

Health Reform and Medicare:

The Doughnut Hole in 2012

The Affordable Care Act closes the Part D doughnut hole—the gap in Medicare prescription drug coverage—by gradually reducing beneficiaries' share of drug costs over a period of ten years. In 2012, just as in 2011, people in the doughnut hole will receive a discount on brand-name and generic drugs at the time they buy them and will not have to spend as much out of their own pockets.

- When does the doughnut hole begin?
 - The doughnut hole **begins** when beneficiaries reach \$2,930 in total drug costs (what the beneficiary pays plus what the plan pays) for drugs covered by their plan. In a standard Part D plan, beneficiaries are responsible for a \$320 deductible and coinsurance of 25 percent before they reach the doughnut hole.
- What do beneficiaries pay while in the doughnut hole?
 - Beneficiaries receive a **50 percent discount on brand-name drugs**.
 - Beneficiaries receive a **14 percent discount on generic drugs and drugs compounded at the pharmacy**.
 - Beneficiaries are responsible for the full cost—or, for generic drugs and compounded drugs, 86 percent of the cost—of dispensing fees that some pharmacies charge to fill the prescription.
 - If only part of a claim is in the doughnut hole, the discount is applied only to that portion of the claim.
- How do beneficiaries receive the discount?
 - Beneficiaries receive the discount at the time they purchase their drugs at a store or through mail order. They do not need to apply for the discount.
 - If beneficiaries believe that the discount was miscalculated or they should have received a discount but did not, they may appeal to their Part D plan through the existing appeals process.
- When does the doughnut hole end and catastrophic coverage begin?
 - Beneficiaries get out of the doughnut hole when total drug costs—what the beneficiary pays plus what the plan pays plus the amount covered by the 50 percent discount for brand-name drugs plus dispensing fees*—reach \$6,657.50. **The amount covered by the 14 percent discount on generic and compounded drugs does not count toward total drug costs.**
 - After reaching \$6,657.50 in total drug costs, beneficiaries pay no more than 5 percent of the cost of the drugs covered by their plan.

To learn more about how the Affordable Care Act closes the doughnut hole, read [Health Reform and Medicare: Closing the Doughnut Hole](#).

Standard Medicare Prescription Drug Benefit in 2012



Deductible

Standard deductible is **\$320**



Initial Coverage Period

Begins after deductible is met

Ends when total drug costs reach **\$2,930**

Brand-Name, Generic and Compounded Drugs



The Doughnut Hole

Begins when total drug costs reach **\$2,930**

Ends when total drug costs reach **\$6,657.50**

Brand-Name Drugs



Generic Drugs and Compounded Drugs



Dispensing Fee* (if applicable)



Brand-Name Drugs



Generic Drugs and Compounded Drugs

Medicare Subsidy pays 14% (paid through plans)

Catastrophic Coverage Period

Begins when total drug costs reach **\$6,657.50**

Brand-Name, Generic and Compounded Drugs



*The entire cost of the dispensing fee for brand-name drugs counts toward getting out of the doughnut hole, whereas 86% of the dispensing fee counts for generic drugs and compounded drugs.

**The 50% manufacturers' discount counts toward getting out of the doughnut hole.