What does Part D (Prescription Drug Insurance) cost?

Generally, Part D (Prescription Drug Insurance) plans require beneficiaries to pay monthly premiums, meet an annual deductible, and pay coinsurance. Because Part D plans are offered only through private insurance plans, the premiums, deductibles and coinsurance vary from plan to plan. Premiums may be paid separately for a stand-alone Part D plan or as part of the monthly premium for a comprehensive Medicare Advantage plan.

Beneficiaries who choose not to enroll in Part D during their initial enrollment period may face a late enrollment penalty if they later choose to enroll in a Part D plan. The late enrollment penalty is the greater of “an amount that [the CMS] determines is actuarially sound for each uncovered month” or “1 percent of the base beneficiary premium” (the national average premium for the year of late enrollment) per month. The late enrollment penalty is calculated by multiplying 1 percent of the "national base beneficiary premium" ($32.42 in 2014, and $33.13 in 2015) times the number of full, uncovered months you were eligible but didn't join a Medicare Prescription Drug Plan and went without other creditable prescription drug coverage. The final amount is rounded to the nearest ten cents and added to your monthly premium. For example, for a beneficiary enrolling late in 2015, the penalty was approximately thirty-three cents per full month in which the beneficiary was eligible to enroll in a Part D plan but failed to do so.

Beneficiaries who have other sources of prescription drug coverage (such as through a former employer) may be able to maintain that coverage and delay enrollment in a Part D plan without incurring a penalty in the future. As long as a beneficiary maintains coverage that qualifies as “creditable coverage” (meaning generally that the coverage is at least as valuable – at least actuarially equivalent – as the standard Part D prescription drug package specified by Medicare), the beneficiary will not be subject to late enrollment penalties if he later enrolls in a Part D plan. Failure to maintain creditable prescription drug coverage for a period of sixty-three days or longer may subject an individual to a late enrollment penalty.

Entities (such as a former employer) offering prescription drug coverage to Part D eligible individuals must disclose to those individuals whether the coverage they provide is creditable coverage as defined by CMS. These entities must also inform CMS of the status of this coverage.