

## **Prescription Drug Discounts and Medicare**

The Patient Protection and Affordable Care Act (ACA) made changes to the Medicare Part D Prescription Drug Program in 2011, having built upon changes in 2010, which consisted of a \$250 rebate for qualifying beneficiaries.

### **What are the out-of-pocket costs for the Medicare prescription drug benefit?**

For 2013, the standard Medicare Part D benefit includes a \$325 deductible and a 25 percent coinsurance until the enrollee reaches \$2,970 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, \$6,733.75. 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.

### **What does the ACA do about the coverage gap?**

The ACA made the following changes within the coverage gap in 2011:

- Drug manufacturers must provide a 50 percent discount on brand name prescriptions while the beneficiary is in the coverage gap. In addition, Medicare total cost calculations were to include the non-discount price of the drugs; thus beneficiaries are now able to reach the catastrophic threshold more quickly while benefiting from decreased out-of-pocket spending.
- A federal subsidy was phased in for generic drugs so that the coinsurance will be reduced from 100 percent to 25 percent within the coverage gap by 2020. The subsidy for brand name drugs purchased in the coverage gap will be phased in starting in 2013.

### **Are there any other changes in the Medicare Part D Prescription Drug Program that reduce beneficiary drug costs or increase drug access?**

The ACA contained several additional provisions implemented in or by 2011 that were designed to improve access to and availability of a federal low-income supplement (LIS) to Medicare beneficiaries with incomes below 150 percent of poverty. For example, the redetermination of LIS eligibility subsequent to the death of a spouse was postponed for a year, and cost sharing was eliminated for individuals receiving care under a Medicaid Home and Community-based Waiver who would otherwise require care in a medical institution or a facility. The ACA also made changes to the methodology used to determine which drug plans are eligible to enroll low-income beneficiaries so that more plans would qualify and thus reduce the number of low-income beneficiaries who needed to change plans from year to year.

### **Is it true that some beneficiaries were required to pay higher premiums to join a Medicare Part D Prescription Drug plan in 2011?**

Yes, similar to the change made in 2007 requiring high-income beneficiaries to pay higher premiums for Part B benefits, the ACA, effective January 1, 2011, set the same thresholds of individuals earning at least \$85,000 or couples \$170,000 for beneficiaries to pay higher Part D plan premiums.