

## Medicare Minute Teaching Materials — March 2024

### Part D Coverage Phases

#### 1. What are the Part D coverage phases?

The cost of your Medicare Part D-covered drugs may change throughout the year. If you notice that prices have changed, it may be because you are in a different phase of Part D coverage. There are four different phases—or periods—of Part D coverage:

- Deductible period
- Initial coverage period
- Coverage gap
- Catastrophic coverage

Continue to numbers 2, 3, 4, and 5 to learn more about each coverage phase.

#### 2. What is the deductible period?

Until you meet your Part D deductible, you are in the deductible period. During this time, you will pay the full negotiated price for your covered prescription drugs. Once you have met your plan's deductible, the plan will begin to cover the cost of your drugs. While deductibles can vary from plan to plan, no plan's deductible can be higher than \$545 in 2024, and some plans have no deductible.

#### 3. What is the initial coverage period?

After you meet your deductible, your plan will help pay for your covered prescription drugs. This is your initial coverage period. Your plan will pay some of the cost, and you will pay a copayment or coinsurance. How long you stay in the initial coverage period depends on your drug costs and your plan's benefit structure. For most plans in 2024, the initial coverage period ends after you have accumulated \$5,030 in total drug costs. Total drug costs include the amount you and your plan have paid for your covered drugs.

#### 4. What is the coverage gap?

The Medicare Part D donut hole or coverage gap is the phase of Part D coverage after your initial coverage period. You enter the donut hole when your total drug costs—including what you and your plan have paid for your drugs—reaches a certain limit. In 2024, that limit is \$5,030. While in the coverage gap, you are responsible for a percentage of the cost of your drugs.

Prior to the Affordable Care Act (ACA), Medicare beneficiaries were responsible for the full cost of medications in the donut hole, but as of 2020, the beneficiary cost in this coverage phase is capped at 25%--the same as the standard Part D benefit in the initial coverage period. Because most plans don't use the standard benefit, however, some beneficiaries will see a difference between cost sharing in these two phases. For example, if a drug's total cost is \$100 and you pay your plan's \$20 copay during the initial coverage period, you will be responsible for paying \$25 (25% of \$100) during the coverage gap.

In all Part D plans in 2024, you leave the coverage gap after you reach \$8,000 in out-of-pocket costs for covered drugs. This amount is made up of what you pay for covered drugs and some costs that others pay (see number 5 for more information).

Note: If you have Extra Help, you do not have a coverage gap (see question 9). You will pay different drug costs during the year. Your drug costs may also be different if you are enrolled in a State Pharmaceutical Assistance Program (SPAP, see question 10).

### **5. What is catastrophic coverage?**

In all Part D plans in 2024, you enter catastrophic coverage after you reach \$8,000 in out-of-pocket costs for covered drugs. During this period, as of 2024, you owe no cost-sharing for the cost of your covered drugs for the remainder of the year. This is new for 2024, and it changes the catastrophic “phase” of coverage. Previously you had a 5% cost share, but now there is a hard cap on your spending. The out-of-pocket costs that count toward the catastrophic coverage cap include:

- Your deductible
- What you paid during the initial coverage period
- Almost the full cost of brand-name drugs (including the manufacturer’s discount) purchased during the coverage gap
- Amounts paid by others, including family members, most charities, and other persons on your behalf
- Amounts paid by State Pharmaceutical Assistance Programs (SPAPs), AIDS Drug Assistance Programs, and the Indian Health Service

Costs that do not count include monthly premiums, what your plan pays toward drug costs, the cost of non-covered drugs, the cost of covered drugs from pharmacies outside your plan’s network, and the 75% generic drug discount in the coverage gap.

### **6. Do I need to track my costs to know when I’m in each coverage phase?**

Your Part D plan should keep track of how much money you have spent out of pocket for covered drugs and your progression through coverage periods. This information should appear in your monthly statements.

Note: If you have Extra Help (see question 9), you do not have a coverage gap. You will pay different drug costs during the year. Your drug costs may also be different if you are enrolled in an SPAP (see question 10).

### **7. Can my drug costs change for reasons other than coverage periods?**

Plans can change drug costs at the start of each year. Under certain circumstances, your plan can change the cost of your drugs during the plan year. Your plan is required to alert you if such changes are made. Your plan cannot change your deductible or premium during the plan year.

