<u>Medicare Donut Hole</u>

The Medicare "donut hole," also known as the coverage gap, refers to a specific phase in the Medicare Part D prescription drug coverage process. Here's how it works:

1. Initial Coverage Phase:

- When you enroll in a Medicare Part D plan, you pay a monthly premium and usually a deductible (if applicable). After you meet your deductible, you pay a co-payment or coinsurance for your medications.
- This phase continues until your total drug costs (what you and your plan pay) reach a certain threshold, which is set by Medicare (in 2024, this threshold is $5,030).

2. Donut Hole (Coverage Gap):

- Once your total drug costs hit the threshold, you enter the coverage gap or donut hole.
- During this phase, you will pay a higher percentage of your drug costs. As of 2024, you will pay **25% of the cost** for brand-name drugs and generic drugs during this coverage gap.
- Importantly, both the amount you pay and the amount your plan pays for the drugs counts toward getting out of the donut hole.

3. Catastrophic Coverage Phase:

- After your out-of-pocket costs reach a specific limit (about $7,400 in 2024), you move into the catastrophic coverage phase.
- In this phase, you pay a small coinsurance or co-payment (generally 5% of the cost) for your medications for the rest of the year.

Key Points to Remember:

- **Out-of-Pocket Costs**: The costs you incur while in the donut hole count toward your annual out-of-pocket maximum, helping you reach the catastrophic coverage phase.
- **Discounts and Assistance**: The Affordable Care Act implemented discounts for brand-name and generic drugs while in the donut hole, helping to reduce costs.
- **Annual Updates**: The income thresholds and costs associated with the donut hole can change each year, so it's essential to stay informed about current limits.

Overall, understanding how the donut hole works can help Medicare beneficiaries better plan for their prescription drug costs throughout the year.