficiary resources may not exceed the published limit. The resources counted toward the limit include bank accounts, stocks, bonds, and other liquid resources that beneficiaries can readily convert to cash within 20 days and real estate that is not the beneficiary's primary residence.
- Based on 2025 FPL's, income limits are as follows:
 - 48 states and DC \$23,475 (individual)/\$31,725 (couple)
 - Alaska \$29,325 (individual)/\$39,645 (couple)
 - Hawaii \$26,985 (individual)/\$ 36,480 (couple)

- CMS publishes the resource limits for each year in the late fall of the previous year. For 2025, beneficiaries' resources may not exceed \$16,100 (individual)/\$32,130 (couple). These limits are increased by \$1500 per person if the beneficiary notifies the Social Security Administration that they expect to use some of their resources for burial expenses.

46. Individuals with Limited Income 2026- Low-Income Subsidy (LIS)

- For 2026, individuals who qualify for full LIS and are Full Benefit Dual Eligibles (FBDEs) with income at or below 100% of the Federal Poverty Level (FPL) and resources below the applicable threshold have a \$0 deductible and cost-sharing of:
 - Maximum cost-sharing up to the out-of-pocket threshold of:
 - \$1.60 for generic drugs
 - \$4.90 for other drugs
- For 2026, individuals who qualify for full LIS and are FBDEs with (income over 100% of FPL and resources below the applicable threshold) have a \$0 deductible and cost-sharing of:
 - Maximum cost-sharing up to the out-of-pocket threshold of:
 - \$5.10 for generic drugs
 - \$12.65 for other drugs
- For 2026, individuals who qualify for LIS but are not FBDEs have a \$0 deductible and cost-sharing of:
 - Maximum cost-sharing up to the out-of-pocket threshold of:
 - \$5.10 for generic drugs
 - \$12.65 for other drugs

47. Other Help for Low-Income – Pharmaceutical Assistance Programs

- Some pharmaceutical manufacturers operate programs that assist low-income individuals in obtaining drugs at reduced or no costs.
- Some states have assistance programs designed specifically for their residents.
 - Some programs are “qualified” State Pharmaceutical Assistance Programs or SPAPs that count towards TrOOP and some do not count towards TrOOP.
 - Becoming familiar with your state’s programs may allow you to help a beneficiary address cost-sharing for prescriptions.

48. Medicare’s Limited Income Newly Eligible Transition (LI NET) Program

- The LI NET program provides temporary Medicare Part D coverage to people with low income and Medicare who are not already enrolled in a Medicare drug plan.
- LI NET provides temporary Part D coverage to the following:
 - Full Benefit Dual Eligible and SSI-Only beneficiaries on a retroactive basis, up to 36 months in the past
 - Low-Income Subsidy (LIS) Eligible beneficiaries at the pharmacy counter and up to 30 days in the past

- If a beneficiary paid for prescription drugs out of pocket before they joined a Medicare drug plan, but after they qualified for both Medicare and Medicaid or SSI, they may be able to get paid back for those costs.
- An LI Net application form can be accessed at: <https://www.cms.gov/medicare/enrollment-renewal/part-d-plans/low-income-subsidy/medicare-limited-income-net-program>.

49. Title Page-Part D and Other Coverage

50. Employer/Union and other Coverage of Drugs

- Employer or Union Coverage: Employers/unions will notify their employees of whether their non-Medicare prescription drug coverage is “creditable” (coverage that, on average, covers at least as much as Medicare’s standard Part D covers) via an annual statement.
 - If coverage is creditable and the beneficiary keeps it, the beneficiary will not incur a premium penalty if later they lose or drop the employer coverage and join a Part D plan within 63 days.
 - If coverage is not creditable, the beneficiary will need to enroll in Medicare Part D during their initial eligibility period to avoid the late enrollment penalty.
- If a beneficiary has creditable drug coverage through TriCare, the VA, or the FEHBP, they can compare that coverage with available Part D plans to decide whether to enroll in Part D.
- The beneficiary should check with the employer or union benefits administrator before making changes to their employer/union coverage.
 - If a beneficiary drops employer/union prescription drug coverage, they may not be able to get it back and may also lose health coverage.
- There will be no late enrollment penalty if the beneficiary retires or otherwise loses employer/union creditable coverage and joins a Medicare Part D plan or otherwise obtains creditable drug coverage within 63 days.

51. Medicaid Drug Coverage

- When a Medicaid beneficiary becomes eligible for Medicare, then Medicare, instead of Medicaid, covers the Part D drugs once the beneficiary is enrolled in a Part D plan.
- If Medicaid beneficiaries don’t choose a plan, Medicare will select one for them.

52. For Additional Information

Medicare’s site on Part D prescription drug coverage for beneficiaries.

<http://www.medicare.gov/part-d/index.html>

The Medicare and You Handbook

<https://www.medicare.gov/medicare-and-you/medicare-and-you.html>

Your Guide to Medicare Prescription Drug Coverage

<https://es.medicare.gov/publications/11109-Medicare-Drug-Coverage-Guide.pdf>