

# Key Changes to the Medicare Prescription Drug Program in Health Care Reform

The federal Affordable Care Act, sometimes referred to as “health care reform,” was signed into law in March 2010. The law makes important changes to the Medicare Prescription Drug Program (Part D), including major changes to the coverage gap (donut hole) that will save some beneficiaries a lot of money. The changes will be phased in over a period of years. Below is a timeline with details on when specific changes will take effect.

## 2010 Coverage Gap Rebate

People who enter the coverage gap will receive a one-time rebate of \$250. **This is the only year there will be a rebate for those in the coverage gap.**

## 2011 Savings in the Coverage Gap

People who enter the coverage gap will receive a 50% discount on brand-name prescription drugs on their plan’s formulary. The full purchase price for the drugs will count toward the individual’s true out-of-pocket (TrOOP) costs. (TrOOP costs are used to calculate when the individual reaches catastrophic coverage.) Plans will also pay 7% of the cost of generic drugs on their formularies.

The size of the discount for brand-name drugs will increase gradually until 2020 when it reaches 75%. The savings on generic drugs will increase each year until it reaches 75% in 2020. See Charts A and B on page 2 for more details. Charts C and D show the standard benefit in 2011 and 2020, respectively.

### Higher Premiums for Those with High Incomes

Individuals who make more than \$85,000 and couples who make more than \$170,000 will likely pay an income-related premium. The amount of the premium will be determined by October 15 each year. Those affected will have the funds deducted from their Social Security checks.

### Changes in Medicare Advantage Enrollment Plans

A person who enrolls in a Medicare Advantage plan may return to Original Medicare and a Medicare Part D plan during the first 45 days of the year. Starting in the fall of 2011, the annual coordinated election period for Part C (Medicare Advantage plans) and Part D will run from October 15 to December 7 each year instead of November 15 to December 31.

### Inclusion of Certain Program Expenses in TrOOP Costs

Prescription drugs costs covered by AIDS Drug Assistance Programs (ADAPs) and the Indian Health Service will count toward TrOOP costs.

## 2012 Changes in Co-Payments for Some People

People who receive both Medicare and Medicaid (dual-eligibles) and get home- or community-based long-term care will no longer have co-payments for their prescription drugs.

### Uniform Appeals and Exceptions Process

Prescription drug plans must start using a single, uniform exceptions and appeals process. They must provide access to that process online and through a toll-free telephone number.

### DATE UNSPECIFIED

#### Improved System for Complaints

Medicare will develop an easy-to-use complaint system. The system will include a standard electronic complaint form on [www.medicare.gov](http://www.medicare.gov).

## 2013-2014 *Ending Exclusions of Certain Drugs*

In 2013, coverage will be expanded to include barbiturates for the treatment of epilepsy, cancer or chronic mental disorder and benzodiazepines. This is the result of another law, the Medicare Improvements for Patients and Providers Act. Starting in 2014, there will be no special limitations on barbiturates.

## 2014-2019 *Reductions in Amounts Needed to Qualify for Catastrophic Coverage*

Between 2014 and 2019, the amount of TrOOP costs to qualify for catastrophic coverage will be reduced. In 2020, the level will revert to that which it would have been absent the reductions in the intervening years.

