Health Reform and Medicare:
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

**The Doughnut Hole**
Begins when total drug costs reach $2,930
Ends when total drug costs reach $6,657.50

**Dispensing Fee**
Brand-Name Drugs
Generic Drugs and Compounded Drugs

**Catastrophic Coverage Period**
Begins when total drug costs reach $6,657.50

*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.**