



Understanding Medicare

abbvie

An easy-to-follow
guide to understanding
your Medicare plans
and prescription
drug coverage.

2024 Edition

People.
Passion.
Possibilities.®



Medicare and you

If you are enrolled in Medicare* (or are about to be), you probably have a few questions about how it works.

Medicare is a government health insurance program with a complex set of rules and regulations. This brochure is designed to help simplify the information and process. Here are a few of the key topics we will cover in this brochure:

What is Medicare?

Learn about the different parts of Medicare and what they cover.

Prescription Drug Coverage

An in-depth look at the part of Medicare that covers prescription drugs—Part D.

Financial Help

Resources and programs that can help people who cannot afford their prescriptions.

Enrolling

Learn how to begin and navigate the Medicare enrollment process.

Prescription Cost Changes

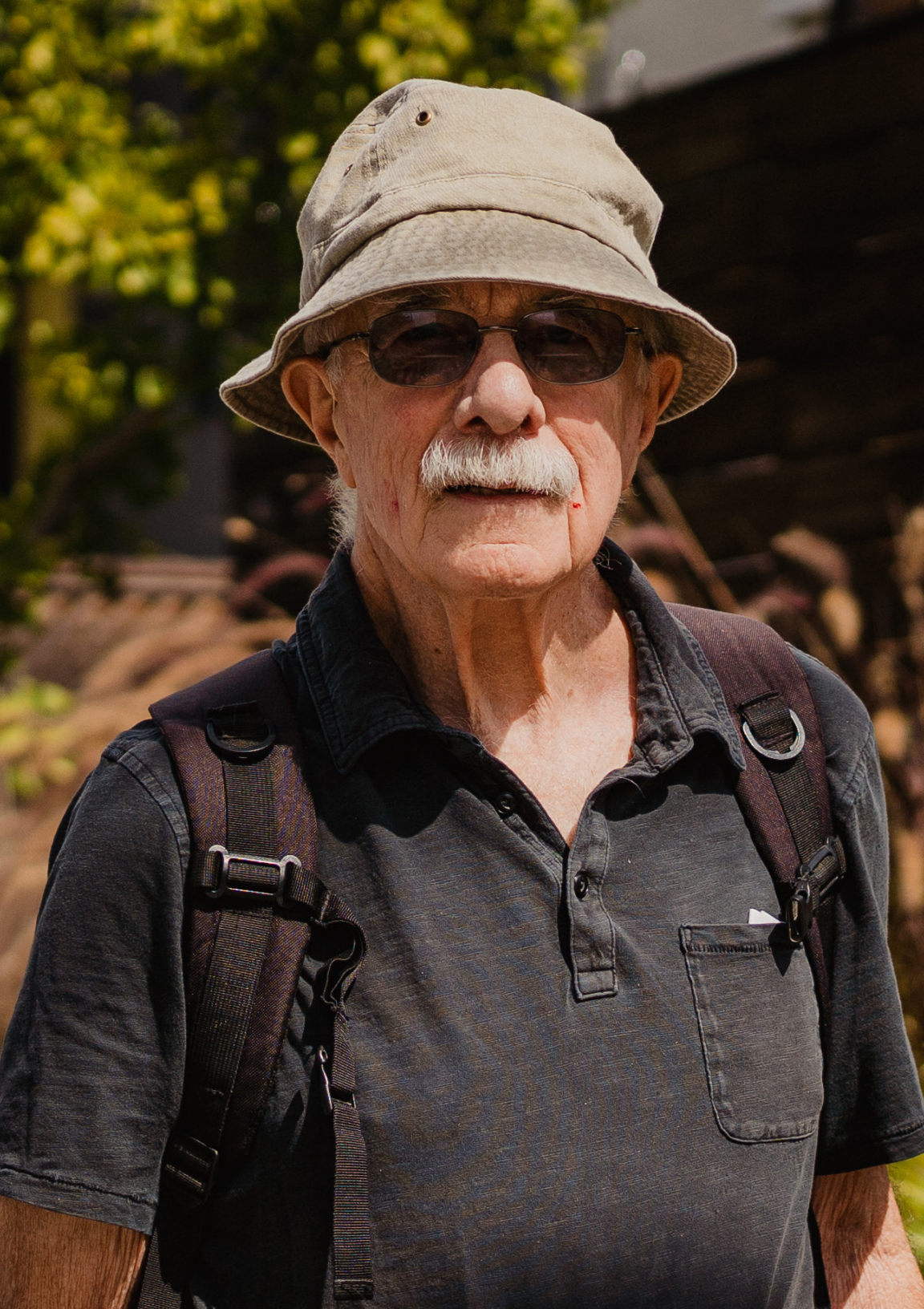
Understand how prescription costs can change and what you can do about it.