### COST SHARING IN THE COVERAGE GAP, 2010-2020

Chart A: Brand-Name Drugs

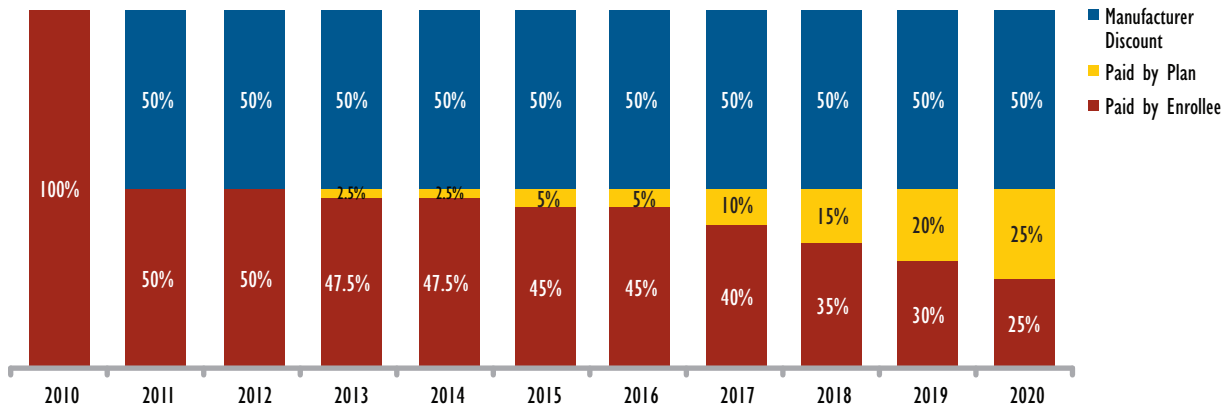
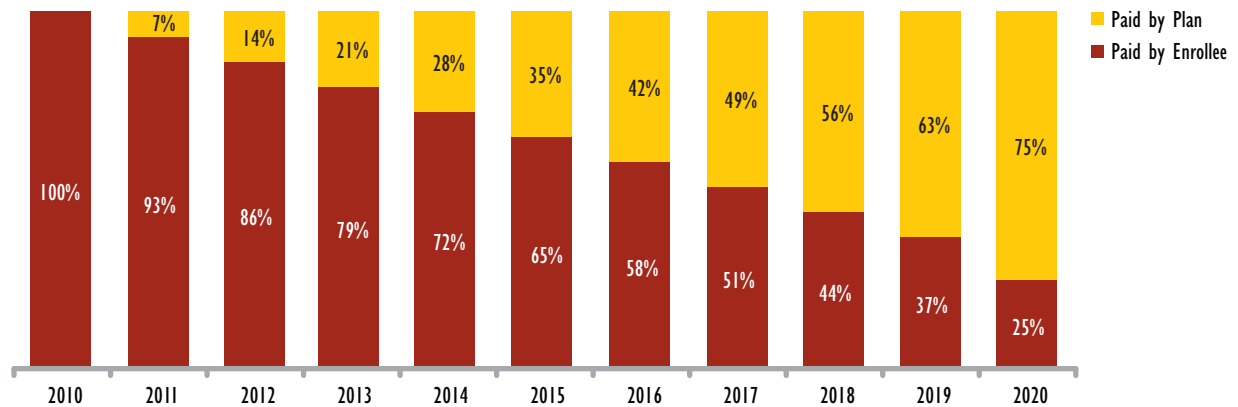
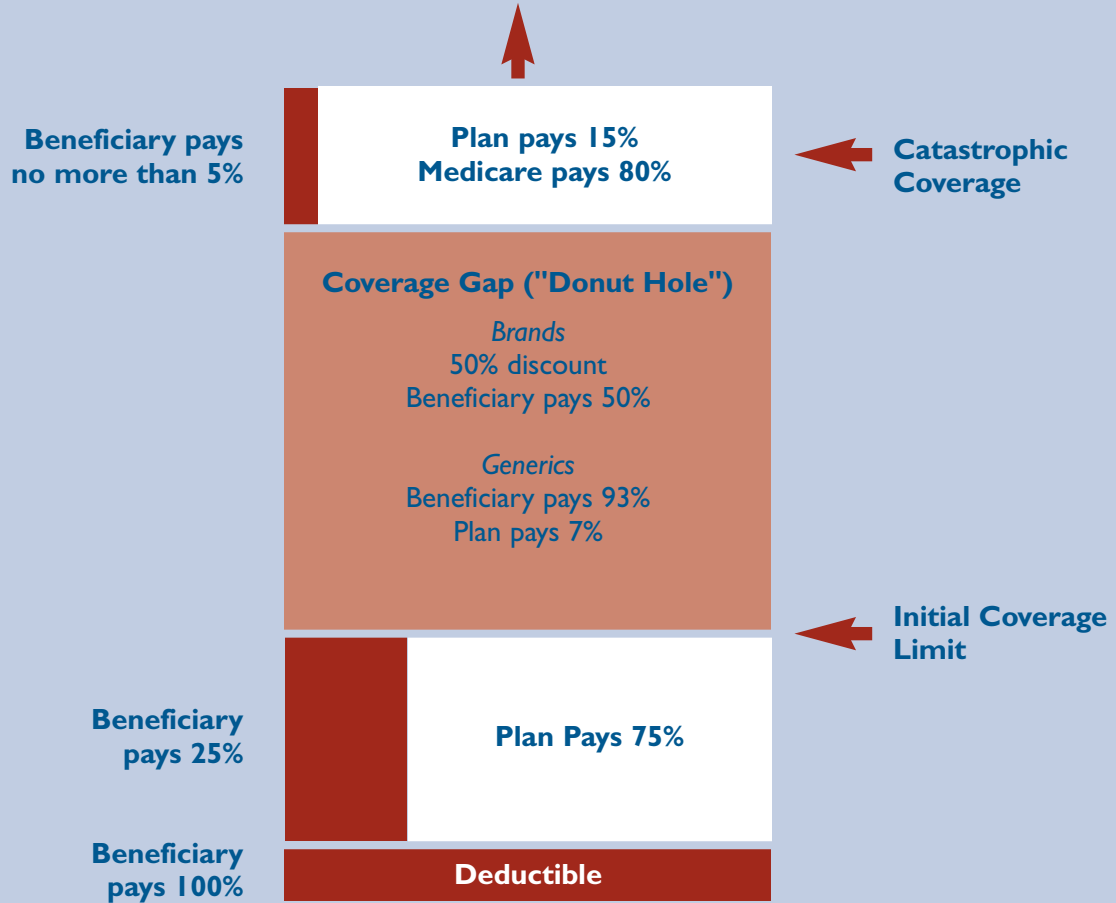


