

Rebates through Medicare's Prescription Drug Program

The Patient Protection and Affordable Care Act (ACA) began making changes to the Medicare Part D Prescription Drug Program in 2010 in order to help reduce Medicare beneficiaries' out-of-pocket drug cost and make their prescribed drugs more affordable.

What is the Medicare Part D Program coverage gap (“donut hole”) and how did the ACA reduce beneficiaries' out-of-pocket costs within the gap in 2010?

In 2010, the standard Medicare Part D benefit included a \$310 deductible and a 25 percent coinsurance until the enrollee reaches \$2,830 in total covered drug spending. After this initial coverage limit is reached, there is a gap in coverage in which the enrollee is responsible for the full cost of the drugs (often called the *donut hole*) until total costs hit the catastrophic threshold, \$6,440. It is estimated that about 25 percent of beneficiaries reach the coverage gap in a given year. Once reaching the catastrophic threshold, beneficiaries are covered for at least 95 percent of their drug expenses for the rest of the year.

Under the ACA, beneficiaries who reached the coverage gap received a \$250 rebate. This rebate was only in effect for 2010. New subsidies to reduce and eventually eliminate the doughnut hole were implemented in 2011.