

WES MOORE  
Governor

ARUNA MILLER  
Lieutenant Governor



HELENE GRADY  
Secretary

MARC L. NICOLE  
Deputy Secretary

May 20, 2024

## Frequently Asked Questions (FAQ) About Retiree Prescription Drug Coverage Change Effective January 1, 2025

*This FAQ document was originally published on January 15, 2024,  
and was updated as of May 20, 2024.  
Updates will be made as more information becomes available.*

---

### OVERVIEW AND TIMING

---

The State of Maryland's prescription drug plan coverage for Medicare-eligible retirees is changing on January 1, 2025. All Medicare-eligible retirees should have received an announcement letter about the changes along with our original FAQ document.

This change was made in 2011 to address both the long-term affordability of the State-funded plan and the planned benefit improvements in Medicare Part D. Combined with programs enacted in 2019 to mitigate differences from the State plan, retirees can expect that out-of-pocket costs will be capped at a similar level as the current State prescription drug plan. Health benefits will continue to be available through the State plan.

We realize this is a big change, and you probably have many questions and concerns. We are committed to ensuring a smooth transition to your new coverage, including providing one-on-one counseling assistance in selecting a Part D plan. As additional details become available, our team at the Department of Budget and Management and the administrator we bring on board will endeavor to answer all your questions and address your concerns. In the meantime, this FAQ document has been updated to address some additional questions we have heard since January.

### What is happening?

The current State-provided prescription drug plan for Medicare-eligible retirees will end on December 31, 2024. Retirees will need to enroll in a Medicare Part D plan during Medicare open enrollment this fall (October 15 – December 7), to have prescription drug coverage on January 1, 2025. You will need to select a Medicare Part D plan from the options that will be available in your geographic area. To assist you with this transition, the State will provide one-on-one counseling to walk through your options and enroll you in a plan this fall.

## **Why is this happening now?**

The changes are happening due to Maryland state law to address both the long-term affordability of the State-funded plan and the planned benefit improvements in Medicare Part D.

- Chapter 397 of 2011 provided that Medicare-eligible State retirees would no longer receive State-funded prescription drug coverage effective fiscal year 2020.
- Chapter 10 of 2018 made the change effective January 1, 2019. This was done in the expectation that Medicare-eligible State retirees could enroll in prescription drug coverage programs under Medicare Part D.
- State retirees filed a lawsuit in September 2018, claiming that termination of prescription drug benefits was an unconstitutional breach of contract between the State and retirees. As a result, the State was required to maintain existing State-provided prescription drug coverage for Medicare-eligible retirees until further order of the court.
- Chapter 767 of 2019 established reimbursement programs to cover a portion of out-of-pocket costs for retirees enrolled in Part D coverage.
- The federal Fourth Circuit Court of Appeals ultimately ruled in 2023 that there was no breach of contract between the State and retirees. As a result, the lawsuit was dismissed, and the injunction was lifted, allowing the State to move forward with implementing the law.

Changes to the prescription drug coverage for Medicare-eligible retirees are effective for the plan year beginning January 1, 2025.

## **Is any other State of Maryland-sponsored retiree health care coverage affected by this change?**

No. Other State of Maryland-sponsored health care coverage for actives and retirees—and Medicare Part A and Part B coverage—are not affected by this change.

## **Who is affected by the changes to the retiree prescription drug program?**

All Medicare-eligible retirees as of January 1, 2025, Medicare-eligible spouses and surviving spouses, and Medicare-eligible dependent children and surviving children are affected.

Non-Medicare-eligible retirees, non-Medicare-eligible spouses, and non-Medicare-eligible dependent children are not affected by this change and remain eligible for the State plan.

## **Will I be covered automatically under a new prescription drug plan starting January 1, 2025?**

No. To have prescription drug coverage on January 1, 2025, you will need to select a Medicare Part D plan from the options that will be available in your geographic area during Medicare open enrollment this fall (October 15 – December 7).

---

## ABOUT MEDICARE AND MEDICARE PART D PRESCRIPTION DRUG PLANS

---

### How do the Medicare Part D prescription drug plans work? What drugs will be covered, and how much will it cost to fill prescriptions?

Medicare covers prescription drugs through Part D prescription drug plans. These plans must follow rules established by the federal government. Each Medicare plan must give at least a standard level of coverage set by Medicare. Medicare plans can vary on pharmacies they use, prescription drugs they cover, and how much they charge.

All Part D prescription drug plans must cover a wide range of prescription drugs. Each plan will publish a list of its covered drugs, so retirees can understand which plan covers the medications they will need and how much they will cost. **The list of covered drugs may be different from the State's current plan, so it's important to take advantage of the one-on-one counseling so you can understand which Part D plan will cover the drugs you need.**

The following categories of drugs are not covered under Medicare Part D:\*

- Drugs used to treat anorexia, weight loss, or weight gain
- Fertility drugs
- Drugs used for cosmetic purposes or hair growth
- Drugs that are used for the relief of cold or cough symptoms
- Drugs used to treat erectile dysfunction
- Prescription vitamins and minerals (except prenatal vitamins and fluoride preparations)
- Non-prescription drugs (over-the-counter drugs)

\* Note: Prescription drugs used for the above conditions may be covered if they are being prescribed to treat other conditions. For example, a medicine for the relief of cold symptoms may be covered by Part D if prescribed to treat something other than a cold (e.g., shortness of breath from asthma) that is approved by the FDA.