Complete Medicare information.

This brochure is designed to give you a basic understanding of Medicare. For more detailed information, visit www.medicare.gov or call **1-800-MEDICARE** (1-800-633-4227).

Underlined words can be found in the glossary section.



What is Medicare

Medicare is a federal health insurance program for people 65 and older. In certain cases, it also provides health benefits for younger people with disabilities and for people with end-stage renal disease.

What does Medicare cover?

Medicare provides insurance coverage for many health-related services and products, such as:



Hospitalization



Medical services (such as doctor visits, lab tests, x-rays, etc.)



Prescription drugs

Have specific questions about what Medicare covers?

Visit www.medicare.gov/what-medicare-covers

The different parts of Medicare coverage

Medicare coverage for hospitalization, medical services, and prescription drugs is provided by several different Medicare parts or insurance plans:

| | Part A | Part B | Part C Medicare Advantage Plans | Part D Prescription Drug Coverage |
|-----------------------------------|---|--|--|--|
| Type of insurance | Hospitalization | Medical | Not a separate insurance benefit: A coverage option for Medicare Parts A & B | A separate coverage option that you can add to Medicare Parts A & B |
| What it covers | Includes inpatient hospital care, skilled nursing facility, hospice, lab tests, surgery, and home health care | Includes doctor and other providers' services and outpatient care, preventive care, DME (e.g., drug infused via external infusion pump), hospital outpatient services, laboratory tests, x-rays, mental health care, and some home health and ambulance services | Allows private health insurance companies to provide your Medicare benefits through what are called <u>Medicare Advantage (MA) Plans</u> | Prescription medications |
| Prescription drug coverage | No | Typically physician-administered drugs only | Sometimes. Most MA plans include prescription drug coverage | Yes. Typically oral and self-administered drugs |
| Enrollment | Usually automatic if you receive Social Security benefits | Typically, you must enroll | Optional | You must enroll A late enrollment penalty may be applied |



Understanding Part D

Medicare's prescription drug coverage

Medicare Parts A and B do not cover most prescriptions. However, drug coverage is available to everyone in Medicare by enrolling separately in either:

Medicare Advantage (Part C) plans that include drug coverage

OR

Medicare Part D prescription drug plans, stand-alone prescription drug plans that add drug coverage to your Medicare Parts A and B benefits

Limits on the coverage of prescription drug plans

Nearly 50 million Medicare beneficiaries are enrolled in Part D prescription drug plans or Medicare Advantage plans that provide prescription drug coverage. Even with the coverage these plans provide, there are certain limits, including:

- **What drugs are covered**
Each plan has a list of the specific drugs they will cover. This list is called the plan's formulary.
- **What you pay for a drug that is covered**
Many plans classify the drugs they cover by levels of cost, called drug coverage tiers. Generally, the lower the tier a drug is in, the lower your cost will be. Drugs in a higher tier will usually have a higher cost to you.

Phases of Part D

Prescription drug coverage

Medicare Part D coverage is changing due to the Inflation Reduction Act (IRA) which passed on August 16, 2022. The biggest change in 2024 is that patients will no longer pay anything in the fourth and final phase of the Part D benefit design, known as the Catastrophic phase. Below, we've outlined who pays what in each of the phases.



Medicare Open Enrollment begins on October 15 and ends December 7. You must enroll in Medicare on time to receive benefits.



Coverage year begins January 1

Your cost for prescriptions changes as you move through the various phases of prescription drug coverage.

Phase 1

You pay until you reach your annual deductible.

Deductible

This is the period before your coverage begins when you are still satisfying Medicare Part D's annual deductible. In 2024, the maximum deductible is \$545.

