



How Medicare Prescription Drug Plans and Medicare Advantage Plans with Prescription Drug Coverage (MA-PDs) Use Pharmacies, Formularies, and Common Coverage Rules

Each Medicare Prescription Drug Plan and Medicare Advantage Plan with prescription drug coverage (MA-PD) must provide at least a standard level of coverage set by Medicare. Plans can vary on which pharmacies they use, which prescription drugs they cover, and how much they charge. Plans design their prescription drug coverage using different methods. Some of these methods are listed below. Becoming familiar with the following terms will help you make choices about your coverage:

- Network pharmacies
- List of covered prescription drugs (formulary)
- Coverage rules

Network pharmacies

Medicare drug plans and MA-PDs have contracts with pharmacies that are part of the plan's "network." If you go to a pharmacy that isn't in your plan's network, your plan may not cover your drugs. Along with retail pharmacies, your plan's network may include preferred pharmacies, a mail-order program, and a 60- or 90-day retail pharmacy program.

- **Preferred Pharmacies**
If your plan has preferred pharmacies, you may save money by using them. Your prescription drug costs (such as a copayment or coinsurance) may be less at a preferred pharmacy because it has agreed with your plan to charge less.
- **Mail-Order Programs**
Some plans may offer a mail-order program that allows you to get up to a 90-day supply of your covered prescription drugs sent directly to your home. This is usually a cost-effective and convenient way to fill your prescriptions.
- **60- or 90-Day Retail Pharmacy Programs**
Some retail pharmacies may also offer a 60- or 90-day supply of covered prescription drugs.



List of covered prescription drugs (formulary)

Each Medicare drug plan and MA-PD has a list of prescription drugs (formulary) that it covers. Plans cover both generic and brand-name prescription drugs. The formulary must include a range of drugs in the most commonly prescribed categories and classes. This helps make sure that people with different medical conditions can get the prescription drugs they need. The formulary might not include your specific drug. However, in most cases, a similar drug should be available. If you or your prescriber (your doctor or other health care provider who is legally allowed to write prescriptions) believes none of the drugs on your plan's formulary will work for your condition, you can ask for an exception. If your drug is approved via a formulary exception, you would pay at the tier 3 level. See the chart on page 3 for more information.

If your plan removes a drug you're taking from its formulary, in most cases it must notify you at least 60 days in advance. You may have to change to another drug (that's similar to the one you're taking) on the plan's formulary, or pay more to keep taking the drug. You can ask for an exception to continue using the drug that's being removed from your plan's drug list if none of the other drugs on the list will work for your condition. In some cases, if you're actively taking a drug on the formulary during the calendar year, you can continue taking that drug until the end of the year without paying more.

Note: A plan isn't required to tell you in advance when it removes a drug from its formulary if the Food and Drug Administration (FDA) takes the drug off the market for safety reasons, but your plan will let you know afterward.

Generally, using drugs on your plan's formulary will save you money. Using generics instead of brand-name drugs can also save you money.

- **Generic Drugs**

According to the FDA, generic drugs are the same as brand-name drugs in safety, strength, quality, the way they work, how they're taken, and the way they should be used. Generic prescription drugs use the same active ingredients as brand-name prescription drugs and work the same way. Generic prescription drug makers must prove to the FDA that their product works the same way as the brand-name prescription drug.

Today, almost half of all prescriptions are filled with generics. In some cases, there may not be a generic prescription drug available for the brand-name prescription drug you take. Talk to your prescriber.



List of covered prescription drugs (formulary) (continued)

- **Tiers**

Many Medicare drug plans place drugs into different “tiers.” Drugs in each tier have a different cost. Some plans may have more tiers and some may have less. The chart below is an example of tiers.

| Tier | You Pay | What’s Covered? |
|-----------------------|----------------------------------|--|
| 1 | Lowest copayment | Most generic prescription drugs |
| 2 | Medium copayment | Preferred, brand-name prescription drugs |
| 3 | Higher copayment | Non-preferred, brand-name prescription drugs |
| Specialty Tier | Highest copayment or coinsurance | Unique, very high-cost prescription drugs |

In some cases, if your drug is in a higher (more expensive) tier and your prescriber thinks you need that drug instead of a similar drug on a lower tier, you can file an exception and ask your plan for a lower copayment.

Coverage rules

Plans may have coverage rules to make sure certain drugs are used correctly and only when medically necessary. These rules may include prior authorization, step therapy, and quantity limits as described below.

