

How the Healthcare Reform Law Closes the Medicare Part D Coverage Gap

Healthcare Reform Implementation Series: Updated 7/13/10

The Patient Protection and Affordable Care Act

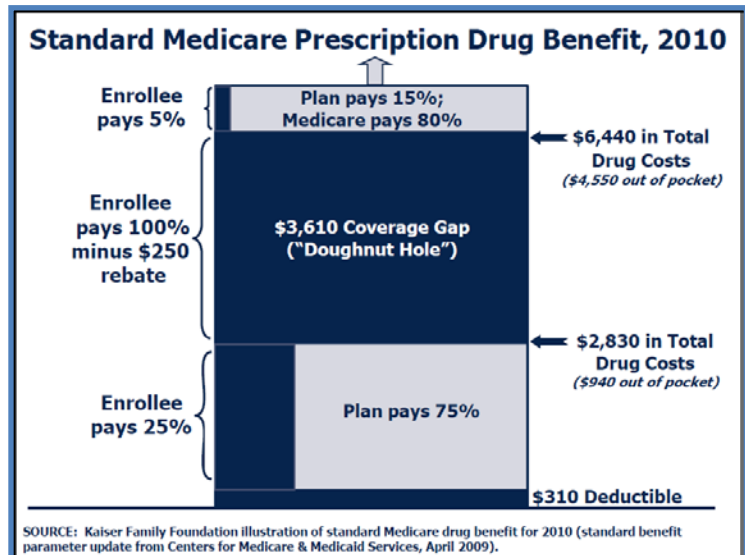
Medicare Part D Provisions

By 2020, coinsurance within the doughnut hole will be decreased from 100% to 25%, effectively closing the coverage gap.

As of 2010 there are 27.6 million individuals enrolled in Medicare Part D,¹ the prescription drug benefit offered through private health plans. Fifty-nine percent of Medicare beneficiaries who enrolled due to a disability (an estimated 3.1 million) have a mental illness, and 37% (an estimated 2 million) have a severe mental illness.² The Patient Protection and Affordable Care Act of 2010 (PPACA) makes changes that reduce costs incurred for the 3.4 million enrollees who reach the Part D coverage gap, or “doughnut hole.” **Given the high prevalence estimates of the number of Medicare beneficiaries with mental health problems, the National Council is pleased that the coverage gap will eventually be eliminated through the PPACA.**

