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## **Expiring Medicare Part D Doughnut Provision Will Impact Beneficiaries With Highest Drug Costs**

*The Senior Citizens League Launches New Survey of Senior Healthcare Costs*

**(Washington, DC)** An expiring provision of law that affects what Medicare Part D beneficiaries must spend out-of-pocket will significantly increase the financial burden of people with the highest drug costs unless Congress takes action, warns [The Senior Citizens League](#). “Medicare beneficiaries with Part D are one of the only insured groups in the U.S. who aren’t protected by a cap on annual-out-of-pocket spending,” says Mary Johnson, a Medicare policy analyst for The Senior Citizens League. A provision of the 2010 Affordable Care Act restrained the annual growth in the amount of Part D out-of-pocket spending that’s required to qualify for “catastrophic” coverage — the phase at which co-insurance is the lowest. The provision is scheduled to expire at the end of 2019.

“This would mean significantly steeper out-of-pocket spending for people with the highest drug costs at a rate that would drain retirement accounts,” says Johnson. Over the past 9 years, the out-of-pocket spending threshold required to qualify for “catastrophic coverage” increased a total of \$550. Last year, the Medicare Trustees estimated that the Part D catastrophic threshold would rise by \$1,250 in a single year, from \$5,100 in 2019 to \$6,350 in 2020 and continue rising by more than \$440 per year, on average, thereafter.

A combination of high drug costs, particularly for specialty drugs, and the design of the Medicare Part D benefit, results in a high out-of-pocket cost burden for those who use the priciest drugs. In 2019, the standard Part D benefit has a \$415 deductible, 25 percent co-insurance up to an initial coverage limit of what both plans and beneficiaries pay of \$3,820. Part D plans, however, vary considerably from the standard. Plans are allowed to place drugs costing \$670 per month or more in specialty tiers and may charge co-insurance, as high as 55 percent.

In 2019, once beneficiaries and their plans have spent a total of \$3,820 out-of-pocket beneficiaries enter the “doughnut hole” coverage gap. When Part D was first enacted in 2006, beneficiaries were responsible for 100 percent of the undiscounted retail cost of the drug when they reached the doughnut hole phase of coverage. Beneficiaries who hit the doughnut hole in 2019 will pay co-insurance of 25 percent of the discounted price of brand-name drugs, and 37 percent for generics. Depending on the prescription drug, some beneficiaries will pay less for it during the doughnut hole phase of coverage than during the earlier initial coverage level because the drug discounts are higher, and/or the co-insurance is lower than during the initial coverage phase of their plan.

In 2019 beneficiaries must spend a total of \$5,100 out-of-pocket to reach the catastrophic level of coverage when co-insurance and co-pays are the lowest. Once the catastrophic threshold

is crossed, beneficiaries pay 5 percent co-insurance or \$8.50 for brand name drugs whichever is greater, and \$3.40 for generics, but there is no out-of-pocket maximum.

“This rampant growth in out-of-pocket spending thresholds is not something the majority of retirees would be able to handle financially for long, without rapidly draining retirement savings,” Johnson says. A 2018 survey conducted by The Senior Citizens League found that 62 percent of respondents favor establishing a monthly out-of-pocket spending cap for prescription drugs that would be adjusted annually to protect against the high drug cost burden. Thirty percent of respondents were uncertain about the proposal and only 8 percent opposed.

The Senior Citizens League supports legislation that would allow Medicare to negotiate prescription drug costs and is launching a new annual survey on the healthcare costs affecting older Americans. To learn more and to participate, visit [www.SeniorsLeague.org](http://www.SeniorsLeague.org).

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*With 1.2 million supporters, The Senior Citizens League is one of the nation’s largest nonpartisan seniors groups. Its mission is to promote and assist members and supporters, to educate and alert senior citizens about their rights and freedoms as U.S. Citizens, and to protect and defend the benefits senior citizens have earned and paid for. The Senior Citizens League is a proud affiliate of The Retired Enlisted Association. Visit [www.SeniorsLeague.org](http://www.SeniorsLeague.org) for more information.*