

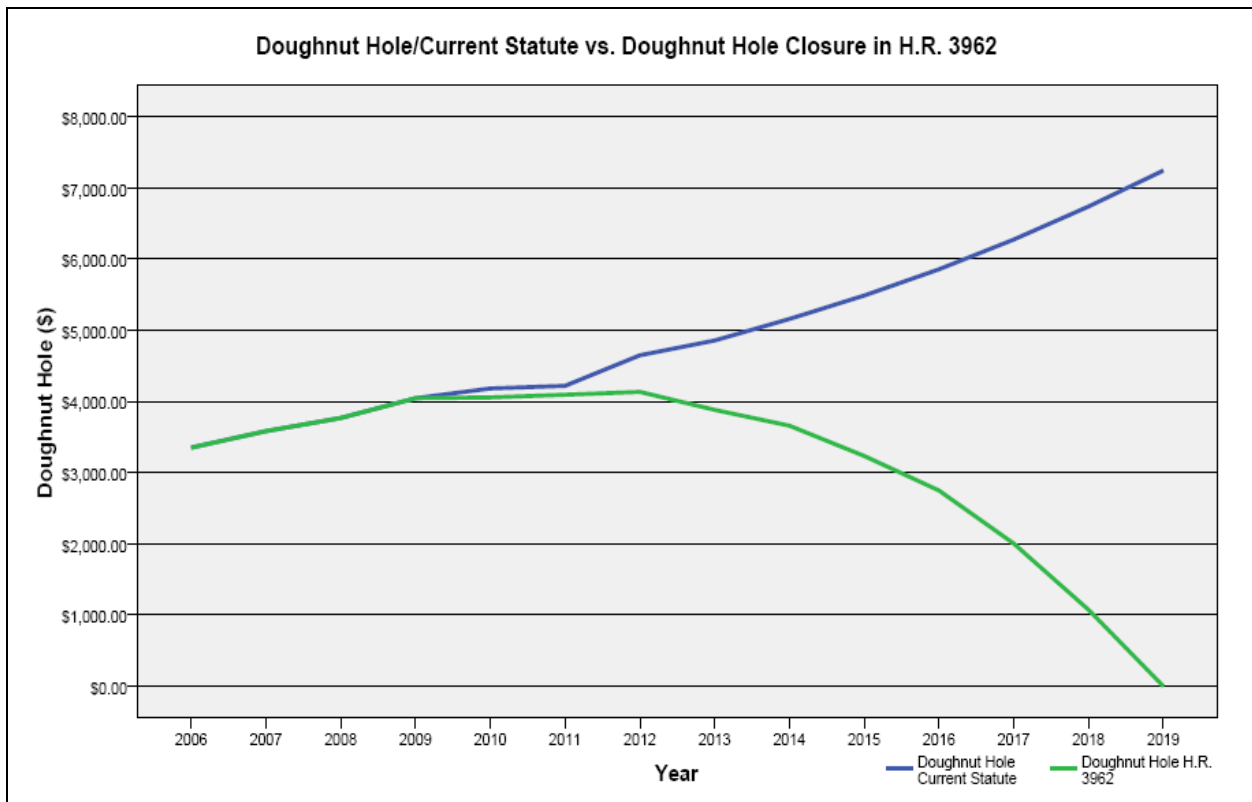


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Doubling of Part D “Doughnut Hole” Prevented by House Health Reform Bill

Under current law, the Medicare Part D coverage gap, or “doughnut hole,” is projected to double in size by 2021, exposing seniors to drastically increased liability for the costs of their medications. This characteristic of the coverage gap makes it expensive to correct: Congress must dedicate significant resources simply to keep the gap from becoming larger every year; reversing the momentum takes an even greater commitment of funds. The House of Representatives will vote soon on the *Affordable Health Care for America Act* (H.R. 3962) that includes provisions to close the doughnut hole completely by 2019, employing a ten-year phase down because of the high cost. According to a recent analysis by the National Committee to Preserve Social Security and Medicare, H.R. 3962 provides progressively stronger financial protection to beneficiaries – averting a doubling of liability for those that fall in the hole.



The Doughnut Hole in Context

- **Discount drug program for brand-name drugs.** A separate drug discount program, which would provide a 50 percent discount on brand-name drugs for most seniors caught in the doughnut hole, will provide additional relief as the coverage gap is fully closed by the House bill. This program must be carefully structured, however, to ensure that it provides a valuable benefit as the gap is closed. There must be transparency to ensure that drug prices are not “gamed” by pharmaceutical manufacturers and these companies should have formal agreements with the Department of Health and Human Services.
- **Millions are caught in the doughnut hole each year.** 3.4 million Medicare beneficiaries fall into the coverage gap each year, and in 2009, none of the stand alone Part D prescription drug plans (PDPs) offered full coverage through the doughnut hole.ⁱ
- **Seniors stop taking their medications in the doughnut hole.** Beneficiaries who fall into the coverage gap reduce their prescriptions by 14 percent, and data suggest that many decrease use beforehand to avoid entering the gap.ⁱⁱ
- **The doughnut hole is a unique benefit design feature.** Outside of Part D, almost all forms of prescription drug insurance provide financial protection without a yawning gap in coverage.
- **Part D provides far less benefit value than other forms of prescription coverage.** The doughnut hole is a primary reason why the standard Part D benefit covers only 51 percent of drug costs on average, while the typical large employer plan covers 73 percent and the most popular Federal Employees Health Benefits Program (FEHBP) plan covers 80 percent.ⁱⁱⁱ
- **The doughnut hole is an artifact of politics.** The doughnut hole was devised primarily as a means of saving the government money when the Medicare Modernization Act of 2003 was passed. Unfortunately, it exposes seniors to high out-of-pocket costs for prescription drugs, especially since they are required to continue paying Part D premiums while in the doughnut hole.

ⁱ Kaiser Family Foundation, Medicare Part D 2009 Data Spotlight: The Coverage Gap (November 2008); <http://www.kff.org/medicare/upload/7834.pdf>

ⁱⁱ Zhang, Donohue, Newhouse, and Lave, The Effects Of The Coverage Gap On Drug Spending: A Closer Look At Medicare Part D, *Health Affairs* (published online February 3, 2009).

ⁱⁱⁱ Kaiser Family Foundation, Issue Brief: How Does the Benefit Value of Medicare Compare to the Benefit Value of Typical Large Employer Plans? (September 2008); <http://www.kff.org/medicare/upload/7768.pdf>