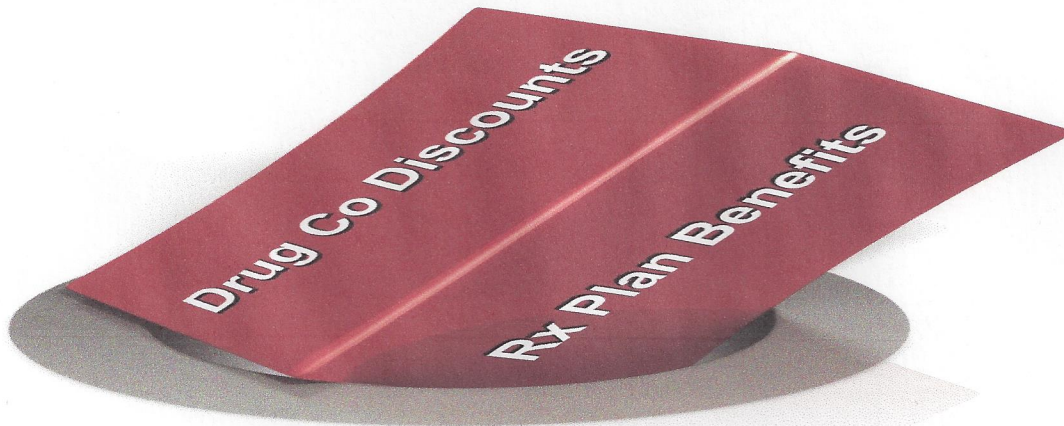




2019 MEDICARE RX DRUG CHANGES

CLOSING THE DONUT HOLE



Background

Individual Medicare Part D Rx Drug plans are voluntary insurance plans, which provide Rx Drug benefits for millions of Medicare beneficiaries. Medicare Part D Plans are administered by insurance companies and other plans and are regulated by Federal Centers for Medicare and Medicaid Services (CMS). CMS has a Standard Benefit Plan, but each insurance company can create similar (actuarial equivalent) plans that on average pay out at least as much as the standard plan. In general, the Federal government strives to pay about **75% of the costs of Rx drugs** under the Medicare Part D program. With the 2019 Standard Plan, you have an annual \$415 deductible. After that the plan pays 75% and you pay 25% co-insurance. Under many plans you will pay a co-pay i.e. \$5 for a generic drug. After the total costs of the Rx drugs you use exceeds **\$3,820 you will fall into the donut hole.**

What's the Donut Hole?

Virtually all Individual Medicare Part D Rx Drug Plans have a plan feature called the donut hole. When you're in the donut hole you pay 100% of the cost. However, drug manufacturer's provide discounts, so that although you are paying 100% of the costs, you are paying at a discounted price. The discounts have slowly risen, since the Medicare Part D program went into effect in 2006. **After you have paid \$5,100 out of pocket** i.e. (the deductible, co-pays, co-insurance, and payments for Rx drugs in the donut hole) **you typically pay 5% of the cost** for the rest of the year. If you found yourself in the donut hole you would probably be paying more

than 25% of your Rx drug costs, which means that the Medicare Part D Rx plan would be paying less than 75% of the cost.

What's new with the Donut Hole in 2019?

The goal of the part D program was to eventually "close" the donut hole by 2020. In one of the latest Round of Federal budget negotiations it was decided to push the date of the closing of the donut hole to 2019. **The goal of the Medicare Part D program has always been to pay approximately 75% of the costs of Medicare Rx Drug costs.** In 2019 the cost of Rx drugs in the donut will be as follows for

Brand Drugs

70% - Drug manufacturer's discount

5% - Medicare Part D plan payment

25% - Medicare Beneficiary costs

Generic Drugs

67% - Medicare Part D plan payment

37% - Medicare Beneficiary costs

Conclusion

Even if the Medicare Part D pays 75% of the Rx drug costs, if you are unfortunate to fall into the donut hole you could still have significant costs. For example, if you have \$2,000 of Rx drugs each month you'll be paying \$500 a month while you're in the donut hole. However, closing the donut hole is a very positive step.