FAST*facts*

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MEDICARE PART D DRUG COVERAGE

Millions of Americans, including those with cancer and other life-threatening diseases, depend on Medicare for their medications. It's an increasingly complicated and perpetually changing system that often leaves seniors—and their caregivers—confused about payment responsibility. And looming policy issues related to beneficiaries' costs could soon make the situation worse by increasing what seniors have to pay out of pocket—unless policymakers find a solution, and fast.

Q: What do Medicare beneficiaries pay under the Part D prescription drug plan?

There are four phases of Medicare Part D drug coverage:

1. Meeting the annual deductible
2. Initial coverage phase
3. Coverage gap phase
4. Catastrophic coverage phase.

Before entering the initial coverage phase, most Medicare beneficiaries must meet their annual deductible. For 2019, the standard deductible is $415; seniors must pay this set amount out of pocket.[1] After the deductible is met, Part D coverage begins. During the initial coverage phase, seniors are responsible for 25 percent of Part D prescription costs. When their out-of-pocket spending reaches $3,820, seniors enter a gap in coverage that's often called the "donut hole."

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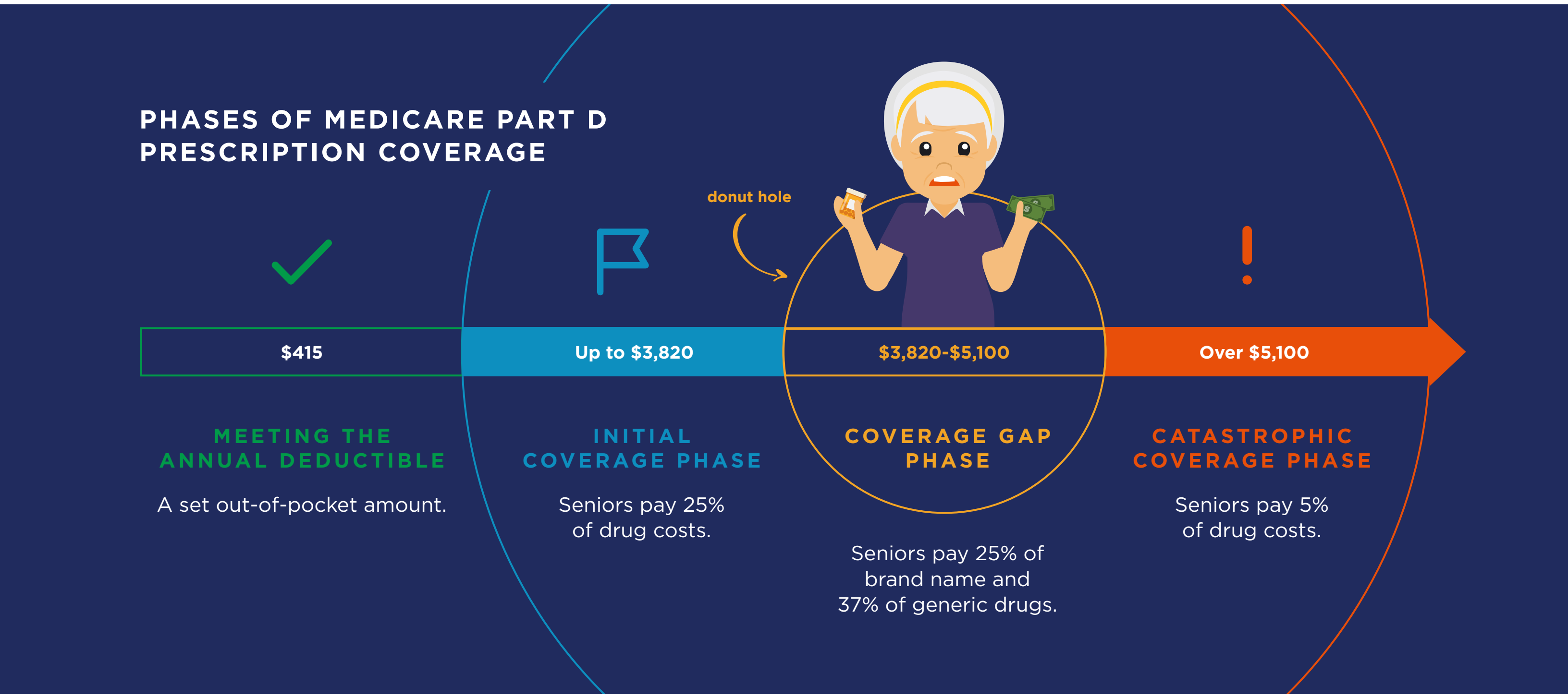
Q: What is the "donut hole"?

The "donut hole" refers to the time after seniors have spent the $3,820 limit of the initial coverage phase, but before they've reached $5,100 in out-of-pocket spending that qualifies them for what's known as catastrophic coverage. This phase is also known as the coverage gap, because health plan prescription drug coverage shrinks to 5 percent.

While seniors were once responsible for all prescription drug costs during the donut hole, that amount has decreased over time. As of 2019, seniors pay 25 percent of brand-name drugs' cost, while drug manufacturers cover the remaining 70 percent. With generic drugs, seniors remain responsible for 37 percent, a policy that extends until 2020.



Q: What happens when Medicare beneficiaries meet the catastrophic threshold?

Seniors enter the catastrophic coverage phase once they have paid $5,100 out of pocket. At that point, seniors are responsible for five percent of drug costs or $3.35 for generics and $8.25 for brand name drugs—whichever is greater.

While the catastrophic phase limits patients' per-drug spending, seniors could still end up spending thousands of dollars. That's because, unlike the majority of commercial and exchange plans, Medicare Part D does not have an out-of-pocket cap.

Q: What happens when seniors reach the "fiscal cliff"?

The out-of-pocket spending required to qualify for catastrophic coverage used to increase each year. But in 2014, Congress voted to slow those increases to help seniors afford their medications.

The period of slowed growth, however, was temporary. When it ends, the amount that seniors must spend to qualify for catastrophic coverage will increase—by an estimated $1,250 between 2019 and 2020.

This spike in out-of-pocket spending is called the Part D fiscal cliff. It could pose serious barriers to patient access, as many seniors live on modest, fixed incomes and may not have an additional $1,250 to pay toward the medicine that keeps them healthy, functional and alive.

Q: What can policymakers do to ensure seniors continue to get their medications?

The anticipated increase in out-of-pocket costs is expected to significantly impact some seniors' ability to afford their medications in 2020. Several policy solutions have been suggested to ease this concern.

One approach is to stop the fiscal cliff from jumping in 2020. Similar to what Congress did in 2014, lawmakers can again vote to slow increases to the catastrophic threshold.

Another approach is to institute out-of-pocket caps for Medicare Part D. This would provide seniors with protection similar to that of commercial plans.

President Trump has proposed another alternative: shielding seniors from any financial liability in the catastrophic phase.[2] This would relieve beneficiaries of their current five percent share, which could be a significant amount of money depending on one's medications.[3] The tradeoff, however, is increasing seniors' out-of-pocket cost in the coverage gap phase by several thousand dollars.

CONCLUSION

When considering changes to Medicare Part D drug coverage, policymakers should keep in mind those seniors who have no choice but to use innovative or expensive drugs such as biologics or chemotherapy. For some patients, their lives depend upon access to these medications.

> Out-of-pocket caps and other policies that reduce beneficiaries' expenses can help **keep necessary medications** within reach for millions of seniors.

Without a long-term solution that caps seniors' direct costs, however, essential medicines will become increasingly more difficult for Medicare beneficiaries to afford.

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