

Costs in the coverage gap

Most Medicare Prescription Drug Plans have a coverage gap (also called the "donut hole"). This means there's a temporary limit on what the drug plan will cover for drugs.

Not everyone will enter the coverage gap. The coverage gap begins after you and your drug plan have spent a certain amount for covered drugs. In 2014, once you and your plan have spent \$2,850 on covered drugs (the combined amount plus your deductible), you're in the coverage gap. This amount may change each year—for 2015, you're in the coverage gap once you and your plan have spent \$2,960 on covered drugs. Also, people with Medicare who get [Extra Help](#) paying Part D costs won't enter the coverage gap.

Once you reach the coverage gap in 2014, you'll pay 47.5% of the plan's cost for covered **brand-name prescription drugs** (you'll pay 45% in 2015). You get these savings if you buy your prescriptions at a pharmacy or order them through the mail. The discount will come off of the price that your plans has set with the pharmacy for that specific drug.

Although you'll only pay 47.5% of the price for the brand-name drug in 2014, 97.5% of the price—what you pay plus the 50% manufacturer discount payment—will count as out-of-pocket costs which will help you get out of the coverage gap. What the drug plan pays toward the drug cost and toward the dispensing fee isn't counted toward your out-of-pocket spending.

Example

Mrs. Anderson reaches the coverage gap in her Medicare drug plan. She goes to her pharmacy to fill a prescription for a covered brand-name drug. The price for the drug is \$60, and there's a \$2 dispensing fee that gets added to the cost. Mrs. Anderson will pay 47.5% of the plan's cost for the drug ($\$60 \times .475 = \28.50) plus 47.5% of the cost of the dispensing fee ($\$2 \times .475 = \0.95), or a total of \$29.45, for her prescription. \$59.45 will be counted as out-of-pocket spending and will help Mrs. Anderson get out of the coverage gap because both the amount that Mrs. Anderson pays (\$29.45) plus the manufacturer discount payment (\$30.00) count as out-of-pocket spending. The remaining \$2.55, which is 2.5% of the drug cost and 52.5% of the dispensing fee paid by the drug plan, isn't counted toward Mrs. Anderson's out-of-pocket spending.

In 2014, Medicare will pay 28% of the price for **generic drugs** during the coverage gap. You'll pay the remaining 72% of the price. What you pay for generic drugs during the coverage gap will decrease each year until it reaches 25% in 2020—in 2015, you'll pay 65% of the price for generic drugs during the coverage gap. The coverage for generic drugs works differently from the discount for brand-name drugs. For generic drugs, only the amount you pay will count toward getting you out of the coverage gap.

Example

Mr. Evans reaches the coverage gap in his Medicare drug plan. He goes to his pharmacy to fill a prescription for a covered generic drug. The price for the drug is \$20, and there's a \$2 dispensing fee that gets added to the cost. Mr. Evans will pay 72% of the plan's cost for the drug and dispensing

fee (\$22 x .72 = \$15.84). The \$15.84 amount he pays will be counted as out-of-pocket spending to help him get out of the coverage gap.

If you have a Medicare drug plan that already includes coverage in the gap, you may get a discount after your plan's coverage has been applied to the price of the drug. The discount for brand-name drugs will apply to the remaining amount that you owe.

Items that count towards the coverage gap

- Your yearly deductible, coinsurance, and copayments
- The discount you get on brand-name drugs in the coverage gap
- What you pay in the coverage gap

Items that don't count towards the coverage gap

- The drug plan premium
- Pharmacy dispensing fee
- What you pay for drugs that aren't covered

If you think you should get a discount

If you think you've reached the coverage gap and you don't get a discount when you pay for your brand-name prescription, review your next ["Explanation of Benefits" \(EOB\)](#). If the discount doesn't appear on the EOB, contact your drug plan to make sure that your prescription records are correct and up-to-date. Get your plan's contact information from a [Personalized Search \(under General Search\)](#), or [search by plan name](#). If your drug plan doesn't agree that you're owed a discount, you can [file an appeal](#).

Source: Medicare.gov The Official U.S. Government Site for Medicare