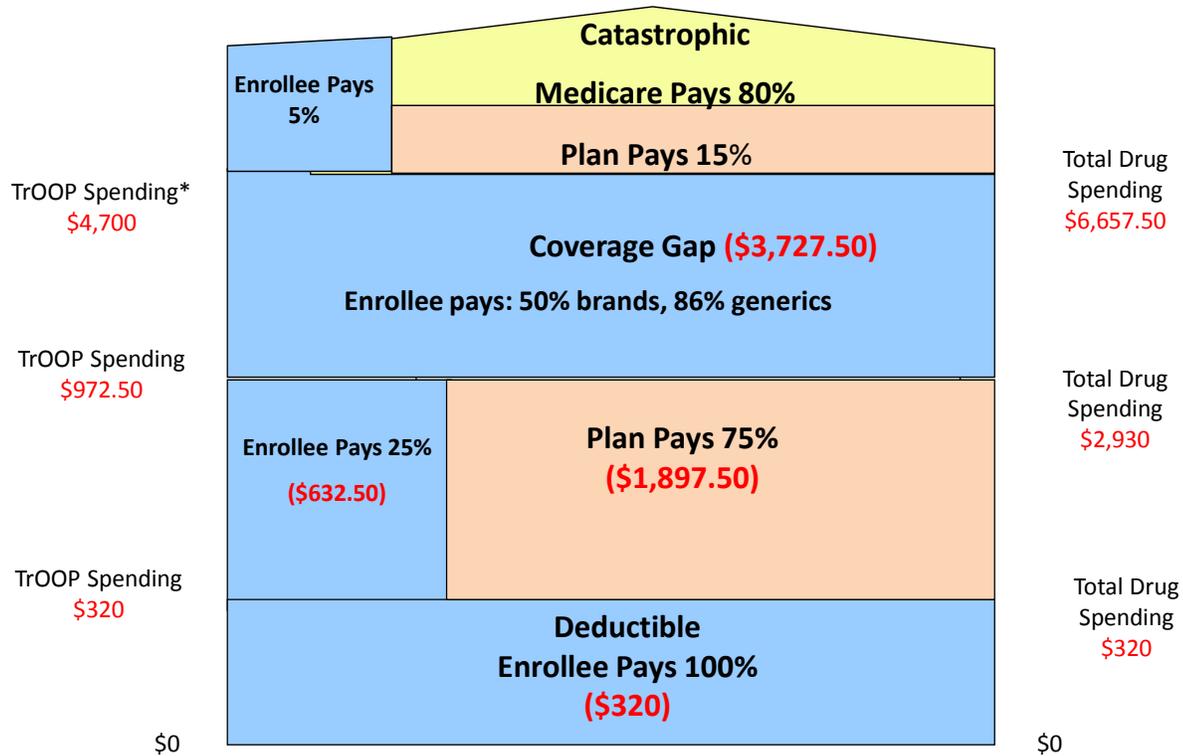


Overview of Medicare Part D Basic Benefit, 2012



*True out-of-pocket spending (TrOOP) means beneficiary spending on Part D drugs, not including payments by any other third party.

^Total drug spending is the amount that both beneficiary and the Part D plan spend on prescription drugs.

Catastrophic coverage is triggered when Total Drug Spending reaches \$6,657.50 or TrOOP reaches \$4700.

1

NOTE: This is a diagram of the **Basic Model**. The amounts on the left and right hand sides of the “house” are thresholds. The amounts on the right hand side are the **TOTAL DRUG SPENDING** that is cumulative from one period to the next. The amounts on the left hand side are the **TRUE OUT OF POCKET SPENDING (TrOOP)** that is cumulative from one period to the next. CMS sets the thresholds for each of the periods that the enrollee has to move through before s/he reaches the Catastrophic Period. The amounts inside the “house” are the breakdown of the amount(s) for each period. The periods are defined below.

Deductible

No more than \$320. The deductible can be \$0 to \$320.

Initial Coverage Period

Enrollee pays 25%. Plan pays 75%.

Coverage Gap

The Coverage Gap Discount Program in the Affordable Care Act is changing this period. Enrollee will no longer pay 100% of the drug cost, if there is a coverage gap in his/her plan. If the beneficiary’s Total Drug Spending reaches \$2,930, the enrollee pays 50% on brands and 86% on generics. The amount that the enrollee has to pay varies from plan to plan depending on what kind of coverage the plan offers in the gap and the number of brands vs. generics the enrollee takes.

Catastrophic Period

The enrollee reaches the Catastrophic Period when the Total Drug Spending is at or above \$6,657.50 or the Total Out-of-Pocket (TrOOP) Spending at or above \$4,700.