

Medicare Part D Update

Donut Hole is Closing in 2020: What Does This Mean?

The Medicare Part D donut hole is a term coined by ordinary people for the coverage gap in Medicare Part D plans because it is a hole in the middle of a member's drug coverage during a calendar year. The donut hole is closing for all drugs in 2020. When a member enters the coverage gap this year, they will now be responsible for no more than 25% of the cost of their brand and generic drugs. This is significantly less than previous years; however, members may still have high prescription drug costs while in the coverage gap.

In Medicare Part D, four phases determine how much a member pays for prescriptions. The first phase is the **deductible period**. A member must pay a certain amount of money out-of-pocket until the plan will start to cover medications. The deductible varies with each plan; however, it will not exceed \$435 in 2020. The next phase is the **initial coverage period** when plans will help pay for prescription drug costs. Once total drug costs reach a limit for the year (\$4,020 for most plans), a member will enter the **coverage gap** phase. In 2020, a member will pay 25% of the cost of brand name and generic drugs while in this phase. Once a member has paid \$6,350 in out-of-pocket costs for drugs, they will enter the **catastrophic coverage** phase for the rest of the year. Prescriptions will cost significantly less in this phase at 5% of the drug cost or a monthly co-payment of \$3.60 for generic drugs and \$8.95 for brand name drugs, whichever is higher.

Only one in five Medicare Part D members will reach the coverage gap phase. This is more likely if a member regularly takes 3 to 4 brand name prescription drugs or takes drugs for certain conditions, such as diabetes and cancer. Seventy-one percent of those who reach the Medicare coverage gap will consistently reach it every year.

Closing the donut hole means medication costs in this phase are significantly less than in the past. In the early days of Medicare Part D, members had to pay 100% of prescription drug costs in the coverage gap. A provision of the Affordable Care Act has gradually reduced the amount to 25%; however, medications may still be expensive for members. For example, a brand name drug that costs \$500 would have a co-pay of \$125. Changes were also made to Medicare Part D regarding catastrophic coverage. Last year, catastrophic coverage began after paying \$5,100 out-of-pocket compared to \$6,350 in 2020. It will take longer for members to reach catastrophic coverage this year. Overall, closing the donut hole is a step in the right direction towards making medications more affordable for Medicare Part D members.



References

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