



CONSUMER ALERT

Moving In and Out of the Doughnut Hole Navigating the Part D Coverage Gap

In any one year, the Part D drug benefit gives you initial coverage up to a certain level. But then, in most cases, there's a gap in benefits before coverage kicks in again. This gap, known universally as the “**doughnut hole**,” is the most criticized and unpopular part of the Medicare prescription drug program. However, the health care reform law of 2010 will gradually close the coverage gap. From 2006, when Part D began through 2010, falling into the gap meant having to pay 100 percent of your costs while in it. But in 2011 and future years, you will pay much less. [It works like this:](#)



- Once your total drug costs (what your plan has paid plus your deductible and copays) exceed a certain amount (\$2,840 in 2011) from the beginning of the calendar year, you are then in the gap.
- While in the gap, in 2011 you pay 50 percent of the cost of brand-name drugs and 93 percent of the cost of generic drugs. (The 50 percent discount on brand-name drugs is paid by the companies that manufacture them. The 7 percent discount on generic drugs is paid by the federal government.) In subsequent years, these costs will reduce until, by 2020, you pay no more than 25 percent of the cost of any drug in the gap.
- You get out of the gap when your out-of-pocket costs during the earlier part of the year (deductible and copays) plus anything you paid for drugs in the gap reach a certain dollar limit (\$4,550 in 2011). The manufacturers' contribution for brand-name drugs also counts toward this limit, even though you didn't pay for it. But the government's contribution for generic drugs does not count toward the limit.
- If you reach this limit, catastrophic drug coverage kicks in automatically and your plan will pay 95 percent of your remaining costs until the end of the year.
- This cycle—deductible, initial coverage period, coverage gap and catastrophic coverage—is repeated each calendar year.

Will everyone fall into the drug coverage gap?

No. You'll avoid it if:

- Your drugs over the year cost no more than \$2,840 (in 2011).
- You qualify for [Extra Help](#), which has no gap.
- You have extra coverage from employer or union benefits that covers all or part of the gap.
- You have extra coverage from a [state pharmacy assistance program](#) that provides coverage in the gap.
- You are enrolled in a Medicare drug plan that covers your drugs (usually generics only) during the gap, often for a higher premium.

How do I get drugs during the drug coverage gap?

You can continue to get them through your plan at the price your plan has negotiated with the manufacturers, which is usually less than you'd pay retail. Your plan will track your expenses so they count toward the out-of-pocket limit. In the gap, you may find drugs elsewhere that are less expensive than your plan charges. You can buy these if you wish—but, under Medicare rules, only drugs purchased at pharmacies within your plan's network count toward the limit that gets you out of the gap.

What counts toward my out-of-pocket spending limit?

- Your deductible (if your plan has one);
- Your copays during the initial coverage period;
- The full price of the brand-name drugs you buy in the gap, even though you have not paid full price for them;
- Any payments for your drugs made by a family member or friend, a charitable group or a state pharmacy assistance program.

In all cases, only payments for drugs your plan covers on its formulary (including any "exceptions" you receive) and are purchased from a pharmacy in your plan's network count toward the limit.

What does not count toward my limit?

- Your plan's premiums;
- Payments for drugs not covered by your plan;
- Payments for drugs bought at a pharmacy outside your plan's network;
- Payments made by your plan, by an employer, union, federal agency or other group insurer;
- Discounts on generic drugs in the gap that are provided by the federal government;
- The value of free or low-cost drugs provided by a drug manufacturer's assistance program;
- The value of drug samples provided by a doctor free of charge;
- Any drugs bought from Canada or other foreign countries.

Will it take me longer to reach catastrophic coverage than before?

No. The discounts you get in the gap in 2011 and thereafter will not slow you down in reaching low-cost catastrophic coverage. That's because the full cost of brand-name drugs bought in the gap count toward the dollar limit that triggers catastrophic coverage

How do I get these discounts?

You don't have to apply for them. They will be automatically deducted from the full price of your drugs at the pharmacy where you fill your prescriptions.

Can I delay reaching the gap?

Yes. Using lower-cost drugs will make your initial coverage last longer. Ask your doctor if generics or less-expensive brand-name drugs would work just as well as the ones you now take. Choosing these drugs could also reduce your copays. (For information on how similar drugs compare in effectiveness, go to the [Consumer Union's](#) website.)

What if I can't afford the cost of my drugs in the gap?

First ask your doctor whether any other drugs on your plan's formulary would be just as effective for your medical condition. Using lower-cost medications, such as generics or similar but older brand-name drugs, will substantially reduce your costs at any time, not just in the gap.

If you don't have additional insurance (for example, from an employer plan, a state pharmacy assistance program or Extra Help) that pays some or all of your costs in the gap, you may consider other (non-insurance) sources of help. These include:

- Free or low cost drugs from assistance programs run by pharmaceutical manufacturers.
- Free or low-cost drugs supplied by local medical clinics, charities or patients' organizations.
- Lower-cost drugs from Canada or other countries.

Must I continue to pay my monthly premiums during the gap?

If you stop paying premiums, your plan will likely terminate your contract, leaving you without drug coverage. In that case, if you join a Part D plan again in the future, you'd have to pay a [late penalty](#) according to the number of months you were without coverage.

How will I know where I am in relation to the gap?

The monthly statement you receive from your plan must explain how near you are to entering the coverage gap or, if you're already in it, how much more you need to spend on your drugs this year before qualifying for catastrophic coverage.

If you use the [Prescription Drug Plan Finder](#) tool to choose a drug plan—by entering the names

of the meds you take, plus their dosages and how often you take them—you can see a bar chart that indicates your total out-of-pocket expenses month by month over the whole year for each plan. The chart shows if and when you'll fall into the doughnut hole and, if so, how long you'll stay in it.

For More Information

The District of Columbia Department of Insurance, Securities and Banking (DISB) is the District of Columbia regulator for the financial-services industry, and it has been working on the implementation of the new health care reform legislation. The agency also works for consumers to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To learn more about health care reform, file a complaint or to obtain free information on consumer issues, visit www.disb.dc.gov or call (202) 727-8000.

You can also contact AARP at www.aarp.org. This information was provided by Patricia Barry / from: AARP Bulletin / January 13, 2011