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6 Reasons to Choose a New Medicare Part D Plan

Check out the alternatives before sticking with your current plan in 2014

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Retirees have the option to switch Medicare Part D prescription drug plans between now and Dec. 7. Most seniors who stick with their current plan in 2014 can expect to pay higher premiums and other out-of-pocket costs than they did in 2013. Only 13 percent of participants picked a new prescription drug plan voluntarily during this annual enrollment period between 2006 and 2010, according to a Kaiser Family Foundation analysis of Centers for Medicare and Medicaid Services data, but many of these retirees were able to significantly decrease their premium costs. Here's why you should consider picking a new Medicare Part D Plan for 2014.

Medication changes. Your medication needs could change throughout your retirement. If you are now using new medications or think you might in the coming year, you should consider evaluating which plan will cover you best going forward. Plans can and do change which medications they will cover each year and how much participants are charged for each medication. Just because your medications were covered with a given copay in 2013 doesn't mean they will continue to be covered at the same level or at all in 2014. "Because plans can change pretty much every feature of the benefit design, including the list of drugs that they cover, people might want to switch out of a plan if, for example, the plan stops covering a drug that they are taking," says Juliette Cubanski, a policy analyst at the Kaiser Family Foundation. "It might cost them a lot of money if they had to pay for it out of pocket outside of Part D."

Find lower premiums. The average premium is expected to increase by 5 percent from $38.14 in 2013 to $39.90 in 2014 if retirees stay in their current Part D plan, according to a recent Kaiser Family Foundation analysis of 2014 plan offerings. Many beneficiaries (44 percent) will pay between $1 and $10 more if they remain in their current plan in 2014, and 14 percent will experience a monthly increase of more than $10. Premiums will increase by more than 50 percent next year in United HealthCare's AARP Medicare Rx Saver Plus and First Health Value Plus. Retirees enrolled in the First Health Essentials and the Humana Preferred Rx Plan will also face double-digit premium increases unless they switch plans.

Avoiding high premiums is the most common reason retirees select new prescription drug plans. Nearly half (46 percent) of enrollees who switched plans paid at least 5 percent less in premium costs the following year, compared to 8 percent of those who did not switch plans, KFF found.

More than a quarter (28 percent) of beneficiaries facing a monthly premium increase of $20 or more switched prescription drug plans during the annual enrollment period, versus 7 percent of those facing a more modest premium increase of up to $10 or no change in their premium. "Some plans do increase their premiums quite considerably from one year to the next," Cubanski says. "When faced with that kind of sticker shock, that can motive people to go and look at what other plans are available that the person might think is more affordable."

Seek lower copays and other cost sharing. Besides premiums, Medicare Part D beneficiaries face a variety of other out-of-pocket expenses, including deductibles, copayments, coinsurance and costs in the coverage gap. When both premiums and cost sharing for drugs are considered, 44 percent of retirees who switched plans had overall costs that were at least 5 percent lower than the previous year. Only 28 percent of seniors who didn't switch plans saw their out-of-pocket costs decline by at least 5 percent. "If the particular drugs you use are on more expensive tiers or not on the formulary, that can lead to higher out-of-pocket costs," says Jack Hoadley, a health policy analyst at Georgetown University. "Go on the online plan finder on Medicare.gov and use your current mix of drugs to calculate your total out-of-pocket costs and not just the premiums."

Reduce your deductible. Just over half of prescription drug plans will charge a deductible in 2014, and most charge the maximum possible amount of $310 before any drug costs will be covered. The share of plans with a smaller deductible has declined from 24 percent in 2010 to just 4 percent in 2014. However, 47 percent of plans will charge no deductible in 2014, meaning retirees will get coverage on their first prescription, often in exchange for a higher monthly premium. "If you are worried about how your costs will be spread over the year, you could pay a little bit more in premiums to not have a deductible," says Elizabeth Hargrave, a senior research scientist at NORC at the University of Chicago.