

# Medicare and Part D Donut Hole

## The Medicare "Donut Hole"

### The Coverage Gap

The way Medicare Part D was designed there was a planned coverage gap, which has become known as "the donut hole". This gap has caused a great deal of confusion and higher than expected out of pocket costs for medications.

#### When do you reach the gap?

The gap begins when a person reaches a predetermined amount during the year based on average retail cost of drugs. In 2011, that amount is set at \$2840. Since Medicare drug plans negotiate for a lower price the average retail cost is not what you actually paid out of pocket. Every drug plan can have a different negotiated amount so the same drug may cost different amounts from one plan to the next. This means that two different people with two different plans will reach the gap at different times.

A person reaches the other side of the gap when their out of pocket costs reach \$4550 in a year. This excludes any amounts paid by you for premiums or any amounts paid by your insurance. This means that only actual costs out of a person's pocket will count.

### Catastrophic Coverage

Once a person reaches the other side of the gap they are into what is called catastrophic coverage for the rest of that year. With this catastrophic coverage a person will pay up to 5% of the drug cost and the remainder will be covered by the drug plan.

### Closing the Gap

A great deal of effort is being made to close this gap and in 2011 a special program was put in place that helps cover medication costs once the gap is entered. Once a person reaches the gap they received discounts to help cover costs. For covered brand name drugs a 50% discount is offered and a 7% discount for covered generic drugs. It is expected that the gap will be closed by 2020.

Programs to help ease the burden caused by the gap include a one-time \$250 rebate check mailed to eligible beneficiaries beginning in June 2011. Those in the donut hole will also be eligible to receive a 50% discount on all brand name drugs and a 7% discount on generics.

By 2013 people in the gap will begin to pay less and less for brand name drugs and by 2020 their hole will be closed completely. Beneficiaries will only pay 25% of drug costs until they reach the annual spending limit.

[Click here](#) <sup>[1]</sup> for a gap calculator

## **The Affordable Care Act**

In March of 2010 the Affordability Care Act was signed into law. It contains a number of provisions that create changes in American healthcare over the next 5 years. Provisions include:

### **New consumer protections**

- Placing easy to understand online tools that will allow people to compare medical coverage options
- Prohibiting coverage denial for children with pre-existing conditions
- Preventing health plans from canceling coverage because of illness
- Eliminating lifetime coverage limits and regulating annual limits for essential services
- Providing better access for people to appeal decisions and creates programs to help consumers navigate the system

### **Better quality and lower costs**

- Providing help for small employers to be able to offer insurance to employees
- Coverage of preventive care at no cost
- Efforts to cut down Medicare fraud
- Creating programs to improve public health
- Steps to close the Medicaid Part D donut hole

### **Increased access to affordable care**

- Provide a new insurance program for people who have been without coverage for 6 months due to a pre-existing condition
- Allowing young adults to remain covered under their parents health insurance until age 26 in some circumstances
- Creation of a program to expand coverage for early retirees
- Expansion of the number of primary care doctors, nurses and physician assistants to make healthcare more available and increasing payments to providers in rural areas
- Holding insurance companies responsible for unreasonable rate hikes
- Allowing states to cover more people through Medicaid by providing matching funds
- Providing increased funding to support and build more programs at community health centers

## **Extra Help for Low Income**

People who meet certain low-income criteria may be eligible to receive additional financial assistance with premium and drug costs. The Extra Help Program is only available to those who are enrolled in a Part D plan. To get help enrolling or for additional financial help call **1-800-MEDICARE (TTY 1-877-486-2048)** or go to the Medicare website [www.medicare.gov](http://www.medicare.gov). [2]

## **Medicare Savings Programs**

Medicare Savings Programs (MSPs) are state programs for people with limited resources or low income to help to cover Medicare costs. This application can be done at the same time as the Extra Help application. The programs vary from state to state and can help cover premium costs and in some states may help with deductibles and co-insurance costs. This link can take

you to the Medicare website and information for each state:  
<http://www.medicare.gov/contacts/staticpages/msps.aspx> [3]

## References

Q1 Medicare.com: <http://www.q1medicare.com/PartD-MoreOnTheDonutHolesOrCoverageGap.php> [4]

Medicare website: <https://secure.ssa.gov/apps6z/i1020/main.html> [5]

Medicare Savings Programs: <http://www.medicare.gov/contacts/staticpages/msps.aspx> [3]

# Kidney Patients and the Donut Hole

## Can the Medicare "Donut Hole" Affect Kidney Patients?

The short answer to this question is "maybe". The longer answer reveals that the gap affects some Medicare recipients more than others. A closer look will help to explain the reason why these two answers are different and how your patient may be affected.

### What is it?

The "donut hole" is a gap in prescription drug coverage under Medicare. This gap begins when a person reaches a predetermined amount during the year based on average retail cost of drugs. In 2011 the gap begins when a person spends \$2840 in actual out of pocket drug costs in a year. They reach the other side when their costs hit \$4550 in that same year. Steps are being taken to minimize the impact on seniors and the gap will be completely eliminated by 2020 through rebates and discounts for those who fall into this gap.

