



Closing the Coverage Gap— Medicare Prescription Drugs Are Becoming More Affordable

The Affordable Care Act includes benefits to make your Medicare prescription drug coverage (Part D) more affordable. If you reach the coverage gap (also called the “donut hole”) in your Medicare prescription drug coverage, you’ll get the following:

- A discount on covered brand-name drugs when you buy them at a pharmacy or order them through the mail.
- Some coverage for generic drugs. You can expect additional savings on your brand-name and generic drugs during the coverage gap over the next several years until it’s closed in 2020.



What is the coverage gap, and how will I know if I’ve reached it?

Some Medicare drug plans have a coverage gap. This means that after you and your drug plan have spent a certain amount of money for covered drugs, you have to pay the full costs of your prescription drugs up to a certain limit.

Each month that you fill a prescription, your drug plan mails you an Explanation of Benefits (EOB) notice, which tells you how much you’ve spent on covered drugs and if you’ve reached the coverage gap.



Who can get the savings while in the coverage gap?

You can get the savings if all of the following are true:

- You're currently enrolled in a Medicare Prescription Drug Plan (including employer group health and waiver plans) or a Medicare Advantage Plan (like an HMO or PPO) that includes prescription drug coverage.
- You don't get Extra Help (a Medicare program that helps people with limited income and resources pay Medicare prescription drug costs).
- You've reached the coverage gap.

How does the coverage gap discount work for brand-name drugs?

Companies that make brand-name prescription drugs must sign agreements with Medicare to participate in the Medicare Coverage Gap Discount Program. This program requires the companies to offer discounts on brand-name drugs to people who have reached the coverage gap. Once you reach the coverage gap, you will automatically get a discount (50% in 2012) on your brand-name prescription drugs at the time you buy them. This discount applies if you buy your prescriptions at a pharmacy or order them through the mail. The discount will come off of the price that your plan has set with the pharmacy for that specific drug.

With this discount, you will only pay a certain percent of the price for the brand-name drug, but, the entire price (including the discount the drug company pays) will count toward the amount you need to qualify for catastrophic coverage. Once you reach catastrophic coverage, you only pay a small coinsurance or copayment for the rest of the year. Your EOB notice will show any discounts paid by the drug companies.

You will still need to pay any dispensing fee (cost to fill a prescription) for your prescription. The dispensing fee isn't discounted. It's added to the discounted amount of your prescription.

Example: Mrs. Anderson reaches the coverage gap. She goes to her pharmacy to fill a prescription for a covered brand-name drug. The price for the drug is \$60 and the dispensing fee is \$2. Once the discount (50% in 2012) is applied, the cost of the drug is \$30. The \$2 dispensing fee is added to the \$30 discounted amount. Mrs. Anderson will pay \$32 for the prescription, but the entire \$62 will be counted as out-of-pocket spending and will help Mrs. Anderson get out of the coverage gap.

Once I've entered the coverage gap, will all Medicare-covered brand-name prescription drugs be discounted?

If a drug company has signed an agreement to participate in the Discount Program, all of the covered Part D brand-name drugs they make are covered during the coverage gap for that calendar year. This includes prescription drugs on the plan's formulary (list of covered drugs) and those covered through an appeal. Manufacturers that produce over 99% of the brand-name drugs used by people with Medicare participate in this program.

How is coverage for generic drugs changing in the coverage gap?

In 2012, Medicare will pay 14% of the price for generic drugs during the coverage gap. You will pay the remaining 86% of that price. What you pay for generic drugs during the coverage gap will decrease each year until it reaches 25% in 2020. The coverage for generic drugs works differently than the discount for brand-name drugs. For generic drugs, only the amount you pay will count toward getting you out of the coverage gap. Also, the dispensing fee is included as part of the cost of the drug.

Example: Mrs. Anderson reaches the coverage gap in her Medicare drug plan. She goes to her pharmacy to fill a prescription for a covered generic drug. The price for the drug is \$20 and there is a \$2 dispensing fee that gets added to the cost. Once the 14% coverage is applied to the \$22, she will pay \$18.92 for the covered generic drug. The \$18.92 amount she pays will be counted as out-of-pocket spending to help her get out of the coverage gap.

What if I don't get a discount, and I think I should have?

