

MEDICARE INTERACTIVE

The Donut Hole 2016

Section VI.b. Part D Cost Overview

You may be paying more for your drugs because you have fallen into the doughnut hole, also called the coverage gap. The coverage gap is when the amount you pay for your prescriptions suddenly increases. In the past, most people had to pay the full cost of their drugs in the coverage gap. Due to health reform, you no longer have to pay the full cost of your drugs during this period.

How does the doughnut hole work?

The coverage gap starts when your total drug costs—including what you and your plan have paid for drugs—reaches a certain amount since the start of the calendar year. In 2015, this amount is generally \$2,960. In 2016, this amount will be \$3,310.

When you reach this amount, you hit the coverage gap. As a result of health reform, you get discounts to help you pay for your drugs during the coverage gap. In 2015, there is a 55 percent manufacturer's discount on most brand-name drugs. This means you pay 45 percent for brand-name drugs listed on your Part D plan's formulary, and the manufacturer plus the federal government pay 55 percent. For generic drugs, the government provides a 35 percent discount in 2015. You pay the remaining 65 percent of the cost. In 2016, you will continue paying 45 percent for brand-name drugs and only 58 percent for generic drugs.

These discounts will gradually increase each year until 2020. Starting in 2020, you will typically pay no more than 25 percent of the cost of your drug at any point during the year after you have met your deductible.

How do I get out of the doughnut hole?

You get out of the coverage gap in 2015 when you have paid \$4,700 out-of-pocket for covered drugs since the start of the year. In 2016, you will get out of the doughnut hole after spending \$4,850. When you reach this out-of-pocket limit, you get catastrophic coverage. The costs that help you reach catastrophic coverage include what you spent on drugs while in the doughnut hole. The costs that help you reach catastrophic coverage also include most

of the discount on brand-name drugs that you received in the coverage gap. If someone else pays for your drugs on your behalf, this will also count toward getting you out of the coverage gap. This includes drug costs paid for you by family members, most charities, State Pharmaceutical Assistance Programs, AIDS Drug Assistance Programs and the Indian Health Service.

You continue to pay your drug plan's monthly premium during the gap, but the premium does not count toward the \$4,700 out-of-pocket limit. The amount your drug plan paid for your drugs in your initial coverage period also does not count.

When you reach catastrophic coverage, you pay either a 5 percent coinsurance for covered drugs or a co-pay of \$2.65 for covered generic drugs and \$6.60 for covered brand-name drugs, whichever is greater.

Your Medicare drug plan should keep track of how much money you have spent out-of-pocket on your covered prescription drugs and which coverage period you are in. This information should be printed on your monthly statements. To make sure this information is correct, you should keep your receipts from the pharmacy.

Note: If you have Extra Help, the federal program that helps people with low incomes pay the costs of Medicare drug coverage, you will not have a coverage gap. However, your copays will go down (you will reach catastrophic coverage) after you have reached \$4,700 in out-of-pocket drug costs.