

AGING MATTERS: The Donut Hole



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While this week's featured article may sound more like a type of food than a Medicare reference, the term "donut hole" actually refers to a gap in prescription drug coverage under Medicare's Part D plan.

Many seniors are not aware of the issue until they see an increase in the cost of medications they are prescribed. If the total combined cost (what you pay out-of-pocket plus what your drug plan pays) of your prescription medications is more than \$2,970 in 2013, you will reach the Medicare Part D Coverage Gap, informally known as the "donut hole."

The donut hole has always been a complex issue to understand. A limit is set each year for medication costs that your Medicare Part D drug plan will cover. In 2013, this limit is \$2,970. When this limit is reached, your plan will cover prescription medication at a discounted rate until you reach \$4,750 during the calendar year. Within this gap in coverage, you are responsible for paying for prescription drugs, based on any applicable discounts from the drug manufacturers. Most pharmaceutical drug companies participate in the Medicare Coverage Gap Discount Program, which helps consumers pay for the cost of prescription drugs not covered during the donut hole period.

Not everyone will reach the donut hole. But, if you expect that your cost for prescription drugs will

exceed the amount of \$2,970 in 2013, you may be eligible for the following savings:

- A 52.5 percent discount for covered brand-name prescription drugs purchased through mail-order or at your pharmacy.
- A 21 percent discount for covered generic prescription drugs.

For example, William No Name takes four prescription medications every month. In 2013, he estimates that these prescriptions will total \$3,500 for the year. Once Mr. No Name and his drug company collectively spend \$2,970, he will enter the donut hole coverage gap. At that point, Mr. No Name will be eligible for the discounts previously mentioned.

The Affordable Care Act has proposed a gradual decrease in annual out-of-pocket expenses through 2020. At that time, consumers will only be responsible for paying 25 percent of the cost of both brand-name and generic drugs during the donut hole. These savings will result in consumers having to pay less for their prescription medication.

It is important to note that the coverage gap does not apply to those who receive Medicaid benefits or low-income subsidies.

If you are unfamiliar with the donut hole and you anticipate spending more on prescription medication in the coming year, it may be helpful to contact a State Health Insurance Program (SHIP) Counselor at the Office on Aging by calling 803-734-9900 or 800-868-9095.

Question of the Week

Q:) How will I know if I am close to reaching the “donut hole?”

A:) When you fill a prescription, your prescription drug plan will inform you of how much you have spent on covered medication through a notice mailed to you for that particular month. The notice will also inform you if you have reached the coverage gap and if discounts have been paid by the drug manufacturers.

For more information, contact the South Carolina Lieutenant Governor's Office on Aging (803-734-9900 or 800-868-9095) or visit our website: www.aging.sc.gov.