

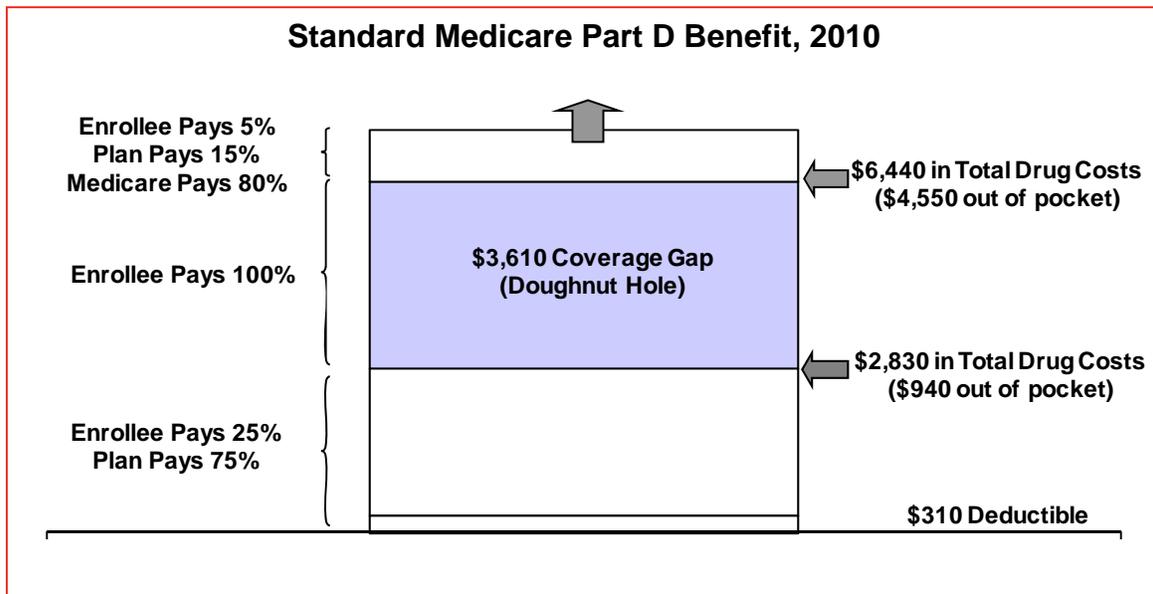
Health Care Reform Legislation Closes the Medicare Part D Coverage Gap

Recent health care reform legislation will greatly increase the availability of health insurance and broadly impact the delivery of health care in America. This Fact Sheet looks specifically at how the legislation will help reduce prescription drug costs for Medicare beneficiaries.

New health care reform legislation helps reduce out-of-pocket prescription drug costs for the more than 3 million Medicare Part D enrollees who fall into the Medicare Part D coverage gap, or “doughnut hole,” each year.

Current Doughnut Hole Costs for Part D Enrollees Are Substantial

Currently, Part D enrollees are responsible for 100 percent of their prescription drug costs in the doughnut hole. In 2010, the size of the doughnut hole is \$3,610.