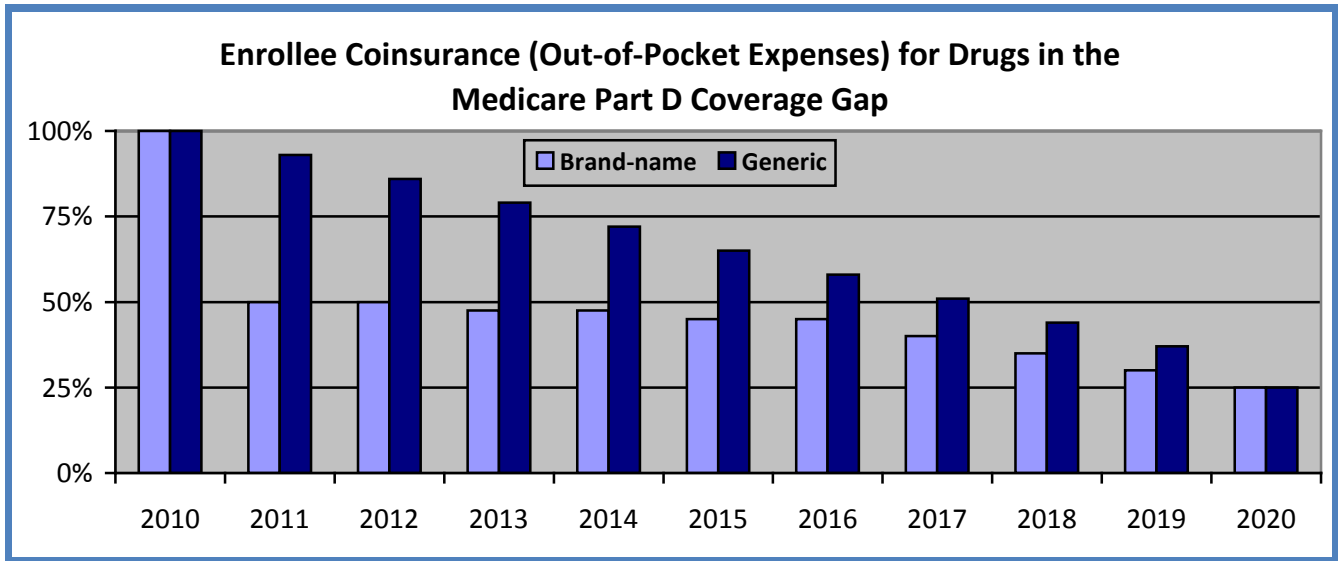
The Current Situation

Beneficiaries pay a \$310 deductible and then 25% coinsurance on medications, plus monthly premiums, until they reach a bottom threshold for total drug expenses. They are then responsible for 100% of their drug costs, and **only after paying thousands of dollars in medication costs and monthly premiums can enrollees reach the upper threshold of the gap and receive drugs at the 5% coinsurance rate under catastrophic coverage.** In 2010, enrollees reaching the bottom threshold of the gap have to pay \$3,610 plus premiums before they reach the top threshold and coverage resumes. Most individuals who are within this coverage gap have multiple chronic conditions, and costs are higher for enrollees with mental illnesses,³ who may be forced to choose between their general medical and mental health medications. While some Part D plans offer varying coverage within this gap, 60-75% of plans offered little or no gap coverage in 2009.⁴



Filling the Gap

The PPACA gradually closes the coverage gap by reducing enrollees’ cost sharing responsibilities. It lowers overall coinsurance rates, out-of-pocket expenses, and costs to dual eligibles. Those who reached the coverage gap began receiving a \$250 rebate in June 2010. **By 2020, coinsurance within the doughnut hole will be decreased from 100% to 25%, effectively closing the coverage gap.**



Reductions in coinsurance for generic- and brand-name drug will occur as follows:

- **Brand-name drugs:** In 2011, enrollees receive a 50% discount on brand-name drugs covered by Part D. From 2013 to 2020, coinsurance is further reduced incrementally to the 25% rate.
- **Generic Drugs:** Between 2011 and 2020, enrollees reaching the coverage gap have their generic drug costs subsidized by 7% each year. By 2020, enrollee coinsurance will be 25%.

Impact on Consumers

- Starting June 10, 2010, the one-time \$250 rebate will be automatically sent to enrollees who reached the coverage gap. As patients reach the gap throughout the year, rebate checks will be sent out on a monthly basis. Those who reach the coverage gap in 2010 but have not received a rebate check should call 1-800-MEDICARE.
- In 2011, enrollees will see the 50% discount on brand-name drugs when buying their medications at pharmacies.
- Previously, dual eligibles who received long-term care services were exempt from Part D medication copayments, but only if they lived in institutionalized facilities such as nursing homes. Beginning in 2012, dual eligibles will be exempt from copayments if they choose to receive these supports at home- or community-based facilities.

Additional Resources

[Learn more about how these provisions affect dual eligibles](#)

[Learn more about how these provisions improve access for low-income beneficiaries](#)

[Other National Council resources on healthcare reform](#)

For more information on the provisions in the healthcare reform law related to Medicare Part D, please contact Chuck Ingolia, MSW, Vice President of Public Policy, National Council for Community Behavioral Healthcare, at chucki@thenationalcouncil.org or 202-684-7457 ext. 249.

¹ Kaiser Family Foundation, "Medicare: A Primer," April 2010.

² Loftis CW, "The Basics: Medicare's Mental Health Benefits," National Health Policy Forum, Feb. 2007.

³ Donohue, J, "Mental Health in the Medicare Part D Drug Benefit: A New Regulatory Model?" Health Affairs, 25(3): 711.

⁴ Kaiser Family Foundation, "Medicare Prescription Drug Plans in 2009 and Key Changes since 2006: Summary of Findings," June 2009.