

New Health Care Law Helps Protect 18 Million Medicare Beneficiaries from High Drug Costs

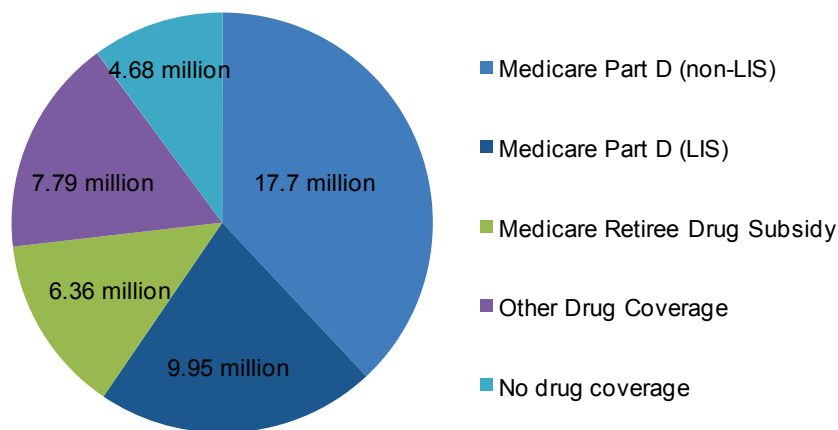
The new health care law eliminates the “doughnut hole”—the gap in Medicare Part D prescription drug coverage where enrollees had to pay the full cost of their prescription drugs. This change will help protect the 18 million Part D enrollees who previously faced the possibility of falling into the doughnut hole.

Approximately 28 million Medicare beneficiaries have Part D coverage. Of these, almost 10 million receive the Medicare Part D low-income subsidy (LIS) and do not experience the coverage gap, or “doughnut hole.”¹ The remaining 18 million will benefit from the elimination of the doughnut hole. (See figure 1.)

Until 2011, Medicare Part D enrollees were required to pay the full cost of their prescription drugs—as well as their premiums—while they were in the doughnut hole.

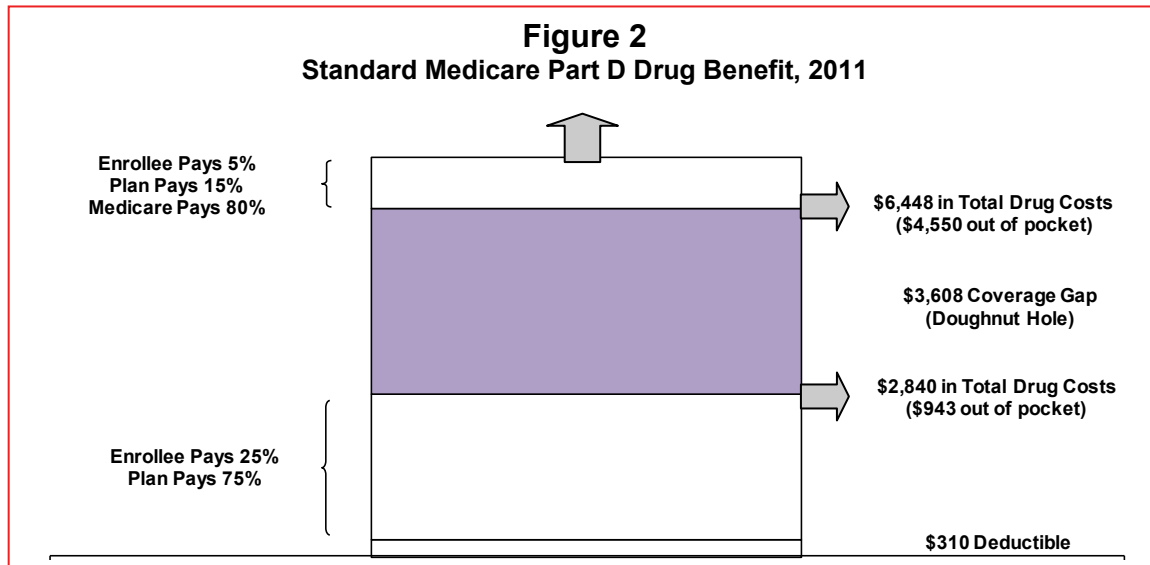
The standard benefit under Part D has an annual deductible; an initial coverage period when enrollees pay 25 percent of their drug costs; and catastrophic coverage that limits enrollees’ spending to roughly 5 percent of their drug costs. (See Figure 2.) Before the new health care law took effect, Part D enrollees were responsible for all of their prescription drug costs while they were in the doughnut hole—the period between meeting the initial coverage limit and reaching catastrophic coverage.