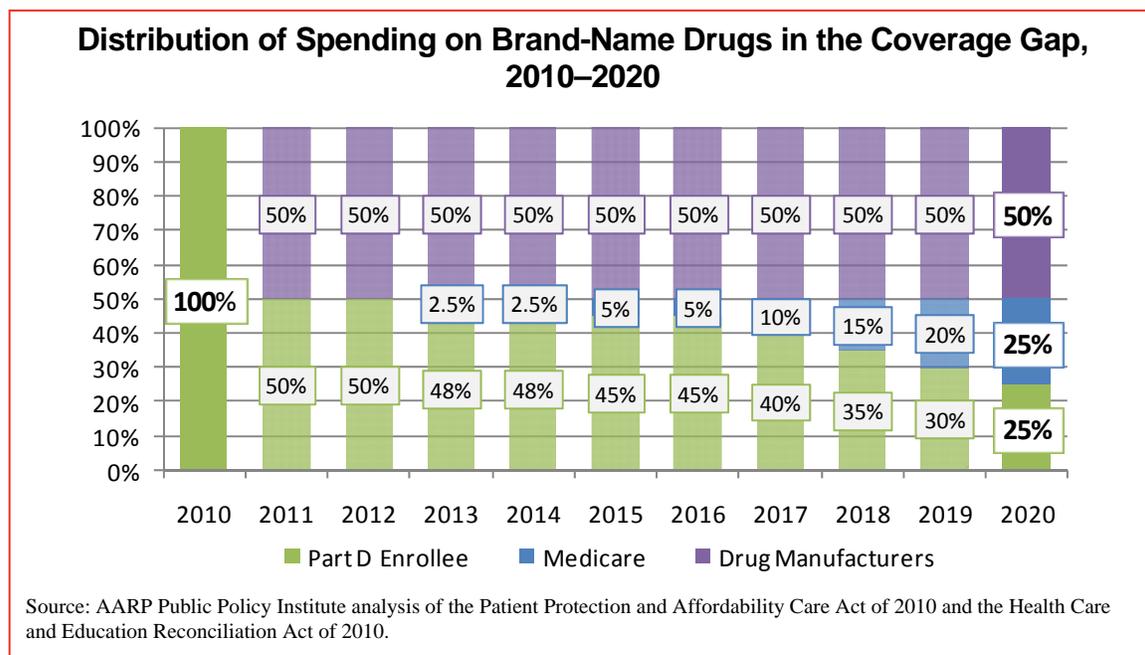
Doughnut Hole Will Close by 2020

- In 2010, Medicare Part D enrollees who enter the doughnut hole will receive a one-time rebate of \$250.
- On January 1, 2011, the doughnut hole will begin to close through a combination of Part D enrollee contributions, Medicare contributions, and drug manufacturer contributions. By 2020, Part D enrollees will be responsible for just 25 percent of their prescription drug costs in the doughnut hole.

- Part D enrollees who receive the low-income subsidy¹ are not eligible for the \$250 rebate or discounts in the doughnut hole, because the federal government already covers their costs.
- Between 2014 and 2019, the legislation will adjust the indexing of the out-of-pocket threshold (i.e., the point at which enrollees enter catastrophic coverage) to help slow its growth.

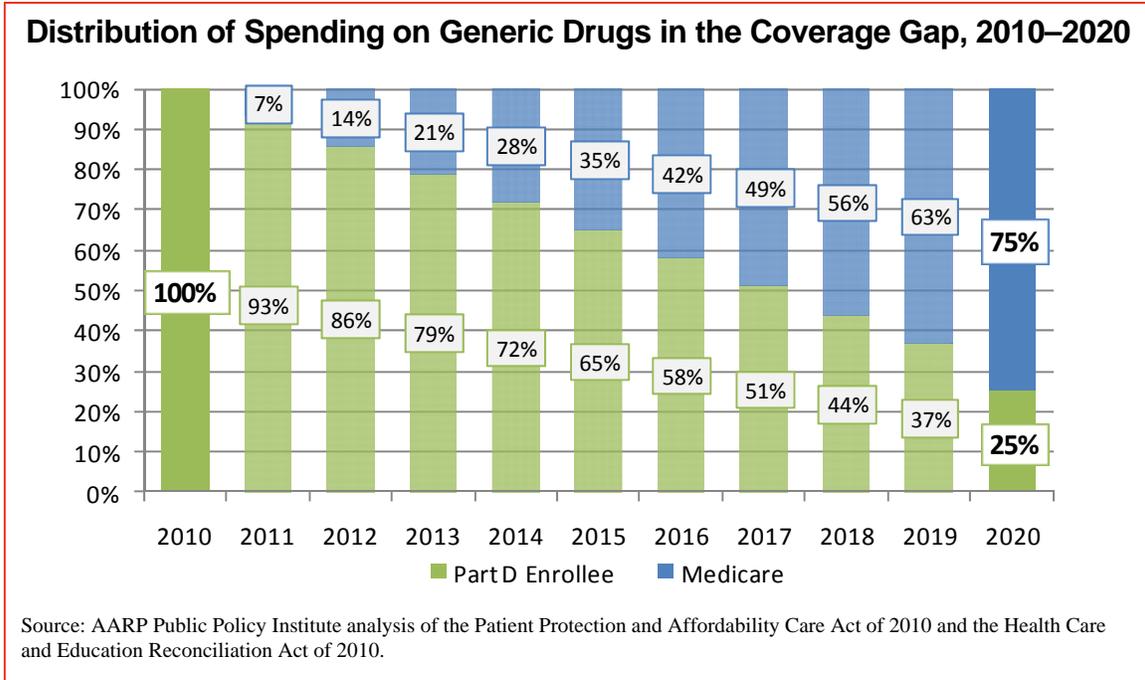
Enrollee Costs for Brand-Name Drugs to Drop Sharply in the Doughnut Hole

- Starting in 2011, brand-name drug manufacturers will provide a 50 percent discount on brand-name and biologic drugs for enrollees who are in the doughnut hole.
- Starting in 2013, the Medicare program will begin providing an additional discount on brand-name and biologic drugs for enrollees who are in the doughnut hole. This discount will gradually increase until it reaches 25 percent in 2020.
- In 2020, the combination of enrollee contributions (25 percent), Medicare contributions (25 percent), and drug manufacturer contributions (50 percent) will effectively close the doughnut hole.



Enrollees' Generic Drug Costs to Drop Gradually in the Doughnut Hole

- In 2011, the Medicare program will begin providing a discount on generic prescription drugs for enrollees who are in the doughnut hole. This discount will gradually increase until it reaches 75 percent in 2020.
- In 2020, the combination of enrollee contributions (25 percent) and Medicare contributions (75 percent) will effectively close the doughnut hole.



This fact sheet will be updated as health care reform implementation proceeds.

¹ Medicare Part D includes substantial premium and cost-sharing subsidies for Medicare beneficiaries with limited incomes and resources. In 2010, 36 percent (9.95 million) of the more than 27 million Medicare Part D enrollees are receiving the low-income subsidy.

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