Phase 2

You pay a copayment or coinsurance depending on the plan you selected, and your plan pays the rest.

Your Initial Coverage

After you have satisfied your deductible, your Medicare plan covers 75% of the drug cost. You typically pay the remaining 25%, up to a maximum amount called the initial coverage limit. In 2024, this amount, which is shared between you and the Medicare plan, is \$5,030. This amount may vary from year to year.

Phase 3

You pay a coinsurance until you reach your out-of-pocket drug expense limit.

The Coverage Gap or "Donut Hole"

You enter the coverage gap after you and your Medicare plan reach your initial coverage limit. Once you enter this gap period, you are responsible for 25% of your brand-name prescription drug cost, the pharmaceutical company is responsible for 70% of the prescription drug cost, and your Medicare Part D plan is responsible for 5% of the prescription drug cost. You remain in the coverage gap until you reach your out-of-pocket limit.

Phase 4

You no longer pay anything out of pocket.

Catastrophic Coverage

Catastrophic coverage begins after you reach your out-of-pocket limit; this is after you and the pharmaceutical company portion of the Coverage Gap reach \$8,000. Once reached, for the rest of the year, you will no longer pay anything for your prescription drugs under Part D. Your Medicare Part D plan pays 20%, CMS pays 80%, and patient pays 0%.



Coverage year ends December 31

Plans can vary. Check with your individual plan to understand how you will move through the phases of coverage.

Selecting a prescription plan

Higher or lower deductible

Medicare prescription drug plans may charge additional premiums in addition to Part B premiums. Plans may include higher or lower deductible options that should be chosen based on overall health and how often you plan to use your insurance.

If you join a Medicare Advantage (MA) Plan with prescription drug coverage, its monthly premium may include an amount for drug coverage.



Higher deductible plans often provide lower premiums but will cost more before the insurance kicks in.

A higher deductible health plan might be right for you if:

- You only have occasional medical emergencies
- You're healthy
- You can afford to pay your deductible upfront



Lower deductible plans make monthly health expenses easier to predict. Despite higher monthly premiums, they may save you money in the long run.

A lower deductible health plan might be right for you if:

- You depend heavily on the healthcare system
- You take expensive prescription medications
- You have a chronic condition or see a doctor often

Example* of higher vs lower deductible plans over time

The chart below offers an example of two plans, one with a higher and one with a lower deductible, with ~\$1,300 in monthly prescription cost. The chart also shows the phases of coverage you would fall into over the course of a year.

*Monthly premiums are not included in this example and do vary from plan to plan.

| | Lower Deductible Plan (\$0 deductible, \$75 copay in initial coverage phase) | Higher Deductible Plan (Standard Part D deductible of \$545) [†] |
|--|---|--|
| January [‡] | \$75 | \$734 |
| February | \$75 | \$325 |
| March | \$75 | \$325 |
| April | \$108 | \$325 |
| May | \$325 | \$325 |
| June | \$325 | \$325 |
| July | \$325 | \$325 |
| August | \$325 | \$325 |
| September | \$325 | \$324 |
| October | \$325 | \$0 |
| November | \$36 | \$0 |
| December | \$0 | \$0 |
| Annual out-of-pocket (no premium) | \$2,319 | \$3,333 |
| Avg. monthly cost | \$193 | \$278 |

- In Deductible Phase
- In the Initial Coverage Phase
- In Gap/Donut Hole
- In the Catastrophic Coverage Phase

[†]The information presented in the tables is illustrative only. Actual costs will vary based on benefit design. Plans will differ and vary widely in benefit design (e.g., coinsurance %, whether the drug is on a specialty tier, and preferred pharmacy). We also made assumptions about monthly dosing and WAC, but this will vary from patient to patient. **The costs here do not reflect concomitant drug utilization and do not include monthly premiums.**

[‡]Color gradients in the monthly boxes represent a period of time when one would partially be in two phases at once. E.g. Being in the deductible phase and in transition to the initial coverage phase during January.

Extra Help

paying for your medications

People on Medicare who need help paying for their prescription drug costs may be eligible to receive a low-income subsidy (also known as LIS or Extra Help). About 1 in 3 people on Medicare currently receive this subsidy.

