Medicare’s Basic Benefit: Besides the monthly premium, you pay...

- Up to $400 annual deductible (You pay 100%)
- After the deductible, you pay 25% of prescription costs between $400 and $3,700 (or $825).
- You reach the $3,700 drug coverage limit - you’re headed for the donut hole.

Warning!

Your drug costs have reached $7,425 and coverage begins again. (You pay 5%, or $3.30 for generics and $8.25 for brand-name drugs, whichever is greater.)

Before the Affordable Care Act:
You paid 100% out-of-pocket while in the donut hole.

After the Affordable Care Act: In 2017, you pay 40% for brand-name drugs and 51% for generics while in the donut hole.

Drug costs of $3,700 to $7,425


For more information, visit the National Council on Aging at www.ncoa.org.
Special thanks to FamiliesUSA (www.familiesusa.org) for giving us permission to use and adapt this graphic.
<table>
<thead>
<tr>
<th>Part D Benefit Cost Periods</th>
<th>Costs and Who Pays</th>
<th>Beneficiary Pays (TrOOP)</th>
<th>Plan Pays</th>
<th>Total Amount Spent on Plan-Covered Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Deductible</strong></td>
<td>Beneficiary pays 100%</td>
<td>Up to $400</td>
<td>$0</td>
<td>$400 (Amount spent on deductible, before ICP begins)</td>
</tr>
<tr>
<td><strong>Initial Coverage Period (ICP)</strong></td>
<td>Costs of covered drugs are shared: 25% by beneficiary, 75% by plan.</td>
<td>Up to $925 (max. with no deductible)</td>
<td>$2,775</td>
<td>$3,700 (Amount spent during ICP, including applicable deductible, before Coverage Gap begins)</td>
</tr>
</tbody>
</table>
| **Coverage Gap ("Donut Hole")** | Discounts in 2017: Costs of *plan-covered* drugs are shared:  
- Beneficiary pays 51% for *generic* drugs, 40% for *brand-name* drugs, plus 45% of the pharmacy dispensing fee (approx. $1-$3).  
- Plan pays 49% for *generic* drugs and 10% for *brand-name* drugs.  
- Drug manufacturer provides 50% discount on *brand-name* drugs.  

**Note about True Out-of-Pocket (TrOOP) costs:**  
The total amount spent in the Coverage Gap (up to $3,725) includes:  
- The drug costs paid by the beneficiary, and  
- The 50% discount on *brand-name* drugs provided by the drug manufacturer.  

Payments made by the plan during the Coverage Gap (49% on *generics*, 10% on *brand-name* drugs) do not count toward TrOOP. | Coverage Gap begins once beneficiary reaches the Initial Coverage Limit.  
$3,700 - Initial Coverage Limit  
(Total amount spent on any initial deductible and during ICP).  
Up to $3,725 (Total amount spent during Coverage Gap) | $7,425 (Total amount spent during ICP and Coverage Gap, before Catastrophic Benefit Period begins) |
| **Catastrophic Benefit Period** | Costs of covered drugs are shared:  
Beneficiary pays reduced copay/coinsurance; plan pays the difference. | Greater of:  
5% coinsurance *OR* $3.30 copay for generic, $8.25 copay for brand or non-preferred | Any remaining portion of the negotiated drug price. | Beneficiary will remain in the Catastrophic Benefit Period through December 31, 2017.  
Part D benefit will reset on January 1, 2018, starting again with a deductible. |

*Most Part D plans are not standard plans. This means calculating TrOOP costs during the initial deductible and ICP varies by plan.*

**Source:** 2017 Call Letter (pg. 68), at: [https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Advance2017.pdf](https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Advance2017.pdf)