

HEALTHCARE REFORM & MEDICARE

CLOSING THE "DOUGHNUT HOLE"

The Affordable Care Act passed by Congress this year contains some important benefits for Medicare recipients.

Seniors now enrolled in Medicare Part D plan will generally pay a monthly premium which varies by plan, a yearly deductible and 25 percent of the cost of their prescription drugs until a total of \$2,830 is paid. At that point, enrollees must pay the full cost of their prescriptions until their total out-of-pocket spending reaches \$4,550. Once the out-of-pocket limit is reached, catastrophic coverage then kicks in and enrollees pay 5 percent of drug costs for the rest of the year.

If you have Medicare prescription drug coverage, and are not already getting Medicare Extra Help, Medicare will automatically send you a tax free, one-time \$250 rebate check after you reach the coverage gap (also called the "doughnut hole") in 2010. This rebate is the first step toward closing the Medicare prescription drug doughnut hole.

The first \$250 checks were sent out June 10 to about 80,000 people who had already reached the doughnut hole. Checks will be mailed at monthly intervals throughout the year as more Part D enrollees, about 4 million in all, hit the doughnut hole.



Frequently Asked Questions

Q: What is the doughnut hole and how will I know if I've reached it?

A: Most Medicare drug plans have a doughnut hole. This means that after you and your plan have spent a certain amount of money for covered drugs, you have to pay all costs out-of-pocket for your drugs (up to a limit).

The Explanation of Benefits notice, which your drug plan mails to you each month when you fill a prescription, will tell you how much you have spent on covered drugs and whether you have entered the coverage gap.

Q: What do I have to do?

A: Nothing. You do not have to apply. As soon as you enter the doughnut hole, your Part D plan will inform Medicare, and Medicare will automatically mail you a one-time \$250 check.

Q: How will I get it?

A: The check will arrive by mail. The envelope will have "Department of Health and Human Services - Medicare Part D" printed on the outside.

Q: When will I get it?

A: The first checks were mailed June 10 and more will be mailed each month. So if you fell into the doughnut hole this year, you should be getting your check soon. But if you hit the doughnut hole in September, for example, the check should be mailed in October.

Q: What if it doesn't arrive?

A: If you are in the doughnut hole and have not received your check, wait a month and then call Medicare at 1-800-633-4227. But if you recently changed your address, or are about to move, call Social Security at 1-800-772-1213 to make sure that the correct address is on file.

Q: Does everybody get a \$250 check?

A: Everyone who reaches the doughnut hole gets a check - your income is not taken into account. People with limited incomes who qualify for low-cost Extra Help do not get this \$250 check because this program does not have a doughnut hole.

Q: What if I don't spend \$250 after I am in the doughnut hole?

A: You qualify for the rebate as soon as you go into the doughnut hole, regardless of how much you spend after you are in it. Even if your actual expense in the doughnut hole is as low as \$1, you still get \$250.

Q: Is the \$250 taxable?

A: No. It is tax-free.

Q: Does the \$250 add to the amount I must spend to get out of the doughnut hole?

A: No. The money in no way affects your ability to qualify for catastrophic coverage or slows down the process for getting there. This year, you must still spend \$4,550 out of your own pocket - counting your deductible (if your drug plan has one), all the copayments you have spent before hitting the doughnut hole, and anything you pay for drugs while in the doughnut hole - before you can receive low-cost coverage at the catastrophic level, which continues until the end of the year. The one-time rebate just gives you back \$250 of that amount in 2010.

Q: Is this really a free gift or is there some kind of catch?

A: It is a free gift, and there is no catch. But be on your guard against scam artists who try to exploit any uncertainty you have. Do not believe anybody who says they are from "the government" or from "Medicare" and need your Medicare or Social Security ID number or your bank account number so that your check can be mailed to you. Or anybody who says you must pay a fee to get the check. This is a scheme to cheat you out of your money. Call 1-800-MEDICARE (1-800-633-4227) to report anyone who does this. TTY users should call 1-877-486-2048.