### What does this mean for providers?

Many patients, especially those on fixed incomes, may have difficulty paying for their medications when their Medicare drug coverage stops. This can mean that patients take less of their drug to make it last longer or skip doses. Some stop taking their medication altogether. Obviously all of these can impact the health of the patient. The good news is that there are programs available to help bridge this gap for Medicare recipients.

### What kind of help?

Those affected by the donut hole will receive a \$250 rebate check. They will also receive a 50% discount off the price of brand name drugs and 7% off of generic drugs. This discount is being paid for by pharmaceutical companies. Patients will pay less over the next few years until they only pay for 25% of the cost until they reach an annual limit.

Independent co-pay foundations can cover out of pocket costs for drugs for Medicare recipients with standard part D coverage. Those with commercial or private health insurance may be eligible for discount programs through specific pharmaceutical companies.

Patients who are eligible for both Medicare and Medicaid, known as dual eligible, are usually not affected by this donut hole.

### **What can providers do?**

Talk to patients about their prescriptions. Be alert to signs that they may not be taking them as ordered and be sensitive that cost may be a factor. Understanding the donut hole will help you to identify those patients who may be at risk due to the donut hole. Taking the time to talk to patients about these risks can help determine what kind of assistance they may need. Being familiar with available resources will help successfully connect your patients to the right programs.

## **Resources for Patients**

It is critical to be an active and engaged participant in your own care. Reading this article will help you make sure you are getting the care you need. Any time new medicines or tests are ordered for you, it is important to ask questions. It can be intimidating to ask doctors or nurses these questions, but you are not able to make informed decisions without all of the facts. The Agency for Healthcare Research and Quality's (AHRQ), part of the part of the Department of Health and Human Services, was created to help with this process. The AHRQ has developed a patient guide of questions to help start the conversation with all of your health care providers.

### **When your doctor orders a new medicine**

- What is the name of the medicine?
- How is it spelled?
- Does it come in a generic?
- If not, then it is expensive?
- Are there programs to help me afford it?
- What condition is it for?
- How do I take it?
- How often?
- How long will I need to take it?
- When will it start working?
- When I feel better can I stop taking it?
- How many refills can I get?
- What kind of side effects are there?
- Will they affect my ability to drive or work?
- Do I keep taking my other medicines?
- Will this interact with any of my other medicines?
- What about vitamins and supplements?
- Will I need to have lab tests done while I am taking this medicine?

### **When your doctor orders medical tests**

- What is the test for?
- How is it done?
- How long will it take?
- Can I eat right before this test?
- When will I get the results?
- How will I know what the results mean?
- Do I need to do anything to get ready for the test?
- What will happen after this test?

### **When your doctor suggests a treatment for an illness or condition**

- Are there other choices?
- What are the risks?
- How will it help me?
- Will it hurt?
- If it will hurt how will you treat the pain?
- Is this the treatment you recommend?
- How much will this cost?
- Will my insurance cover it?
- Will it work?
- How long will it take to work?
- Are there side effects I should know about?
- How soon do I need to decide?
- What if I don't do anything?

## **Resources for Providers**

### **When you order a new medicine**

- The name and spelling of the medicine
- Whether or not the drug is available as a generic
- Discuss the costs of medications and what programs help cover costs
- Explain what condition the medicine is for
- Review the dose and frequency with your patient
- Be clear about how the medicine must be taken
- Before eating
- With or without food
- During the meal
- Let the patient know what to expect
- How long they will take the medicine
- When they should begin to notice improvement
- What side effects they may experience
- How it might affect driving or working
- How many refills they will get
- Let them know if they need to keep taking their other medicine or which ones to stop
- Let your patient know about potential interactions with vitamins
- Outline any needed lab tests done
- Make sure the patient knows when you will see them again

### **When you order medical tests**

- Explain the test and what it is for
- Talk about how the test is done and how long it will take
- Be honest about whether or not it may hurt
- Let the patient know of any special instructions such as fasting
- When and how you will let them know about the results
- Outline the plan of care, including next steps

### **When you suggest a treatment for an illness or condition**

- Talk about all of the available treatment options including success rates
- Be clear about how the treatment may help and what risks there may be
- Be honest about whether or not it may hurt
- Talk about what can be done for pain
- Be prepared for them to ask you what you would do
- Know what the treatment may cost and whether it is covered by most insurance plans
- Be honest about what may happen if they do nothing
- Offer them time to consider their choices, set a reasonable time line for their decision

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#### **Links**

[1] <http://www.q1medicare.com/PartD-PartDCoverageGapCalculator07Xphp.php>

[2] <http://www.medicare.gov/>

[3] <http://www.medicare.gov/contacts/staticpages/msps.aspx>

[4] <http://www.q1medicare.com/PartD-MoreOnTheDonutHolesOrCoverageGap.php>

[5] <https://secure.ssa.gov/apps6z/i1020/main.html>