

Health Reform and Medicare:

The Doughnut Hole in 2011

The Affordable Care Act closes the Part D doughnut hole—the gap in Medicare prescription drug coverage—by gradually reducing the consumer’s share of drug costs over a period of ten years. In 2011, for the first time, people in the doughnut hole will receive a discount on brand-name and generic drugs at the time they buy them and will not have to spend as much out of their own pockets.

- When does the doughnut hole begin?
 - The doughnut hole **begins** when consumers reach \$2,840 in total drug costs (what the consumer pays plus what the plan pays) for drugs covered by their plan. In a standard Part D plan, consumers are responsible for a \$310 deductible and coinsurance of 25 percent before they reach the doughnut hole.
- What do consumers pay while in the doughnut hole?
 - Consumers receive a **50 percent discount on brand-name drugs**.
 - Consumers receive a **7 percent discount on generic drugs and drugs compounded at the pharmacy**.
 - Consumers are responsible for the full cost of dispensing fees that some pharmacies charge to fill the prescription.
 - If only part of a claim is in the doughnut hole, the discount is applied only to that portion of the claim.
- How do consumers receive the discount?
 - Consumers receive the discount at the time they purchase their drugs at a store or through mail order. They do not need to apply for the discount.
 - If consumers believe that the discount was miscalculated or they should have received a discount but did not, they may appeal to their Part D plan through the existing appeals process.
- When does the doughnut hole end and catastrophic coverage begin?
 - Consumers get out of the doughnut hole when total drug costs—what the consumer pays plus what the plan pays plus the amount covered by the 50 percent discount for brand-name drugs plus dispensing fees—reach \$6,448. **The amount covered by the 7 percent discount on generic and compounded drugs does not count toward total drug costs.**
 - After reaching \$6,448 in total drug costs, consumers pay no more than 5 percent of the cost of the drugs covered by their plan.

To learn more about how the Affordable Care Act closes the doughnut hole, read [Health Reform and Medicare: Closing the Doughnut Hole](#).

Standard Medicare Prescription Drug Benefit in 2011



Deductible

Standard deductible is \$310



Initial Coverage Period

Begins after deductible is met

Ends when total drug costs reach \$2,840

**Brand-Name,
Generic and
Compounded Drugs**



The Doughnut Hole

Begins when total drug costs reach \$2,840

Ends when total drug costs reach \$6,448

Brand-Name Drugs



**Generic Drugs and
Compounded Drugs**



**Dispensing Fee
(if applicable)**

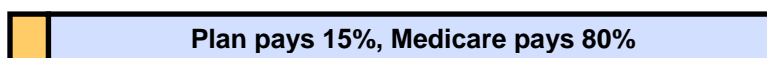


Medicare Subsidy pays 7% (paid through plans)

Catastrophic Coverage Period

Begins when total drug costs reach \$6,448

**Brand-Name,
Generic and
Compounded Drugs**



*The 50% manufacturers' discount counts toward getting out of the doughnut hole.