[Read more about Part D excluded drugs.](#)

The Inflation Reduction Act includes several provisions to lower prescription drug costs for people with Medicare and reduce drug spending by the federal government, including several changes to the Medicare Part D drug benefit.

In 2025, the annual out-of-pocket (OOP) amount payable by retirees who have Part D coverage will be limited to \$2,000. Enrollees who surpass the \$2,000 OOP threshold will no longer incur cost sharing for Part D drugs for the remainder of the calendar year.

## **How will I be able to tell the difference between the Medicare Part D prescription drug plans?**

The specific details of the cost and benefits coverage in 2025 Medicare Part D prescription drug plans are not yet available. We expect the details of the 2025 plans to be available in early fall (they are typically released in September). The State is in the process of contracting with a plan administrator that will have licensed benefits counselors to help you understand how the plans work and assist you in selecting a plan during open enrollment. **The list of covered drugs may be different from the State's current plan, so it's important to take advantage of the one-on-one counseling so you can understand which Part D plan will cover the drugs you need.**

## **What if I cannot find a formulary that covers my current prescription drug?**

All Part D plans include a formulary of preferred drugs. Not every drug within a therapeutic class is covered by every plan, but there are alternatives available under each class. Through the one-on-one counseling services, licensed agents will assist you with selecting the best plan for you based on your personal needs.

If you select a Part D plan that does not include on its formulary a current prescription drug that you are taking, you will have an option to substitute a therapeutic equivalent drug or seek a prior authorization to use that drug. We encourage you to speak with your physician about alternatives that align with your selected formulary. Approved prior authorizations will be covered under your plan and count toward your out-of-pocket maximum.

## **Are all drugs processed through Medicare Part D?**

No. Inpatient hospital charges, including drugs administered during the stay, are paid through Medicare Part A.

Generally, Part B covers outpatient services, such as physician visits, lab, and X-rays. Part B also covers outpatient drugs like:

- Injections received in a doctor's office
- Certain oral anti-cancer drugs
- Drugs used with some durable medical equipment (e.g., nebulizer or external infusion pump)

This is consistent with the way your Medicare coverage works today.

A full description can be found in the *Medicare and You* guide beginning on page 29: [medicare.gov/publications/10050-Medicare-and-You.pdf](http://medicare.gov/publications/10050-Medicare-and-You.pdf)

## **Where can I get more information about Medicare?**

For more information about Medicare, visit the Medicare website at [medicare.gov](http://medicare.gov).

---

## ENROLLMENT

---

### **How do I enroll in a Medicare Part D prescription drug plan during open enrollment?**

During Medicare open enrollment this fall (October 15 – December 7), you will elect a Medicare Part D prescription drug plan online or by phone. You will be able to meet one-on-one with a licensed benefits counselor who will assist you. They will review your current medications with you, help you understand your options, and assist you in selecting a plan.

More information about how to meet with a counselor and how to enroll will be provided before open enrollment.

**Note: If you don't enroll during open enrollment, you will have to wait until the next open enrollment period, unless you qualify for a special enrollment period, and you may be subject to a late enrollment penalty.**

### **Will I have to pay a Part D late enrollment penalty since, I did not elect it during my initial eligibility period?**

No. The State's retiree prescription drug program is a Medicare Part D plan with a wrap and is considered creditable coverage. A late enrollment penalty will not apply to your transition from the State's prescription drug plan to another Medicare Part D plan if you enroll during open enrollment (October 15 – December 7). The Notice of Creditable Coverage is available on the Department of Budget and Management's website under **Important Links** at [dbm.maryland.gov/benefits](http://dbm.maryland.gov/benefits).

### **Will I have access to one-on-one counseling to help me choose a new prescription drug plan?**

Yes. The State is in the process of contracting with a company that will provide one-on-one counseling to assist you with the selection of a new prescription drug plan. The counselors will review your current medications with you, help you understand your options, and assist you in selecting and enrolling in a plan. More information about how to schedule an appointment will be coming soon.

### **What other opportunities will there be for me to learn about the changes and make a well-informed decision about which Medicare Part D plan to choose?**

Over the summer and early fall (dates to be determined), the State will offer both in-person education and informational sessions at locations around the state, as well as virtual sessions online via video.

As it becomes available, more information will be sent to you by mail and posted on the **Retiree** page of the Department of Budget and Management's website ([dbm.maryland.gov/benefits/Pages/Retirees.aspx](http://dbm.maryland.gov/benefits/Pages/Retirees.aspx)).

## What if I want to explore other options?

You are welcome to explore other options if it makes sense for your situation. A one-on-one counselor can help walk you through the options.