The benefits of Extra Help

- Currently pay \$4.50 for generic, \$11.20 for brand for full subsidy members
- Have no “Donut Hole” in their Part D coverage
- May receive subsidies on premiums*

Are you eligible for Extra Help?

To find out, there are three ways to apply:



Online at www.socialsecurity.gov/extrahelp

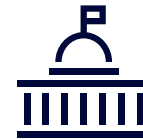


Call Social Security at **1-800-772-1213** (TTY **1-800-325-0778**)



In person at your **local Social Security office**

Other resources that may help reduce your medication costs



State pharmaceutical assistance programs (SPAPs)

Over 20 states offer state pharmaceutical assistance programs to help their residents pay for prescription drugs. These states coordinate their programs with Medicare’s Part D drug benefit, but each state works differently. Check with your state’s program to learn how it works and if you are eligible.

www.medicare.gov/pharmaceutical-assistance-program/state-programs.aspx



AbbVie Patient Assistance

You may be eligible to receive prescribed medication at no cost from an AbbVie-supported patient assistance program. Your eligibility is based on your insurance coverage, household income, and out-of-pocket medical expenses. Call **1-800-222-6885** or visit www.abbvie.com/pap

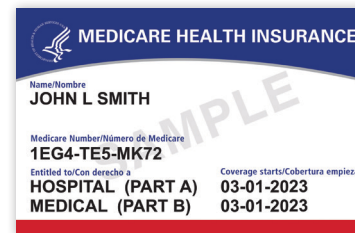


How to enroll in a Medicare prescription drug plan

Before enrolling in a Medicare prescription drug plan, you'll want to review the **Choosing a Medicare drug plan: considerations** and **checklist** on the following pages to help guide you through the process.

Once you have selected a drug plan, in most cases, you can easily enroll using any of the following options:

- Visit www.medicare.gov/find-a-plan/questions/home.aspx or enroll on the plan's website
- Complete a paper enrollment form
- Call the plan
- Call Medicare at 1-800-MEDICARE (1-800-633-4227)



What you'll need before you call: When you join a Medicare drug plan, you'll need to provide information from your Medicare Part A and/or Part B card if you have one. So keep it handy when you are ready to enroll.



REMINDER: You have a chance to review and change your coverage each year during the annual Medicare Open Enrollment period (October 15 to December 7).

Choosing a Medicare drug plan: Considerations

Medicare drug plans are not all the same, and there are many options available. Here are some steps to complete before selecting your plan.

Cost

- **Monthly premiums:** Consider the monthly costs of each plan before making your selection.
- **Deductibles:** Choose whether you want a higher or lower deductible plan. See the information on page 12 for help with making this decision.
- **Copay/Coinsurance:** Find out how much you will pay for hospital stays, doctor visits, and prescription drugs.

Coverage

- **Formulary:** Most drug plans have a formulary, a list of drugs that the plan covers. Plans may have rules—or tiers—about coverage for different drugs on their formulary.
- **Drug restrictions:** When researching different drug plans, ask about any drug restrictions or limits in coverage. This will help ensure you are choosing the best possible option for your needs.

Convenience

- **In-network doctors and hospitals:** In some plans you may need to visit only in-network doctors and hospitals to get covered services.
- **Preferred pharmacies:** Drug plans work with some but not necessarily all pharmacies in an area. These are called in-network pharmacies. Within the network, your drug plan may have a list of preferred pharmacies where you can get the best discount.
- **Mail order options for prescription drugs:** Most drug plans include this option, but each drug plan differs slightly. So it's a good idea to call the plan directly and ask for more details.

Customer Service

- **Quality ratings/reviews:** Customer reviews for each plan can be found using the Medicare Plan Finder tool on www.medicare.gov. These may be another helpful resource when deciding on a plan.



Choosing a Medicare drug plan: Checklist

When it comes to choosing a Medicare drug plan, you have choices. Here are some steps to consider before selecting your plan.

- Review the information on higher deductible/lower deductible plans and determine which plan is right for you.**
If you want prescription drug coverage, be sure to select a Part C plan with prescription drug coverage or a Part D plan. Use the Medicare Plan Finder to get more accurate cost estimates and coverage information.
Visit www.medicare.gov/find-a-plan/questions/home.aspx
- Call the plan you are interested in** or go to their website and make sure that your prescriptions are covered on the plan, and at what tier, copay, or coinsurance.