Figure 1
Medicare Beneficiaries by Source of Prescription Drug Coverage, 2010



Note: Enrollment data are as of February 16, 2010. “Other drug coverage” includes multiple sources of creditable coverage, including TRICARE retiree coverage, FEHB retiree coverage, and Veterans Affairs coverage.

Source: AARP Public Policy Institute analysis based on data from the Centers for Medicaid and Medicare Services (CMS). Available at <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/>.



As part of the new health care law, enrollees who reach the doughnut hole in 2011 will receive a 50 percent discount on brand-name and biologic drugs and a 7 percent discount on generic drugs while in the doughnut hole. These discounts will gradually increase until the doughnut hole is eliminated in 2020.

- The amount that Part D enrollees actually pay in the coverage gap will depend on their Part D plan, the prices their plan negotiated, and how their plan structures its gap coverage.

Doughnut hole discounts for brand-name and biologic drugs:

- 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. (See figure 3.)

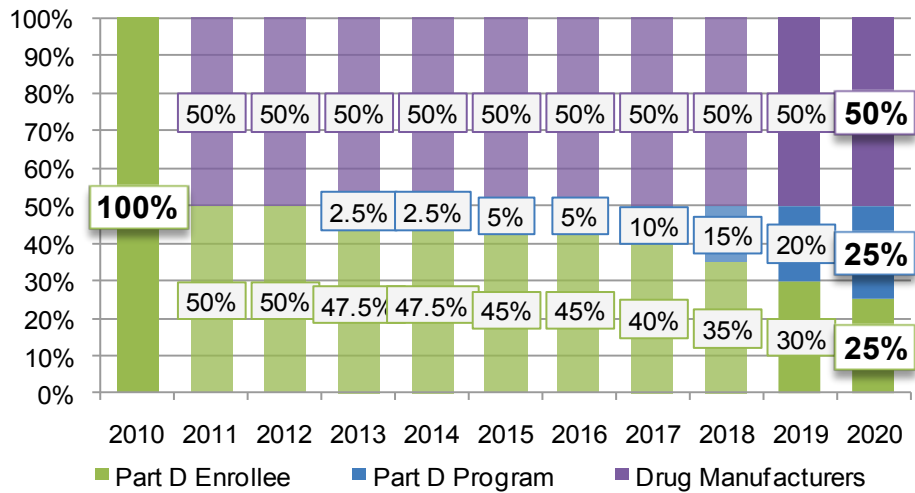
Doughnut hole discounts for generic drugs:

- In 2011, the Medicare program will provide a 7 percent 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. (See figure 4.)

The closing of the doughnut hole will help lower prescription drug costs for thousands of Medicare Part D enrollees in every state.

