

New Health Care Coverage and the Elimination of Medicare's Doughnut Hole

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The "Doughnut Hole" refers to "Part D" of Medicare and is considered to be the gap in prescription coverage for which people with Medicare are required to pay the total expense out of pocket during a portion of the year.

Medicare is the government's health insurance system for individuals 65 years and older and younger individuals suffering from certain disabilities or who are terminally ill with kidney disease. This insurance is divided into four sections- Part A: Hospital insurance, Part B: Medical Insurance, Part C: Medical Coverage, and Part D: Drug Reimbursement.

The "Medicare Prescription Drug Plans" described in Part D, have been heavily criticized because of the "Doughnut Hole." In short, although a person has health insurance coverage and drug reimbursement, he or she will not be reimbursed and be forced to pay out of pocket costs while remaining in the "Doughnut Hole" phase when the cost of drugs falls between \$ 2,930 and \$ 4,700.

Research has shown that when Medicare patients reach the "Doughnut Hole" many are likely to stop taking their prescribed medications. This can be critical and detrimental to one's

A person who subscribes to a Medicare Drug Plan pays monthly premium insurance.

For the first \$320, the insured pays 100% of his/her drug costs. Between \$320 and \$2610, the insurance pays 75% of the insured drug costs and the insured pays the 25% balance. Between \$2,930 and \$4,700, **the insured pays 100% of the drug costs** (a \$972.50 out of pocket expense). When the costs of drugs exceed \$4,700, the insured pays \$2.60 per month for generics/\$6.50 for brand name or 5% of medications retail cost, whichever is higher.

health. Patients who decide to stop taking medications and have heart related conditions such as heart disease or high blood pressure could suffer serious health consequences. Although the "Doughnut Hole" is gradually closing, patients need to find cheaper alternatives to their prescriptions instead of completely discontinuing a possible life-saving medication.

The healthcare reform provides a phased elimination of the "Doughnut Hole". In 2010, people in the hole received only a \$250 refund. In 2011, people in the hole

Let's review the budget of a 65 year-old person who buys for \$6,000 worth of drugs a year. In addition to the monthly premium:

The first \$320 = \$320

25% co-payment = \$652.50

Doughnut hole = \$1770.00

5% co-payment = \$65.00

Above premium out-of-pocket expenses amount to: \$2,807.50

received a 50% discount on branded drugs and 7% discount on generic. In 2012 anyone reaching the "Doughnut Hole" will receive a 50% discount on brand name drugs and a 14% discount on generic medications. After that, Medicare will offer additional discounts for brand name and generic drugs until the "Doughnut Hole" is completely eliminated by 2020 and co-payments are set at a maximum of 25%.

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