- Get an estimate of your monthly costs.** When you call your plan, you can also ask them to help you estimate your monthly costs. Determine when you will exit the Donut Hole and what your costs will be during this period.

Before calling, you will need the following information:

- Zip code
 - Medicare card (if already enrolled)
 - List of prescriptions (including dosages)
 - List of your preferred pharmacies
- If you think you may qualify for Extra Help** (Low Income Subsidy), visit www.socialsecurity.gov/extrahelp or call 1-800-772-1213 (TTY 1-800-325-0778) or apply at your local Social Security office.
- Check to see if your state offers pharmaceutical assistance programs (SPAPs)**
www.medicare.gov/pharmaceutical-assistance-program/state-programs.aspx
- Check to see if you are eligible for additional financial assistance**
Visit the Medicine Assistance Tool at medicineassistancetool.org





Additional online support



mymedicare.gov

Medicare's free and secure online service managing personal information regarding original Medicare benefits and services.

Medicare Plan Finder

Located on www.medicare.gov, this tool can help you conduct a personalized plan search. To use this tool, you will need the following information before you begin:

Zip code, Medicare card (if you have one), list of prescription medications (including dosage and amount), and your preferred pharmacy locations.

Understanding changes in prescription costs

Medicare Part D prescription drug plans can change every year, and there are a number of possible reasons why your costs could increase:

1) Changes to prescription drug coverage

- **Your medication is no longer covered by your prior year drug plan.** If your prescription drug plan has dropped your medication from the plan's formulary—possibly due to the availability of a less expensive generic drug—your plan will provide you with a 30-day transition fill while you work with your doctor to get your prescription covered or to find an alternative drug.

Transition fills (a one-time, 30-day supply of a drug you were taking before switching to a different plan or before your current plan changed coverage) are not free. The cost of your transition fill can be more than what you paid for your medication last year. If you have not requested a transition fill, or already used your 30-day transition fill, you will pay the full retail cost for your non-formulary medication.

- **Your drug copay changed.** Your Medicare plan may have changed the cost-sharing (copay) of your plan's drug tiers.
- **Your medication is now on a more expensive formulary tier.** Although you did not change Medicare plans, your medication cost can increase if it is moved to a higher cost formulary drug tier. In this case, you can request a tiering exception by going through the Part D appeal process. You can also contact the drug manufacturer to learn about patient assistance programs or other discount options. Contact a Medicare representative to guide you through either choice.

2) The Donut Hole

- **The retail price of your medications has already pushed you into the Donut Hole.** The pharmaceutical industry will be responsible for 70% of the discount, with your Medicare Part D plan covering the remaining 5%. You are responsible for 25% of your prescription drug cost. Due to cost-sharing changes in the Donut Hole, your monthly prescription cost could increase or decrease.

To better understand when you will enter the Donut Hole based on your individual prescriptions, contact your Medicare Part D plan.



3) Factors relating to your drug plan

- **You have been moved to another Medicare plan.** It is possible your Medicare plan was consolidated or merged into another drug plan, and you were automatically “cross-walked” (reassigned) to the new plan. Your new plan may have very different features from your prior year’s plan.
- **Your cost-sharing changed from copay to coinsurance.** Your drug plan may have changed your cost-sharing from copay (a flat fee) to coinsurance (a percentage of your drug’s retail price).
- **Your plan uses coinsurance and your drug’s retail price increased.** It is possible that your Medicare prescription drug plan did not make any changes in cost-sharing or formulary structure, but your Medicare Part D plan’s negotiated retail cost for your medication has increased and you are paying more because your plan uses coinsurance as a cost-sharing model.
- **You are still in your plan’s initial deductible.** Your Medicare prescription drug plan may have an initial deductible or a higher initial deductible than last year.

4) Changes to your pharmacy

- **You purchased your formulary medication at a non-network pharmacy or a standard network pharmacy.** If you fill a prescription at a pharmacy that is not part of your Medicare Part D plan’s pharmacy network, you will pay full retail price for the medication.

