Closing the Donut Hole

The health care overhaul has added important improvements to Medicare prescription drug coverage for seniors. In 2010, the new health care reform law helped cover expenses for seniors falling into the donut hole coverage gap, and the hole in coverage is eliminated altogether by 2020. The law also provides for additional assistance for low-income beneficiaries.

The Donut Hole: Immediate relief for seniors now, completely gone by 2020

Currently, the standard Part D drug benefit contains a donut hole, a gap in coverage where beneficiaries must cover the cost of their medications even while they continue to pay premiums. Before health care reform was implemented, using 2010 as an example, this occurred when the total costs of a beneficiary’s prescription drugs reached $2,830 — requiring the beneficiary to cover the next $3,610 in drug costs.

The new law provides assistance to help seniors bridge this donut hole until it is closed entirely in 2020.

2010 $250 rebate to every senior who fell into the donut hole.
2011 A 50% rebate was applied at the pharmacy for brand name medications, saving the typical senior $600. Part D copayments for generic drugs were reduced by 7% each year until the coverage gap is eliminated for these drugs as well. For brand-name drugs, manufacturers will increase their discounts each year to erase the coverage gap.
2012 Medicare beneficiaries in the donut hole will receive a 50 percent discount on brand-name drugs and a 14 percent discount on generics. 

2014 The dollar amount of the catastrophic threshold, where seniors’ co-payments are dropped to 5% of drug costs, will be more slowly increased from year to year at this point.

2020 Co-payments required for brand-name and generic drugs will be phased down to the standard 25% by 2020, thus entirely eliminating the donut hole and saving the typical senior over $3,000.

Assistance for Low-Income Seniors

Eligibility and coverage for low-income Medicare beneficiaries is also improved:

• Co-payments are eliminated for many beneficiaries receiving home and community-based services who are eligible for both Medicare and Medicaid.
• The number of low-income beneficiaries required to change plans each year to maintain zero premiums is reduced.
• Widows and widowers can more easily retain their low-income eligibility.
• Outreach programs are enhanced to ensure more beneficiaries who are eligible for the Low-Income Subsidy know about the benefit and sign up for it.

<table>
<thead>
<tr>
<th>Senior Co-pays</th>
<th>Deductible</th>
<th>Basic Benefit</th>
<th>Donut Hole</th>
<th>Catastrophic</th>
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<tbody>
<tr>
<td>Pre-reform co-pays</td>
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<td>100%</td>
<td>5%</td>
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<tr>
<td>Post-reform co-pays (fully phased-in)</td>
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<td>25%</td>
<td>25%</td>
<td>5%</td>
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