### **8. Will these coverage gaps work in the same way next year in 2025?**

Beginning in 2025, the structure of Medicare Part D will change. There will be only three coverage phases – the deductible, initial coverage period, and a zero-cost phase after an out-of-pocket cap is reached. Your out-of-pocket costs will be limited to \$2,000 in deductibles, copays, and coinsurance.

Also starting in 2025, you have the choice to spread out-of-pocket Part D costs over the year. This will not reduce the total amount owed over the year, but can allow you, for example, to spread the cost of your deductible over 12 months. Whether this type of payment plan will be beneficial will depend on your circumstances and preferences. Remember that these changes are not in effect until 2025.

## 9. What is Extra Help?

Extra Help is a federal program that helps pay for most of the out-of-pocket costs of Medicare prescription drug coverage. It is also known as the Part D Low-Income Subsidy (LIS). If your monthly income and your assets are below specified limits, you may be eligible for Extra Help (see the [Extra Help income and asset limit chart](#) for details). Even if you don't meet these income and asset limits, you should be automatically enrolled in Extra Help if you are enrolled in other programs—Medicaid, Supplemental Security Income (SSI) or a Medicare Savings Program (MSP). You should receive a purple-colored notice from the Centers for Medicare & Medicaid Services (CMS) informing you that you do not need to apply for Extra Help.

The Extra Help program offers the following benefits:

- Pays for your Part D premium up to a state-specific benchmark amount
- Lowers the cost of your prescription drugs
- Gives you a Special Enrollment Period (SEP) once per calendar quarter during the first nine months of the year to enroll in a Part D plan or to switch between plans
- Eliminates any Part D late enrollment penalty you may have incurred if you delayed Part D enrollment

Remember that Extra Help is not a replacement for Part D or a plan on its own. You must still have a Part D plan to receive Medicare prescription drug coverage and Extra Help assistance. If you do not choose a plan, you will in most cases be automatically enrolled in one.

## 10. What is a State Pharmaceutical Assistance Program (SPAP)?

Many states offer State Pharmaceutical Assistance Programs (SPAPs) to help residents pay for prescription drugs. Each program works differently. States may coordinate their drug assistance programs with Part D. Some SPAPs require that you sign up for Part D in order to qualify for assistance. In these cases, if a drug is covered by both your SPAP and your Part D plan, both the amount you pay for your prescriptions plus the amount the SPAP pays will count toward the out-of-pocket maximum you have to pay before reaching catastrophic coverage. Your SPAP may help pay for your Part D plan's premium, deductible, and/or copayments. Many SPAPs continue providing coverage during your Part D plan's coverage gap. Certain states have qualified SPAPs. Qualified SPAPs provide a Special Enrollment Period (SEP) to allow you to enroll in or make changes to your Part D or Medicare Advantage coverage.

## 11. How else can I get help with my Part D costs?

If you are enrolled in a Part D plan but cannot afford your prescriptions, there are a few additional strategies that may help lower your drug costs.

### Ask your doctor:

- About generics: Generic drugs are often less expensive than brand-name drugs and might be more affordable for you. Check with your doctor to see if a generic drug will work for you.
- For samples of your medication: This is a temporary solution, as your doctor may not be able to provide samples for very long.

### Ask your plan:

- About mail-order prescriptions: Mail-order pharmacies may offer lower costs for your drugs. And if you have Extra Help and your drug plan has a mail-order option, you may be able to get a 90-day supply of

your prescription at a lower cost. Keep in mind that with mail order, it may take longer to get your drugs than if you were to go to the pharmacy yourself. Plan ahead when filling your prescriptions by mail.

- For a tiering exception: If your Part D plan is covering your drug and your copayment is expensive, it could be that the medication is on a high tier. A tiering exception request is a way to request lower cost-sharing.

### **Ask your pharmacy or hospital:**

- To waive your copay: Pharmacies are not allowed to routinely waive their copays for people without Extra Help, but your pharmacist can waive copays on a case-by-case basis. Tell your pharmacist you cannot afford the copay, and request that it be waived. If you are looking for a pharmacy that may waive your copay, make sure it is in your plan's network. Some pharmacies routinely waive copays for people with Extra Help. Ask your pharmacist if your pharmacy does this.
- About charity care: Hospitals may have a charity care policy that can reduce your drug copays if you cannot afford them. Under such a policy, your final copay is determined by your income (using a sliding scale). To qualify, your prescription must be written by a doctor in the hospital and filled out at the hospital's pharmacy. Tell the hospital's pharmacist that you cannot afford the copay and ask if you qualify for prescription assistance. (Make sure to confirm that the hospital's pharmacy is in-network.)

