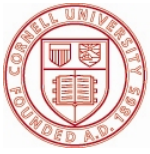


MEDICARE PART D RESEARCH FACTS

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Cornell University
College of Human Ecology

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Cornell University Resource Education
for Medicare Part D

FACT OR FALLACY?

Coverage of a medication in a Part D plan must provide consistent pricing of that medication for the entire year.

SIZING UP DONUT HOLES

The donut hole, or coverage gap might be considered one of the most controversial features of Medicare Part D Drug Plans. This second deductible is an insurance feature that is unique to Part D drug plans. It was established by the legislature to keep expenses within the budgetary limitations established by the Medicare Modernization Act of 2003, which created Medicare Part D.

In 2008, beneficiaries will reach the donut hole after having incurred \$2510 in total drug expenditures with a basic plan. This includes any amount paid for a deductible plus the beneficiary portion of drug costs during the initial coverage zone. It does not include premium payments.

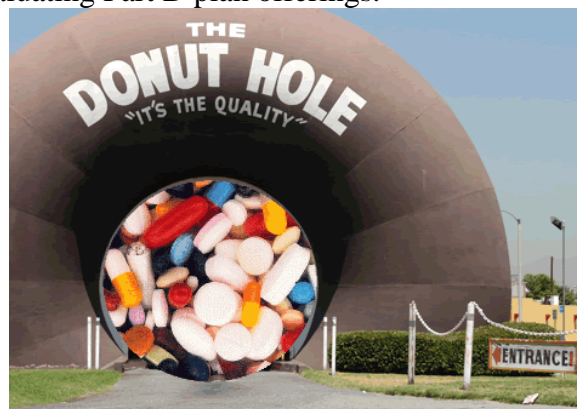
At the point of reaching the donut hole, beneficiaries will pay 100% of drug costs until they reach the threshold for catastrophic coverage. With a standard plan in 2008, this amounts to \$3216 in out of pocket costs. Generally, people who qualify for extra help do not pay for medications during the coverage gap.

In 2008, only one stand alone prescription drug plan (in Florida) will offer some coverage of brand name medications. Nationally, twenty-nine percent of the stand alone plans will offer some type of generic coverage in the gap. While

this is consistent with the coverage offered in 2007, the scope of coverage for generics is becoming more limited with about half of the plans covering only “preferred” or “some” generics, according to one analysis,

In 2007, 8% of enrollees chose a plan that offered gap coverage. The average premium for a plan that offers gap coverage in 2008 will be \$63.29 nationally. This is about double the cost of \$30.14 for a basic plan with no gap coverage and \$31.97 for a plan that offers enhanced benefits but no gap coverage.

Evolving gap coverage of medications has added a level of complexity to Part D plan selection and increased the confusion incurred when comparing options. This added variable underscores the importance of annually re-evaluating Part D plan offerings.



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