---

## ABOUT THE HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

---

### What is an HRA?

A health reimbursement arrangement (HRA) is a special type of account that is set up by the State to help you pay for your prescription drugs. If eligible, an account will be set up for you (and your covered dependents). You can then use the money in this account to pay for covered prescription drugs.

### Who is eligible for the health reimbursement arrangement (HRA)?

If you were hired by the State on or before June 30, 2011, and retired from State service on or before January 1, 2020, you are eligible to receive a State-funded HRA.

Those hired on or after July 1, 2011, are **not eligible** for the State-funded HRA. Those who retired after January 1, 2020, regardless of date of hire, are also not eligible for the HRA.

### How much will the State contribute each year to my HRA?

If you are eligible for the HRA, the State will deposit money into your HRA starting in January 2025. A minimum assistance requirement was set into law, so you won't have to pay any more for prescription drugs, out of pocket, than you do today under the State plan. The difference between the State plan's current out-of-pocket maximum and the Medicare Part D out-of-pocket maximum will be deposited into an HRA for you to use toward your prescription drug costs.

The minimum assistance amount will also be adjusted as needed in coordination with changes to Part D out-of-pocket maximums.

#### Example:

	Medicare-Eligible Retiree Only	Family With Two Medicare-Eligible Retirees
State plan prescription drug out-of-pocket maximum for 2024	\$1,500	\$2,000
Medicare Part D plans out-of-pocket maximum for 2025	\$2,000	\$4,000
2025 minimum assistance requirement, per state law	\$500*	\$2,000
<b>2025 amount to be deposited into your HRA (if eligible)</b>	<b>\$750*</b>	<b>\$2,000</b>

\* During the 2024 Legislative Session, the General Assembly increased the HRA amount by \$250 over the minimum assistance requirement of \$500 for calendar year 2025.

## How will I access the money in my HRA?

If eligible for the HRA, the full amount will be deposited into your account in January, and you will be able to use the money when you buy your prescriptions.

If you have any money left over in your account at the end of the calendar year, it will be returned to the State. Please watch for additional communications and instructions about using the HRA.

---

## WHAT YOU NEED TO DO

---

### Do I need to do anything right now?

As of this May 2024 update, no action is needed right now. Your current prescription drug plan coverage will continue through December 31, 2024. You will need to take action to have coverage for January 1, 2025. It is important to be on the lookout for communications and directions from the State over the next few months. Please ensure that your mailing address is up to date with State Employee Benefits Division.

### What should I expect?

- The State will be contracting with a company to offer both in-person education and informational sessions at locations around the state, as well as virtual sessions online via video. You will also have access to one-on-one counseling to assist you in selecting a plan.
- Once a company is contracted, you will receive more information this summer (likely by July) regarding in-person and virtual education sessions that will help you understand what's happening and what you'll need to do. Among other information, these sessions will provide details about how to meet with a counselor and how to enroll in a plan during open enrollment.
- The 2025 Medicare plan details will be released in early fall (typically in September).
- During Medicare open enrollment this fall (October 15 – December 7), you will select a Medicare Part D prescription drug plan online or by phone. You will be able to speak on the phone with a licensed benefits counselor who will assist you in selecting a prescription drug plan.
- You will need to act before the close of open enrollment, or you will not have prescription drug coverage after December 31, 2024.

Please keep an eye out for future communications from the State with details of this transition.

## **What address should I use as my address on file with the State of Maryland if I split my time living between two locations?**

You may only participate in one Part D plan and must use your permanent address. A permanent address is established by voter registration, driver's license, tax records, or utility bills. A post office box cannot be used. Your plan selection will be based on your permanent address and should include a national network.

**Note:** Your address on file with the State of Maryland will be the address we and our health benefits vendors will use to communicate with you throughout this process. It is also recommended that you use a forwarding service for your mail to be sent where you are living throughout the year.

---

## **WHOM TO CONTACT IF YOU HAVE QUESTIONS**

---

### **Whom can I contact if I have questions right now?**

Any questions regarding prescription drug benefits for State retirees should be directed to the Department of Budget and Management via email at [ebd.mail@maryland.gov](mailto:ebd.mail@maryland.gov) or by calling 410-767-4775 (toll free: 800-307-8283).

Please note that we anticipate a high volume of inquiries throughout this transition, so response times may be longer than normal. The Department of Budget and Management staff will respond to you as quickly as possible. As it becomes available, information will also be posted on the Department of Budget and Management's website ([dbm.maryland.gov/benefits](http://dbm.maryland.gov/benefits)).

### **Is there any financial assistance available if I have a limited income?**

Everyone's circumstances are different. Some retirees may be eligible for Extra Help, which is a Medicare program that helps people with limited income and resources pay for deductibles, coinsurance, Medicare Part D premiums, and other costs. One-on-one counselors will be able to discuss your situation with you and determine whether you're eligible and how it works.

Information on the 2024 Extra Help program and determination can be found on the Medicare website: [medicare.gov/basics/costs/help/drug-costs](http://medicare.gov/basics/costs/help/drug-costs).