

Health Reform and Medicare:

The \$250 Doughnut Hole Rebate

The new health reform law includes a **one-time** \$250 rebate for people who reach the gap in Part D prescription drug coverage in 2010.

➤ WHAT

The Part D coverage gap (also known as the “doughnut hole”) is the gap in Medicare drug coverage when consumers must pay the full cost of their drugs. In 2010, for most plans, the doughnut hole begins when total spending—what the consumer has paid plus what the plan has paid—reaches \$2,830, and ends when total spending reaches \$6,440, at which time catastrophic coverage begins. Once consumers reach catastrophic coverage, they pay 5 percent of the cost of each drug, or \$2.50 for generics and \$6.30 for brand-name drugs (whichever is greater). Consumers in the doughnut hole must still pay their drug plan’s premiums, even though their plan does not provide coverage during this time.

In 2010, Medicare will automatically send people who enter the doughnut hole a one-time \$250 rebate. People will not have to pay taxes on the rebate. This rebate should not be confused with 2009 rebates, which were offered as part of the economic stimulus package.

➤ WHO

Only people with Medicare who enter the Part D doughnut hole **in 2010** are eligible for the \$250 rebate. Consumers who receive Extra Help, the federal program that helps people with limited incomes pay for their prescription drugs, will not receive a rebate.

An estimated 4 million Medicare consumers will receive a check. It does not matter if a consumer spends \$1 in the doughnut hole or \$1000; the rebate applies to all people with Medicare who enter the gap in 2010. Consumers with additional questions about the rebate should call 1-800-MEDICARE.

➤ WHEN AND WHERE

Medicare will begin sending rebates on June 10, and will continue to send checks about once a month to people who newly enter the doughnut hole. Consumers should expect to receive a check within 45 days of entering the doughnut hole. There may be

instances when consumers receive rebates in 2011—for example, if they enter the doughnut hole in December 2010.

Medicare will send the check to the mailing address listed with Social Security.

Generally, if a consumer does not receive a check but should have, he or she should contact 1-800-MEDICARE. There are several reasons why a rebate may be delayed. Consumers who do not receive the rebate within 45 days of entering the doughnut hole should contact their drug plan to confirm that the plan forwarded the proper information to Medicare. Another potential reason consumers may not receive a check in a timely manner is if Social Security does not have their current address on file.

If problems persist—if, for example, a check does not arrive after an extended period of time—consumers can file an official complaint by calling 1-800-MEDICARE. Official complaints cannot be submitted, however, until at least four months from the date a person entered the doughnut hole.

➤ How

Medicare will send rebate checks **AUTOMATICALLY** to eligible individuals. There are no forms to fill out. Consumers should be wary of fraud. They should not give out personal information such as Social Security numbers, Medicare numbers or bank account numbers to anyone who calls them about the \$250 rebate. People should report fraud by calling **1-800-MEDICARE**.

➤ WHY

The health reform law gradually phases out the doughnut hole, and the rebate checks in 2010 are the first step in that process. In 2011, consumers will receive a 50 percent discount on brand-name prescription drugs and a 7 percent discount on generic drugs when they are in the doughnut hole. The share consumers pay for both brand-name and generic drugs will decrease until the gap is eliminated in 2020. From 2020 on, consumers will pay on average 25 percent of the cost of their drugs after they have paid their deductible, until they reach catastrophic coverage. [Read *Health Reform and Medicare: Closing the Doughnut Hole*](#) to learn more about the doughnut hole phaseout.