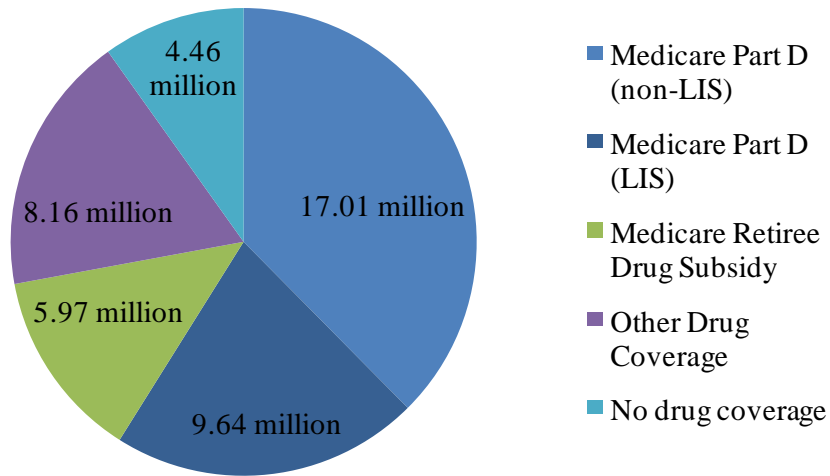


Closing the “Doughnut Hole” Will Help Protect Over One-Third of Medicare Beneficiaries from High Drug Costs

- **Over one-third (17 million) of the nation’s 45 million Medicare beneficiaries would benefit from eliminating the “doughnut hole”—the gap in Part D drug coverage where they have to pay the full cost of their prescription drugs.**
 - Approximately 26 million Medicare beneficiaries have Part D coverage. Of these, more than 9 million receive low-income subsidies to cover drug costs, leaving 17 million with no real protection from the doughnut hole.
 - Eliminating the doughnut hole would affect beneficiaries in every state. For example, we estimate that close to 2 million Medicare beneficiaries are currently at risk of falling into to the coverage gap in California; more than a million in Florida; and nearly a million in New York, Texas and Pennsylvania. (See attached chart for state breakouts.)

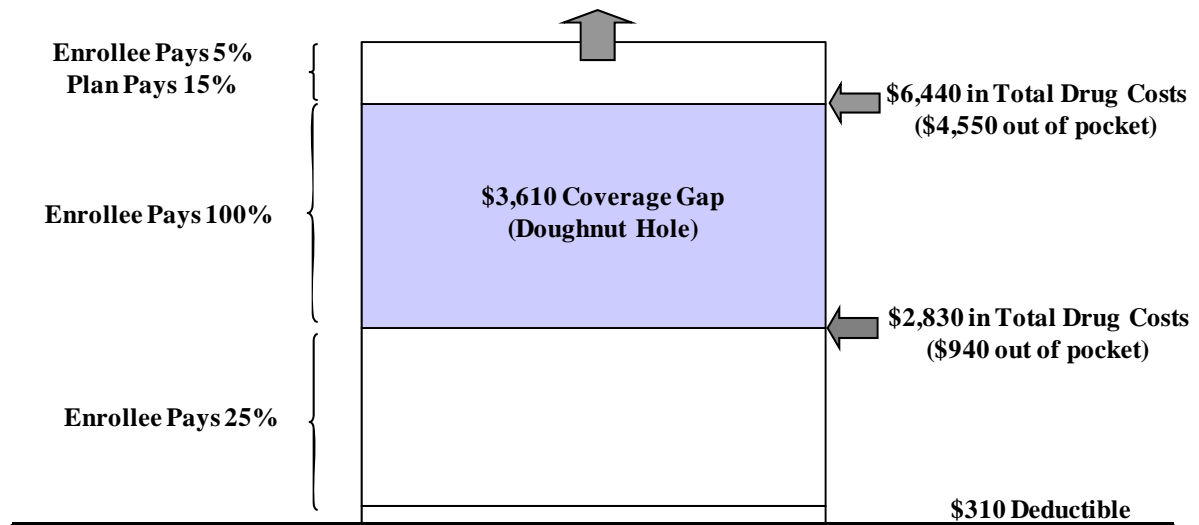
Total Medicare Beneficiaries with Prescription Drug Coverage, 2009



Note: Enrollment data are as of February 1, 2009. “Other drug coverage” includes multiple source of creditable coverage, including TRICARE retiree coverage, FEHB retiree coverage, and Veterans Affairs coverage.
 Source: AAARP Public Policy Institute analysis based on data from the Centers for Medicaid and Medicare Services. Available online at: <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/>.