### **There may be other options to lower costs at the pharmacy.**

- Coupons and manufacturer discount programs: Check for discounts on websites like [www.NeedyMeds.org](http://www.NeedyMeds.org) and [www.GoodRx.com](http://www.GoodRx.com)
- Promotional pharmacy price: Check if a pharmacy in your plan's network has a special promotion (limited time offer) to sell a medication that is on your plan's formulary at a lower price. You will need to tell the pharmacist to refill your medication without using your Medicare drug coverage. It is best to take advantage of such specials only during your deductible or coverage gap because it is only during these times that what you pay will count toward reaching your plan's catastrophic coverage limit.
  - You will need to submit your receipts to your plan with any other required documentation in order for this amount to count toward reaching the catastrophic coverage limit. Contact your plan to find out more information.
- Pharmacy discount generic programs: Some retail pharmacies offer year-round discounts on generics. Check with in-network pharmacies to see if they sell any of your prescribed generics at a lower price. If you normally pay a coinsurance, you will pay it based on the lower store price.

## **12. What is pharmacy and prescription drug fraud?**

There are many types of pharmacy and prescription drug schemes. A common scheme could be when Medicare is billed for a medication that you did not receive or if you are given a different drug than what you were prescribed. It is important to read your Medicare statements to check for errors or suspicious charges. This would include checking your statements to make sure that the medications you picked up from the pharmacy are the type and amount you were prescribed. If you notice any concerns about your Medicare statements or with your medications, contact your local Senior Medicare Patrol (SMP). Your SMP can help and report the potential fraud to the correct authorities.

Here are more examples of potential pharmacy and prescription drug fraud:

- You see charges on your Medicare Summary Notice (MSN) or Explanation of Benefits (EOB) charges for:

- Drugs that were never picked up, delivered, or even prescribed.
- Drugs (sometimes controlled drugs such as opioids) that were prescribed by a doctor you have never seen.
- Drugs beyond the amount you were prescribed.
- A different prescription drug, often one that costs more, than the one you were prescribed or a drug that is not approved by the U.S. Food and Drug Administration (FDA).
- A pharmacy purposely provided you less medication than you were prescribed or expired drugs. A pharmacy gave you and billed for a costly compounded medication, such as a pain cream, when a lower cost prescription was ordered by your doctor.
- A pharmacy offers you “free” or “discount” prescription drugs without an order from your doctor and then bills Medicare.
- A pharmacy refills a prescription you no longer need without you knowing it. You do not pick it up, but the pharmacy still bills Medicare.
- Someone offers to pay you for the use of your Medicare number to bill for prescription drugs or offers you cash or other payment to pick up prescriptions for you.

### 13. Who can I contact if I have more questions?

**Your Part D plan:** Contact your Part D or Medicare Advantage Plan if you have questions about your Part D coverage or costs.

**Your doctor:** If you are having trouble affording your drugs, work with your doctor to determine if you can switch to a different version of the drug or request a tiering exception from your plan.

**State Health Insurance Assistance Program (SHIP):** Contact your SHIP if you have questions about Part D coverage or cost assistance programs, such as Extra Help or State Pharmaceutical Assistance Programs. SHIP counselors provide unbiased Medicare counseling and assistance. Contact information for your local SHIP is on the final page of this document.

**Senior Medicare Patrol (SMP):** Contact your local SMP if you believe you have experienced potential Medicare fraud, errors, or abuse. Contact information for your local SMP is on the final page of this document.

#### SHIP case example

Julie started taking a new medication late last year. She went to the pharmacy for the first time in the new year and was charged a higher copay than she was used to. She knows the drug is covered by her plan but doesn't know why it's suddenly so expensive. Julie thinks she can cover the cost of the copay now, but she isn't sure she can afford to do so all year.

#### What should Julie do?

- Julie can contact her State Health Insurance Assistance Program (SHIP) if she would like one-on-one guidance from a Medicare counselor throughout this situation.
  - If Julie doesn't know how to contact her local SHIP, she can call 877-839-2675 and say Medicare when prompted, or she can find her SHIP at [www.shiphelp.org](http://www.shiphelp.org).
- Julie should check to see which coverage phase she is in. Her drug may be more expensive if she is in the deductible phase of her Part D coverage. This could make sense, given it is the start of a new year.

