Coverage Gap

Once a certain limit is reached in benefits paid by a PDP, individuals enter the coverage gap, commonly referred to as the donut hole. Originally, once hitting the coverage gap, an individual would be responsible for 100% of prescription drug costs up to the plans out-of-pocket maximum. The Affordable Care Act introduced changes regarding the donut hole, and how it works, with the goal of eventually closing it altogether.

Once the plan has paid a total of $3,820, a beneficiary then enters the coverage gap. The $3,820 only includes a portion of beneficiary costs, copays and deductible, with the rest being the carrier’s cost. Each plan is different, so when someone will hit the donut hole may vary. Some plans have high deductibles and copays vary. Premiums do not count toward hitting the coverage gap. In fact, most people can expect to spend $900 to $1,000 in deductibles/copays before hitting the donut hole. Keep in mind that this is just an estimate, and costs may vary.

Once someone enters the coverage gap in 2016, they are responsible for 25% of the cost of brand-name drugs and 37% percent of the cost of generics. That does not necessarily mean that someone will have to pay the full amount to get out of the donut hole. For generics, only the amount paid is counted. For brand-name drugs, even though the cost to the beneficiary is only 25%, they receive credit for 95% of the cost. Other expenses also count towards the coverage gap, including deductibles, any copayments paid before entering the coverage gap and any extra assistance provided by a state pharmaceutical assistance program.