Chart B: Generic Drugs



Source: "Update on Medicare Prescription Drug Benefit," presentation by Tricia Neuman, ScD, Kaiser Family Foundation, April 2010.

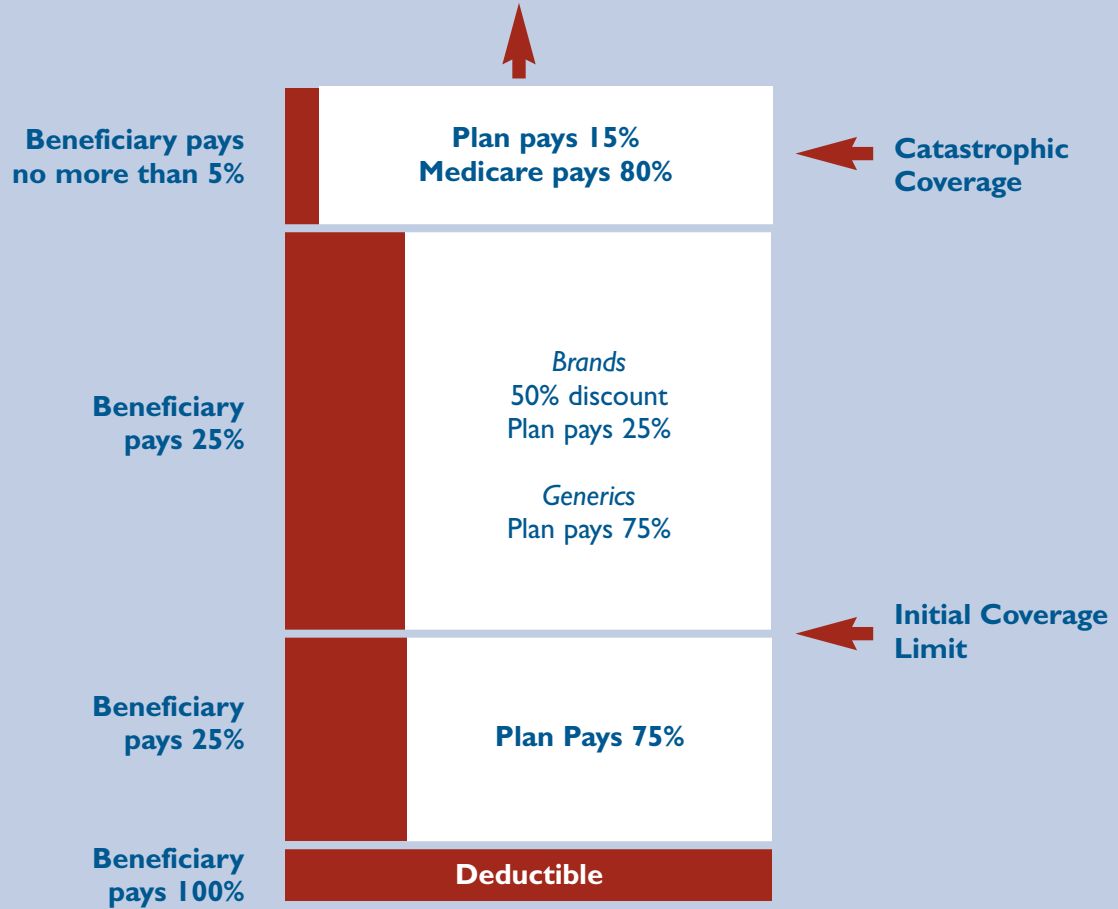
**Chart C: Standard Medicare Prescription Drug Benefit, 2011**



Based on "Explaining Health Care Reform: Key Changes to the Medicare Part D Drug Benefit Coverage Gap," Kaiser Family Foundation, March 2010.

- Beneficiary out-of-pocket spending
- Beneficiary, plan and drug manufacturers share costs

**Chart D: Standard Medicare Prescription Drug Benefit, 2020**



Source: "Update on Medicare Prescription Drug Benefit," presentation by Tricia Neuman, ScD, Kaiser Family Foundation, April 2010.

■ Beneficiary out-of-pocket spending

