

HEALTH CARE REFORM CHANGES TO MEDICARE PART D “DONUT HOLE”
MARCH 2010

The Medicare Part D coverage gap (the “donut hole”), is the difference of the initial coverage limit (\$2,830 in 2010) and the catastrophic coverage threshold (\$6,440 in 2010). After a Medicare beneficiary surpasses the drug coverage limit, the beneficiary is responsible for the entire cost of Part D prescription drugs until the expense reaches the catastrophic coverage threshold. Because of a key provision in the recently passed health care reform law, beneficiaries reaching the catastrophic threshold will pay an increasingly smaller share until the donut hole is phased out in 2020. At this point beneficiaries will only be responsible for the standard 25% of their drug costs until they reach the threshold for catastrophic coverage, when their copayments drop to 5%. The table below outlines the gradual closing of the donut hole.

Under the new health care reform law:

- Beginning January 1, 2011, eligible beneficiaries hitting the donut hole will receive a \$250 rebate.
- Beneficiaries will automatically receive a 50% discount off the negotiated price for brand-name drugs that are covered under their Part D plan’s formulary. Beneficiaries can also count 100% of the negotiated price of discounted drugs (excluding dispensing fees) toward the coverage gap.
- The discount for beneficiaries’ increases to 75% on brand-name and generic drugs until 2020 when the donut hole disappears and twenty-five percent co-pays apply across the board until Medicare’s catastrophic coverage kicks in.

Beneficiary responsibility in each category, by year

Category/year	2010	2011 - 2020
Deductible	100% out of pocket <i>(in 2010, up to \$310)</i>	100% out of pocket
Initial coverage to coverage limit	25% <i>(in 2010, of \$310 to \$2,830)</i>	25%
Coverage gap (“Donut hole”)	100% <i>(in 2010, of \$2,830 to \$6,440)</i>	See chart below – reaching 25% in 2020
Catastrophic coverage	5% <i>(in 2010, of amount over \$6,440)</i>	5%

Filling the Part D Donut Hole
Percent of Negotiated Price Beneficiary Pays

Brand manufacturers always pay 50% discount, Part D plan and beneficiary pay the remainder		
Year	Brand Drugs	Generic Drugs
2011	50%	93%
2012	50%	86%
2013	2.5%	79%
2014	2.5%	72%
2015	5%	65%
2016	5%	58%
2017	10%	51%
2018	15%	44%
2019	20%	37%
2020	25%	25%