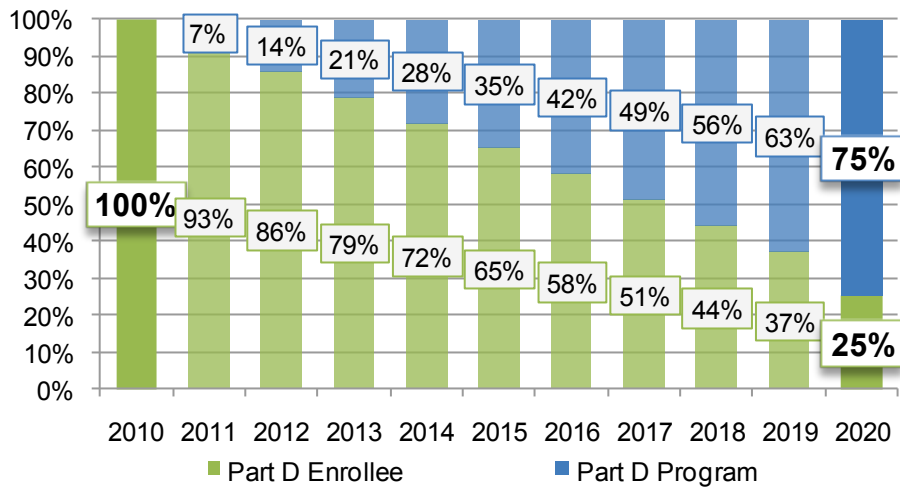
Table 1 shows the number and percentage of Part D enrollees by state who are helped by the closing of the doughnut hole.

Figure 3
Distribution of Spending on Brand-Name and Biologic Drugs in the Coverage Gap, 2010–2020



Source: AARP Public Policy Institute analysis of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010.

Figure 4
Distribution of Spending on Generic Drugs in the Coverage Gap, 2010–2020



Source: AARP Public Policy Institute analysis of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010.

Table 1
Non-LIS Medicare Part D Enrollees Helped by the Closing of the Doughnut Hole, 2010

State	Medicare Part D Enrollees Helped by the Closing of the Doughnut Hole		State	Medicare Part D Enrollees Helped by the Closing of the Doughnut Hole	
	#	%		#	%
Alabama	247,693	52.1%	Montana	67,961	71.8%
Alaska	10,048	40.8%	Nebraska	133,941	75.0%
Arizona	390,318	70.2%	Nevada	142,855	73.9%
Arkansas	180,739	56.7%	New Hampshire	66,980	66.2%
California	2,011,432	62.2%	New Jersey	462,214	67.0%
Colorado	259,644	72.5%	New Mexico	118,359	62.4%
Connecticut	200,951	65.0%	New York	992,153	56.5%
Delaware	47,570	64.9%	North Carolina	512,256	59.2%
District of Columbia	13,485	37.0%	North Dakota	57,229	76.8%
Florida	1,352,570	67.6%	Ohio	684,426	66.8%
Georgia	431,628	58.6%	Oklahoma	227,813	64.1%
Hawaii	96,759	72.2%	Oregon	291,501	74.0%
Idaho	93,788	71.4%	Pennsylvania	994,859	70.1%
Illinois	645,402	64.2%	Rhode Island	80,171	65.5%
Indiana	378,139	67.7%	South Carolina	234,056	57.1%
Iowa	256,998	75.1%	South Dakota	65,660	74.8%
Kansas	192,759	72.8%	Tennessee	374,628	56.2%
Kentucky	253,618	55.9%	Texas	947,966	56.7%
Louisiana	222,194	52.9%	Utah	118,355	76.2%
Maine	72,811	44.8%	Vermont	33,821	55.5%
Maryland	208,749	61.7%	Virginia	378,534	64.4%
Massachusetts	347,249	57.5%	Washington	341,767	67.4%
Michigan	481,752	62.8%	West Virginia	139,708	60.9%
Minnesota	395,034	74.7%	Wisconsin	335,125	69.5%
Mississippi	153,092	48.1%	Wyoming	31,300	73.6%
Missouri	415,541	67.1%	U.S.	17,659,436	64.0%

Note: Estimates 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, February 16, 2010; Office of Personnel Management; Department of Defense; Department of Veterans Affairs; Indian Health Service; CMS Coordination of Benefits Database. Available at <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/>.

¹ The Medicare Part D LIS includes substantial premium and cost-sharing subsidies for Medicare beneficiaries with limited incomes and resources.

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