

## Cost in Part D Coverage Gap or "Donut Hole"

### **Costs in the coverage gap**

Most Medicare 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. Once you and your plan have spent \$4,430 on covered drugs in 2022 (\$4,660 in 2023), you're in the coverage gap. This amount may change each year. Also, people with Medicare who get [Extra Help](#) paying Part D costs won't enter the coverage gap.

### **Brand-name prescription drugs**

Once you reach the coverage gap, you'll pay no more than 25% of the cost for your plan's covered brand-name prescription drugs. You'll pay this discounted rate if you buy your prescriptions at a pharmacy or order them through the mail. Some plans may offer you even lower costs in the coverage gap. The discount will come off of the price that your plan has set with the pharmacy for that specific drug.

Although you'll pay no more than 25% of the price for the brand-name drug, almost the full price of the drug will count as out-of-pocket costs to help you get out of the coverage gap. What you pay and what the manufacturer pays (95% of the cost of the drug) will count toward your out-of-pocket spending. Here's a breakdown:

- Of the total cost of the drug, the manufacturer pays 70% to discount the price for you. Then your plan pays 5% of the cost. Together, the manufacturer and plan cover 75% of the cost. You pay 25% of the cost of the drug.
- There's also a dispensing fee. Your plan pays 75% of the fee, and you pay 25% of the fee.

What the drug plan pays toward the drug cost (5% of the cost) and dispensing fee (75% of the fee) aren'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, making the total price \$62. Mrs. Anderson pays 25% of the total cost ( $\$62 \times .25 = \$15.50$ ).

The amount Mrs. Anderson pays (\$15.50) plus the manufacturer discount payment of \$42 ( $\$60 \times .70 = \$42$ ) count as out-of-pocket spending. So, \$57.50 counts as out-of-pocket spending and helps Mrs. Anderson get out of the coverage gap. The remaining \$4.50, which is 5% of the drug cost (\$3) and 75% of the dispensing fee (\$1.50) paid by the drug plan, doesn't count toward Mrs. Anderson's out-of-pocket spending.

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 drug's price. The discount for brand-name drugs will apply to the remaining amount that you owe.

### Generic drugs

Medicare will pay 75% of the price for generic drugs during the coverage gap. You'll pay the remaining 25% of the price. 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 25% of the plan's cost for the drug and dispensing fee ( $\$22 \times .25 = \$5.50$ ). The \$5.50 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 drug's price.

### **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.

If your drug plan doesn't agree that you're owed a discount, you can [file an appeal](#).

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