

Prescription Drug Discounts and Medicare - 2013

The Patient Protection and Affordable Care Act (ACA) continues to make changes to the Medicare Part D Prescription Drug Program in 2013, having built upon changes made in 2011 and 2010.

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

In 2013, the standard Medicare Part D benefit includes a \$325 deductible and 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 of \$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.

- In 2010, beneficiaries who reached the coverage gap received a one-time \$250 rebate.
- In 2011, the ACA required that drug manufacturers provide a 50 percent discount on brand name prescriptions while the beneficiary is in the coverage gap. In addition, Medicare total cost calculations included the non-discount price of the drugs; thus, beneficiaries were able to reach the catastrophic threshold more quickly while benefiting from decreased out-of-pocket spending.
- Starting in 2011, a federal subsidy was phased in for generic drugs so that coinsurance in the coverage gap will be reduced from 100 percent to 25 percent by 2020.

What happens in 2013?

The subsidies to reduce the donut hole get bigger, reducing beneficiaries’ out-of-pocket expenses. Beginning in 2013, additional federal subsidies are phased in for brand-name drugs in the [Part D coverage gap](#), reducing the beneficiary co-insurance rate from 100 percent to 25 percent by 2020. In 2012, beneficiaries paid 50 percent of the cost of brand-name drugs and will pay 47.5 percent of the cost in 2013.

Additional Resources

- *Department of Health and Human Services: People with Medicare save \$5 billion on prescription drugs thanks to health care law.*

<http://www.hhs.gov/news/press/2012pres/12/20121203a.html>