

# Health Reform and Medicare:

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## The Doughnut Hole in 2012

The Affordable Care Act closes the Part D doughnut hole—the gap in Medicare prescription drug coverage—by gradually reducing beneficiaries' share of drug costs over a period of ten years. In 2012, just as in 2011, 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 beneficiaries reach \$2,930 in total drug costs (what the beneficiary pays plus what the plan pays) for drugs covered by their plan. In a standard Part D plan, beneficiaries are responsible for a \$320 deductible and coinsurance of 25 percent before they reach the doughnut hole.
- What do beneficiaries pay while in the doughnut hole?
  - Beneficiaries receive a **50 percent discount on brand-name drugs**.
  - Beneficiaries receive a **14 percent discount on generic drugs and drugs compounded at the pharmacy**.
  - Beneficiaries are responsible for the full cost—or, for generic drugs and compounded drugs, 86 percent of the 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 beneficiaries receive the discount?
  - Beneficiaries 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 beneficiaries 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?
  - Beneficiaries get out of the doughnut hole when total drug costs—what the beneficiary pays plus what the plan pays plus the amount covered by the 50 percent discount for brand-name drugs plus dispensing fees\*—reach \$6,657.50. **The amount covered by the 14 percent discount on generic and compounded drugs does not count toward total drug costs.**
  - After reaching \$6,657.50 in total drug costs, beneficiaries 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 2012



## Deductible

Standard deductible is **\$320**

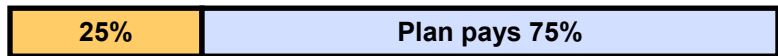


## Initial Coverage Period

**Begins** after deductible is met

**Ends** when total drug costs reach **\$2,930**

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



## The Doughnut Hole

**Begins** when total drug costs reach **\$2,930**

**Ends** when total drug costs reach **\$6,657.50**

**Brand-Name Drugs**



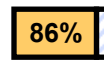
**Generic Drugs and  
Compounded Drugs**



**Dispensing Fee\*  
(if applicable)**



**Brand-Name  
Drugs**



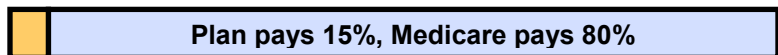
**Generic Drugs and  
Compounded Drugs**

**Medicare  
Subsidy pays  
14% (paid  
through plans)**

## Catastrophic Coverage Period

**Begins** when total drug costs reach **\$6,657.50**

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



\*The entire cost of the dispensing fee for brand-name drugs counts toward getting out of the doughnut hole, whereas 86% of the dispensing fee counts for generic drugs and compounded drugs.

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