- Julie’s Part D plan should be adding up her costs and tracking what coverage phase she is in. She can call the plan or check her statements for this information.
- If Julie is in her deductible phase, her drug costs should go down once she enters the initial coverage phase and her Part D plan begins to help pay for the drug.
- If Julie’s high costs are not due to her coverage phase, she should work with her doctor to discuss other options.
  - For example, she could ask her doctor if there is a more affordable version of the same drug she could switch to. Or, if the drug is on a higher price tier this year, her doctor could request a tiering exception of her Part D plan. Her doctor may also be able to provide free samples of the medication to Julie until she resolves the issue.
- A SHIP counselor can help screen Julie for programs to help save her money on her drugs. For example, the counselor can screen her for Extra Help or State Pharmaceutical Assistance Programs (SPAPs). They may also help Julie look for coupons and other discount programs on websites like [www.GoodRx.com](http://www.GoodRx.com) or [www.NeedyMeds.org](http://www.NeedyMeds.org).

### **SMP case study**

Rick’s doctor prescribes him a one-month supply of his medication. However, when he picks up his medication, he finds that the pharmacist has not given him enough pills to last through the month. He is concerned because the copay is expensive, and he is unsure why the pharmacist did not give him enough.

### **What should Rick do?**

- Rick should contact his doctor to make sure that his prescription has not changed and to make sure that he understands his doctor’s instructions for how much to take and for how long. If his doctor says it has not changed, then he should contact his pharmacy to see if the prescription was sent to the pharmacy because they could have made an error or mistake.
- If the pharmacy didn’t correct it and Rick believes that his pharmacy gave him fewer pills on purpose, he should contact his Senior Medicare Patrol (SMP).
  - If Rick does not know how to contact his SMP, he can call 877-808-2468 or visit [www.smpresource.org](http://www.smpresource.org).
- The SMP team member will tell Rick that this could be potential pharmacy and prescription fraud or abuse if there was “prescription shorting,” in which a pharmacy gives out fewer pills to people in order to make money.
- The SMP team member will help Rick report the suspected fraud to the proper authorities and will provide education on how to avoid Medicare fraud, errors, and abuse in the future.
- If Rick still has other concerns about his drug costs, the SMP team member can help direct him toward programs like Extra Help or his state’s SPAP, and they can tell him that he can learn more about eligibility and how to apply by contacting his local SHIP.

Local SHIP Contact Information	Local SMP Contact Information
<p><b>SHIP toll-free: 800-247-4422</b>  <b>SHIP email: <a href="mailto:idahoshiba@doi.idaho.gov">idahoshiba@doi.idaho.gov</a></b>  <b>SHIP website: <a href="http://shiba.idaho.gov">shiba.idaho.gov</a></b></p> <p><b>To find a SHIP in another state:</b>            Call 877-839-2675 and say “Medicare” when prompted or visit <a href="http://www.shiphelp.org">www.shiphelp.org</a>.</p>	<p><b>SMP toll-free: 800-247-4422</b>  <b>SMP email: <a href="mailto:idahoshiba@doi.idaho.gov">idahoshiba@doi.idaho.gov</a></b>  <b>SMP website: <a href="https://aging.idaho.gov/stay-safe/senior-medicare-patrol-fraud-prevention">https://aging.idaho.gov/stay-safe/senior-medicare-patrol-fraud-prevention</a></b></p> <p><b>To find an SMP in another state:</b>            Call 877-808-2468 or visit <a href="http://www.smpresource.org">www.smpresource.org</a>.</p>
<p><i>This document was supported, in part, by grant numbers 90SATC0002 and 90MPPRC0002 from the Administration for Community Living (ACL), Department of Health and Human Services, Washington, D.C. 20201. Grantees undertaking projects under government sponsorship are encouraged to express freely their findings and conclusions. Points of view or opinions do not, therefore, necessarily represent official ACL policy.</i></p> <p>SHIP Technical Assistance Center: 877-839-2675   <a href="http://www.shiptacenter.org">www.shiptacenter.org</a>   <a href="mailto:info@shiptacenter.org">info@shiptacenter.org</a>            SMP Resource Center: 877-808-2468   <a href="http://www.smpresource.org">www.smpresource.org</a>   <a href="mailto:info@smpresource.org">info@smpresource.org</a></p> <p>© 2024 Medicare Rights Center   <a href="http://www.medicareinteractive.org">www.medicareinteractive.org</a>   <i>The Medicare Rights Center is the author of portions of the content in these materials but is not responsible for any content not authored by the Medicare Rights Center.</i></p>	