If you think that you've reached the coverage gap and you don't get a discount when you pay for your brand-name prescription, you should review your next Explanation of Benefits (EOB) notice. If the discount doesn't appear on the EOB, you should work with your drug plan to make sure that your prescription records are correct and up-to-date. If your drug plan doesn't agree that you're owed a discount, you can appeal. You can get help filing an appeal from your State Health Insurance Assistance Program (SHIP) or by calling 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. Visit www.medicare.gov/contacts, call 1-800-MEDICARE, or look at the back cover of your "Medicare & You" handbook to get the phone number for your local SHIP.

What if I have other insurance?

You can only get the discount if Part D is the primary payer (pays first) for your prescription drugs. If your other insurance coverage pays second, they will pay after the discount has been provided.

What if I have coverage from a State Pharmacy Assistance Program (SPAP)?

If you're enrolled in a State Pharmacy Assistance Program (SPAP), or any other program that provides coverage for Part D drugs (other than Extra Help), you still get the discount on covered brand-name drugs. The discount is applied to the price of the drug before any SPAP or other coverage.

I already get discounts from the company that makes my drugs. How will this new program affect these discounts?

Patient assistance programs offered by drug companies are different than the Medicare Coverage Gap Discount Program. You can check with the drug company to find out if its assistance program will change.

Will I get additional savings once I reach the coverage gap if I have a Medicare drug plan that already includes coverage in the gap?

Yes. You may get a discount after your plan's coverage has been applied to the price of the drug. The discount for brand-name drugs will apply to the remaining amount that you owe. For example, if you're in a drug plan that offers a 60% discount on brand-name drugs (after you've spent a certain amount) and you fill a \$100 brand-name prescription, the cost of your prescription after your plan's savings is \$40. The discount would get applied to the \$40 amount. The \$40 will count as out-of-pocket spending and help you get out of the coverage gap.

I already get Extra Help from Medicare to help pay my prescription drug costs. Can I get the discounts too?

No. If you get Extra Help, you already get coverage for your prescription drug costs during the coverage gap.

What happens if I fill a prescription and only part of the amount is in the coverage gap?

The discount will only apply to the portion of your claim that's in the coverage gap. For example, if you fill a prescription that costs \$100, and only \$50 of that cost is in the coverage gap, the discount will only apply to that \$50. In this case, you would pay your normal copayment on the \$50 portion of the prescription that's not in the coverage gap, plus \$25 (50% in 2012 of the \$50 portion that's in the coverage gap).

How will I know if my prescription will be covered at a discount and what should I do if it isn't?

Contact your drug plan or ask your pharmacist if the prescription drugs you take are covered at a discount during the coverage gap. Your brand-name drug will be covered under Part D and discounted if it's made by a drug company that's participating in the Medicare Coverage Gap Discount Program and you reach the coverage gap. If your brand-name drug is made by a drug company that has chosen not to participate in the Discount Program, the drug won't be covered under Part D. If your drug isn't covered, talk to your doctor or other health care provider to find out if there's another drug that you can take.

What additional discounts and savings will I have over time in the coverage gap?

Over the next several years, you pay less in the coverage gap until it's closed by 2020. By 2020, you will pay only 25% for covered brand-name and generic drugs during the gap—the same percentage you pay from the time you meet the deductible (if your plan has one) until you reach the out-of-pocket spending limit (up to \$4,700 in 2012).

| | You Will Pay this Percentage for Brand-name Drugs in the Coverage Gap | You Will Pay this Percentage for Generic Drugs in the Coverage Gap |
|-------------|--|---|
| 2012 | 50% | 86% |
| 2013 | 47.5% | 79% |
| 2014 | 47.5% | 72% |
| 2015 | 45% | 65% |
| 2016 | 45% | 58% |
| 2017 | 40% | 51% |
| 2018 | 35% | 44% |
| 2019 | 30% | 37% |
| 2020 | 25% | 25% |

Get Your Questions Answered

- Visit www.medicare.gov, or call 1-800-MEDICARE (1-800-633-4227) for more information about the closing of the coverage gap. You can also contact your plan.
- For general information about Medicare prescription drug coverage, visit www.medicare.gov/publications to view the booklet, “Your Guide to Medicare Prescription Drug Coverage.”
- For information on how to lower your prescription drug costs, visit www.medicare.gov/publications to view the fact sheet, “4 Ways to Help Lower Your Prescription Drug Costs.”
- If you have limited income and resources, you may qualify for Extra Help from Medicare to help pay your prescription drug costs. Visit www.socialsecurity.gov, or call 1-800-772-1213 to apply. TTY users should call 1-800-325-0778.
- Visit www.stopmedicarefraud.gov to learn how to prevent, detect, and report Medicare fraud and abuse.