- **Prior Authorization**

Plans may require a “prior authorization” to make sure certain prescription drugs are used correctly and that only when medically necessary. This means before your plan will cover a certain drug, your prescriber must first contact your plan and show there’s a medically-necessary reason why you must use that particular prescription drug.



Coverage rules (continued)

– **Step Therapy**

Step therapy is a type of prior authorization. With step therapy, in most cases, you must first try certain less expensive drugs that have been proven effective for most people with your condition before you can move up a “step” to a more expensive drug. For instance, your plan may require you to first try a generic prescription drug (if available), then a less expensive brand-name prescription drug on its formulary, before it will cover a similar, more expensive brand-name prescription drug.

However, if you’ve already tried the similar, less expensive drugs and they didn’t work, or if your prescriber believes your medical condition makes it medically necessary for you to be on the more expensive step-therapy prescription drug, he or she can contact your plan to ask for an exception. If your prescriber’s request is approved, your plan will cover the step-therapy prescription drug.

Example of step therapy:

Step 1—Dr. Smith wants to prescribe a new sleeping pill to treat Mr. Mason’s occasional insomnia. There’s more than one type of sleeping pill available. Some of the drugs Dr. Smith considers prescribing are brand-name only prescription drugs. The plan rules require Mr. Mason to try the generic prescription drug zolpidem first. For most people, zolpidem works as well as brand-name prescription drugs.

Step 2—If Mr. Mason takes zolpidem but has side effects, Dr. Smith can use that information to ask the plan to approve a brand-name drug. If approved, Mr. Mason’s Medicare drug plan will cover the brand-name drug for Mr. Mason.

• **Quantity Limits**

For safety and cost reasons, plans may limit the amount of prescription drugs they cover over a certain period of time. For example, most people who are prescribed a heartburn medication take 1 capsule per day for 4 weeks. Therefore, a plan may cover only an initial 30-day supply of the heartburn medication. If you need more, you may need your prescriber’s help to provide more information to the plan.



What if my plan won't cover a prescription drug I need?

If you belong to a Medicare drug plan or MA-PD, you have the right to do the following:

- Get a written explanation (called a “coverage determination”) from your Medicare drug plan or MA-PD if your plan won't cover or pay for a certain prescription drug you need, or if you're asked to pay a higher share of the cost.
- Ask your Medicare drug plan or MA-PD for an exception (which is a type of coverage determination). If you ask for an exception, your doctor or other prescriber must give your drug plan a supporting statement that explains the medical reason for the request (such as why similar drugs covered by your plan won't work or may be harmful to you). You can ask for an exception for these reasons:
 - You or your prescriber believes you need a drug that isn't on your drug plan's formulary.
 - You or your prescriber believes that a coverage rule (such as step therapy) should be waived.
 - You believe you should get a non-preferred drug at a lower copayment because you can't take any of the alternative drugs on your drug plan's list of preferred drugs.

You or your prescriber must contact your plan to ask for a coverage determination. If your network pharmacy can't fill a prescription as written, the pharmacist will give or show you a notice that explains how to contact your Medicare drug plan or MA-PD so you can make your request.

A standard request for a coverage determination (including an exception) should be made in writing (unless your plan accepts requests by phone). You or your prescriber can also call or write your plan for an expedited (fast) request.

If you disagree with your Medicare drug plan or MA-PD's coverage determination or exception decision, you have the right to appeal the decision. Your plan's written decision will explain how to file an appeal. You should read this decision carefully, and call your plan if you have questions.

For more information on Medicare appeal rights, visit www.medicare.gov/Publications to view or print the booklet “Your Rights and Protections.” You can also call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.



Where can I go for more information?

- Contact your Medicare drug plan or MA-PD. The contact information is in your member materials or on your membership card.
- Read the “Medicare & You” handbook. It includes information about Medicare drug plans in your area. You can view or print the handbook at www.medicare.gov/Publications.
- Visit the Medicare Plan Finder at www.medicare.gov, select “Health and Drug Plans,” and then select “Compare Drug and Health Plans.” The Medicare Plan Finder allows you to search for and compare coverage options available in your area.
- Read the “Your Guide to Medicare Prescription Drug Coverage” booklet. You can view or print the booklet at www.medicare.gov/Publications.
- Call your State Health Insurance Assistance Program. For their phone number, call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov/contacts. TTY users should call 1-877-486-2048.
- Call 1-800-MEDICARE.

