What benefits does Part D (Prescription Drug Insurance) provide?

Medicare establishes a standard prescription drug benefit under Part D (Prescription Drug Insurance). Participants with incomes below 135 percent, and between 135 percent and 150 percent, of the federal poverty guidelines will have lower cost-sharing requirements than under the standard benefit.

The Part D standard drug benefit in 2015 is:

|  |  |  |
| --- | --- | --- |
| Prescription Drug  Expenses | Beneficiary  Costs | Medicare  Pays |
| First $320 | 100% (up to $320) | Nothing |
| $320-$2,960 | 25% (up to $660) | 75% (up to $1,980) |
| $2,960-$6,680 | 100% (up to $3,720) | Nothing |
| Above $6,680 | Up to 5% (based on income) | 95% or more |

In the “Coverage Gap” ($2,960-$6,680), a Medicare beneficiary may have to pay for 47.5 percent of brand name drugs or 72 percent of generic drugs. Once a Medicare beneficiary has paid $4,700 out-of-pocket, the beneficiary is out of the Coverage Gap.

Beneficiaries with incomes below 135 percent of the federal poverty guidelines have no cost-sharing obligation for prescription drug expenses above $6,560. Beneficiaries with incomes between 135 percent and 150 percent of the federal poverty guidelines have $2.65 and $6.60 co-pays for generic and name-brand prescriptions. Those with incomes above 150 percent of the federal poverty level have 5 percent co-pays.

For 2015, 135 percent of the federal poverty guidelines is $15,754.50 for a single person and $21,235.50 for a married couple; 150 percent of the federal poverty guidelines is $17,505 for a single person and $23,595 for a married couple. Part D plans are available only through private insurance companies. Those insurers may offer prescription drug plans that vary from the Part D standard benefit as long as the plans (1) provide coverage, the actuarial value of which is at least equal to the actuarial value of the standard prescription drug coverage, (2) offer access to negotiated prices, and (3) are approved by the CMS.

What benefits does Part D (Prescription Drug Insurance) provide?

Part D plans may also provide supplemental prescription drug coverage that offers cost-sharing reductions and optional drugs. A plan may charge a supplemental premium for the supplemental coverage. However, insurers offering Part D plans with supplemental coverage in an area must also offer a prescription drug plan in the area that provides only basic coverage for no additional supplemental premium. Basic coverage is either the statutorily defined standard benefit or the actuarial equivalent of such standard benefit without any supplemental benefits.

The monthly Medicare Part D base premium is set to pay 25.5 percent of the cost of standard coverage, based on bids submitted annually by Part D plans. The CMS releases the Medicare Part D base premium in early August each year. Actual premiums are based on this set premium, but can vary greatly by plans and regions. Beneficiaries with higher incomes must pay a premium adjustment based on their income. This premium adjustment is called the Income-Related Monthly Adjustment Amount (IRMAA), and is automatically deducted from the Social Security benefit.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Beneficiaries who file individual tax returns with income that is: | Beneficiaries who file joint tax returns with income that is: | Medicare Part D Income Related Monthly Adjustment Amount | | |
| **2015** | **2014** | **2013** |
| Less than or equal to $85,000 | Less than or equal to $170,000 | $0.00 | $0.00 | $0.00 |
| Greater than $85,000 and less than or equal to $107,000 | Greater than $170,000 and less than or equal to $214,000 | $12.30 | $12.10 | $11.60 |
| Greater than $107,000 and less than or equal to $160,000 | Greater than $214,000 and less than or equal to $320,000 | $31.80 | $31.10 | $29.90 |
| Greater than $160,000 and less than or equal to $214,000 | Greater than $320,000 and less than or equal to $428,000 | $51.30 | $50.20 | $48.30 |
| Greater than $214,000 | Greater than $428,000 | $70.80 | $69.30 | $66.60 |

The Patient Protection and Affordable Care Act (PPACA) includes benefits to make Medicare prescription drug coverage (Part D) more affordable for beneficiaries. This is done through providing coverage through a coverage gap (also called the “donut hole”) in Medicare prescription drug coverage.

The PPACA coverage provides the following:

* A discount on covered brand-name drugs when a person buys the drug at a pharmacy or orders the drugs through the mail
* Some coverage for generic and brand-name drugs
* Additional savings on brand-name and generic drugs during the coverage gap over the next several years until it’s closed in 2020
* The coverage gap closes by maintaining the 50 percent discount the manufacturers offer and increasing what Medicare drug plans cover