

Medicare Drug Coverage: Beneficiary Cost-Sharing (2008)

	Annual Deductible	Initial Coverage Period*	Coverage Gap (Doughnut Hole)**	TOTAL	Catastrophic Benefit (After \$4,050 in TrOOP)
Beneficiary Costs (TrOOP)	\$275	25% of drug costs up to \$558.75	100% of drug costs up to \$3,216.25	\$4,050	Greater of 5% of drug cost <u>or</u> \$2.25/\$5.60 co-pay
Plan Costs	\$0	75% of drug costs up to \$1,676.25	\$0	\$1,676.25	Balance of drug cost
TOTAL	\$275	\$2,235**	\$3,216.25	Out-of-Pocket + Plan: \$5,726.25	

Notes: A chart detailing the cost-sharing amounts for beneficiaries receiving the low-income subsidy is available on the HAP website. Beneficiaries also may pay a monthly premium, which is expected to be around \$25, but it will vary by region and by plan. Beneficiaries reach the catastrophic benefit once they have spent \$4,050 out-of-pocket (in 2008) with approximate total drug spending at \$5,726.25 in prescription drug costs. (Total out-of-pocket spending does not include the monthly premium.) Because most plans do not follow the standard cost-sharing structure, calculating TrOOP may vary by plan.

*During the Initial Coverage Period the beneficiary pays 25% (and the plan pays 75%) of prescription drug costs between \$275 and \$2,510. The plan pays up to \$1,676.25 of these drug costs, and the beneficiary pays up to \$558.75 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 \$2,510 (Annual Deductible + Initial Coverage Period).

Source: <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/downloads/PartDAnnouncement2008.pdf>