

Medicare Drug Coverage: Beneficiary Cost-Sharing (2007)

	Beneficiary Out-of-Pocket Costs (TrOOP)	Plan Costs	Total Drug Costs
Annual Deductible	\$265	\$0	\$265
Initial Coverage Period*	25% of drug costs up to \$533.75	75% of drug costs up to \$1,601.25	\$2,135 [^]
Coverage Gap (Doughnut Hole)[^]	100% of drug costs up to \$3,051.25	\$0	\$3051.25
TOTAL	Out-of-Pocket Threshold: \$3,850	Plan: \$1,601.25	Out-of-Pocket + Plan: \$5,451.25
Note: Beneficiaries reach the catastrophic benefit once they have spent \$3,850 out-of-pocket (in 2007) with approximate total drug spending at \$5,451.25 in prescription drug costs. (Total out-of-pocket spending does not include the monthly premium.)			
Catastrophic Benefit (After \$3,850 in TrOOP)	Greater of 5% of drug cost or \$2.15 or \$5.35 co-pay	Balance of drug cost	

Note: A chart detailing the cost-sharing amounts for beneficiaries receiving the low-income subsidy is available at: <http://www.healthassistancepartnership.org/assets/pdfs/Low-Income-Cost-Sharing-Chart-Non-LTC-2007.pdf>. Beneficiaries also may pay a monthly premium, which is expected to be around \$24, but it will vary by region and by plan.

* During the Initial Coverage Period the beneficiary pays 25% (and the plan pays 75%) of prescription drug costs between \$265 and \$2,400. The plan pays up to \$1,601.25 of these drug costs, and the beneficiary pays up to \$533.75 out-of-pocket. Only beneficiary's "true" out-of-pocket (TrOOP) expenditures- contributions from friends, relatives, and certain charitable foundations and state pharmacy assistance program payments- count towards TrOOP. Any amount paid by other insurance may not be counted towards TrOOP. Likewise, any payments for prescription drugs not on the plan's formulary will not count.

[^] Beneficiaries enter the coverage gap when total drug costs reach \$2,400.

Source: http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/downloads/2007_Part_D_Parameter_Update.pdf