- **Medicare beneficiaries in the doughnut hole pay the full cost of their prescription drugs—as well as their premiums.**
 - The standard benefit under Part D has an annual deductible; an initial coverage period where beneficiaries pay 25 percent of their drug costs; and catastrophic coverage that limits beneficiaries’ spending to roughly five percent of their drug costs. The doughnut hole is between the initial coverage period and catastrophic coverage; closing it would entail raising the initial coverage level until it met the catastrophic coverage level. Enrollees would then be responsible for 25 percent of their drug costs until they reached catastrophic coverage.

STANDARD MEDICARE PART D DRUG BENEFIT, 2010



- **In 2010, the size of the doughnut hole stands at \$3,610. By 2016, it is projected to almost double, to more than \$6,000, with potentially significant impact on the health and financial security of many enrollees.**
 - The size of the doughnut hole is updated annually and indexed to reflect growth in Medicare Part D beneficiaries' per capita drug spending—which is affected by changes in drug prices, drug utilization or consumption, and the mix of therapy.
 - A November 2009 AARP Public Policy Institute report found that the manufacturer prices of widely used brand name drugs and specialty drugs increased by 9.3 percent and 10.3 percent, respectively, between October 2008 and September 2009. In contrast, average manufacturer prices for widely used generic drugs fell during the same time period. These trends resulted in an average annual rate of increase of 5.4 percent for manufacturer drug prices despite a negative rate of general inflation.
- **The health care reform bills currently under consideration in Congress move towards closing the doughnut hole and could help millions of Medicare beneficiaries limit their exposure to the coverage gap.**
 - The Affordable Health Care for America Act (House bill, H.R. 3962) completely eliminates the Medicare Part D doughnut hole by 2019. It also provides a one-time decrease in the size of the doughnut hole and requires drug manufacturers to provide 50 percent discounts on brand name drugs and authorized generics for Part D enrollees while they are in the doughnut hole.
 - In contrast, the Patient Protection and Affordable Care Act (Senate bill, H.R. 3590) provides a one-time decrease in the size of the doughnut hole and 50 percent discounts similar to what is found in H.R. 3962, but does not close the doughnut hole entirely. However, Senate leadership has publicly committed to closing the doughnut hole in the final health care reform bill.

Estimates of Medicare Part D enrollees who face the full cost of the doughnut hole, 2009

	# of Medicare Part D enrollees facing the full cost of the doughnut hole	% of Medicare Part D enrollees facing the full cost of the doughnut hole
Alabama	251,391	52.6%
Alaska	9,729	40.4%
Arizona	378,374	70.6%
Arkansas	174,660	56.5%
California	1,934,464	61.9%
Colorado	248,261	72.4%
Connecticut	198,658	65.9%
Delaware	45,998	64.9%
District of Columbia	13,732	39.1%
Florida	1,302,719	67.9%
Georgia	397,113	57.3%
Hawaii	92,179	71.9%
Idaho	87,509	70.8%
Illinois	636,984	64.6%
Indiana	356,082	67.2%
Iowa	251,914	75.1%
Kansas	186,897	72.9%
Kentucky	215,857	52.5%
Louisiana	213,439	52.5%
Maine	70,133	44.9%
Maryland	202,434	61.9%
Massachusetts	336,087	57.3%
Michigan	564,548	67.0%
Minnesota	380,839	74.7%
Mississippi	148,440	47.8%
Missouri	401,770	66.9%
Montana	66,449	71.9%
Nebraska	131,037	74.7%
Nevada	136,811	73.8%
New Hampshire	62,645	65.7%
New Jersey	445,380	66.4%
New Mexico	114,654	62.4%
New York	949,903	56.4%
North Carolina	489,736	58.6%
North Dakota	57,465	76.9%
Ohio	611,046	65.1%
Oklahoma	221,846	64.0%
Oregon	278,875	74.0%
Pennsylvania	982,421	70.7%

	# of Medicare Part D enrollees facing the full cost of the doughnut hole	% of Medicare Part D enrollees facing the full cost of the doughnut hole
Rhode Island	77,691	65.2%
South Carolina	220,670	56.1%
South Dakota	64,833	74.7%
Tennessee	354,079	55.0%
Texas	903,167	56.3%
Utah	111,889	76.1%
Vermont	31,858	54.3%
Virginia	357,695	63.7%
Washington	322,250	67.6%
West Virginia	135,799	60.4%
Wisconsin	318,951	69.2%
Wyoming	30,642	73.5%
U.S.	17,007,316	63.8%

Note: Calculations do not include LIS beneficiaries who do not experience the Medicare Part D coverage gap. U.S. calculations include beneficiaries in the territories and whose address information is being updated.

Source: AARP Public Policy Institute analysis based on enrollment data from the CMS Management Information Integrated Repository (MIIR), February 1, 2009; Office of Personnel Management; Department of Defense; Department of Veterans Affairs; Indian Health Service; CMS Coordination of Benefits Database (COB). Available online at: <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/>.