You can contact your plan’s Member Services department to find a preferred network pharmacy in your area (or to learn about mail order options, if available). If you cannot find a preferred pharmacy, you may be able to use a non-network pharmacy and ask your Medicare plan for reimbursement.

5) Changes to your Extra Help benefits

- **You have lost (or had a change in) your Medicare Part D Extra Help benefits.** If your financial situation has changed, it is possible that you are no longer eligible for Medicare Part D Extra Help benefits (paying your premium, deductible, and lowering your drug cost-sharing).
- **You may have forgotten to submit the required financial documentation for the current year.** Contact your local state Medicaid office for more information about your Extra Help status or visit www.ssa.gov/prescriptionhelp



For additional questions and help, call Medicare at 1-800-633-4227 and choose to speak with a Medicare representative.

Once connected, ask the representative to help you evaluate your Medicare Part D and Medicare Advantage Plan options.

Glossary of common Medicare terms

Beneficiary

An individual entitled to benefits under Medicare Part A, Part B, or both.

Catastrophic Coverage

The stage of Medicare Part D coverage that begins after you reach your out-of-pocket limit. For the rest of the year, Part D should pay more of your drug costs.

Coinsurance

The percentage of cost you will have to pay for a medical service or prescription drug coverage, after any relevant deductibles are paid. For example, you pay 25% and the insurance pays 75%.

Copay

Your share of the cost for a medical service or prescription that is a fixed amount. For example, you may pay \$25.

Coverage Gap (Donut Hole)

The Medicare Part D stage that begins once your total drug costs reach your initial coverage limit. From then on, you pay a higher percentage of drug costs until you reach the plan's catastrophic coverage stage.

Drug Coverage Tier

A way prescription drug plans categorize different medications according to the cost the patient will be expected to pay.

Formulary

List of medicines that your health insurance plan will cover or pay for.

Hospitalization

Care in a hospital that requires admission as an inpatient and usually requires an overnight stay.

Initial Coverage Limit

The amount you and your plan have spent before you reach the Coverage Gap (Donut Hole).

Initial Coverage Phase

The Medicare Part D coverage stage that begins after you've reached the deductible, where you will only pay the plan's copay for covered medications.

Low-Income Subsidy (LIS or Extra Help)

A government program for eligible beneficiaries that helps pay for Medicare Part D prescription drug costs.

Medicare

A federal government insurance plan that provides healthcare coverage options and drug benefits for people over 65 and younger people with disabilities.

Medicare Advantage Plan

A type of Medicare health plan offered by a private company that contracts with Medicare to provide you with all your Part A and Part B benefits. Also known as Medicare Part C.

Medicare Part A

The part of Medicare that covers hospitalization, including most inpatient hospital, skilled nursing facility, hospice, lab tests, surgery, and home health care.

Medicare Part B

The part of Medicare that covers medical services, including most doctors' and other providers' services and outpatient care, preventive care, durable medical equipment, hospital outpatient services, laboratory tests, x-rays, and mental healthcare.

Medicare Part C

Not a separate benefit. It is the part of Medicare policy that allows private health insurance companies to provide your Medicare benefits through what are called Medicare Advantage (MA) Plans.

Medicare Part D

A separate coverage option that adds prescription drug coverage to your Part A and B benefits.

Medicare Supplemental Insurance (Medigap)

An insurance policy, sold by private companies, that can help pay some of the healthcare costs that Medicare Part A and Part B do not cover.

Out-of-Pocket (OOP) Costs

The share of Medicare prescription drug costs that you are responsible for paying.

Patient Assistance Foundations

Independent charitable foundations that provide financial assistance to qualified patients who are unable to afford their copay costs.

Premium

The amount you pay for your health insurance every month.

State Pharmaceutical Assistance Programs (SPAPs)

State programs that coordinate with Medicare's Part D drug benefit to help their residents pay for prescription drugs.

TrOOP

True out-of-pocket: Refers to all payments for medications on your Part D formulary. These costs contribute to a patient's catastrophic coverage threshold.



AbbVie is dedicated to partnering with Medicare patients to help them understand available benefits and ensure access to medications.

www.abbviepaf.org

For more information, visit:

abbvie.com



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