



# The Affordable Care Act's Repeal Would Leave the Doughnut Hole Open

Benjamin Hunt and Karen Davenport July 2010

Today marks the 45th anniversary of Medicare, a highly successful and popular program that currently helps more than 46 million Americans receive the health care they need. The recently passed Affordable Care Act reaffirms our nation's commitment to Medicare by strengthening the program's prescription drug benefit—in particular, by reducing prescription drug costs for Medicare Part D enrollees who reach a gap in their drug coverage. This year, the program provides these individuals with partial rebates. These rebates are the first toward closing the so-called “doughnut hole” that affects millions of program beneficiaries.

But opponents of the new reform law are prepared to eliminate this new help and require millions of seniors and people with disabilities who enter the doughnut hole to pay on average an additional \$500 for their prescription drugs in 2011. People with very high drug needs would pay even more—up to \$1,500 in additional out-of-pocket costs on average in 2011.

A quick look at the doughnut hole and how the reform law works to close it demonstrates that the Affordable Care Act is critical to helping millions of Medicare enrollees afford the medications they need.

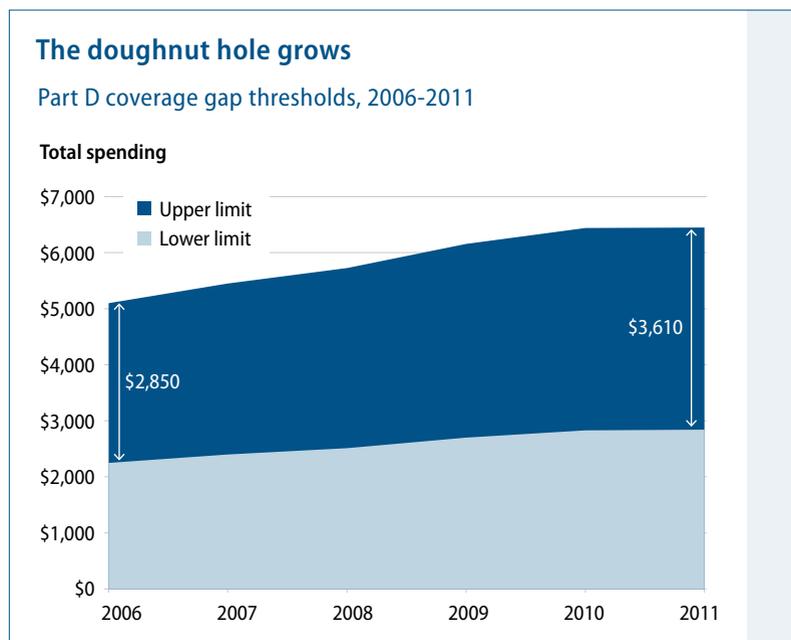
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## Background

The Medicare Part D coverage gap, also known as the “doughnut hole,” kicks in when enrollees' total 2010 drug spending—including out-of-pocket costs and expenses covered by their Medicare drug plan—reaches \$2,830. At this point, enrollees pay the full cost of all the prescription drugs they need until total expenses hit \$6,440, at which point they qualify for catastrophic coverage and pay 5 percent of drug costs.

The \$3,610 coverage gap is projected to grow to more than \$6,000 by 2020. Among Part D enrollees who do not receive federal help with Part D premiums and cost-sharing, just over a quarter, or 26 percent, fall into the doughnut hole every year, and 85 percent of those individuals remain there as expenses run into the thousands of dollars.

The Affordable Care Act makes fundamental improvements to the Medicare prescription drug program. In the law's first year the Centers for Medicare and Medicaid Services is providing \$250 rebate checks to 4 million Part D participants who reach the coverage gap—nearly 400,000 have already been mailed, with at least another 3.5 million expected to be delivered between now and the end of the year. Next year, Medicare Part D enrollees who reach the doughnut hole will receive a 50 percent discount on the price of brand-name prescription drugs and a 7 percent discount on generic medications. Deeper discounts will be phased in until the coverage gap is completely closed by 2020.



## Savings at risk

The Center for American Progress has calculated that Medicare Part D beneficiaries who stay in the gap would spend almost \$2,200 out of pocket in 2011 without these discounts from the Affordable Care Act. The new brand-name and generic prescription drug discounts available in the act to enrollees in the doughnut hole will save them nearly \$500 in 2011, reducing their total out-of-pocket spending by 23 percent.

Prescription drug savings will be even greater for the more than half a million Medicare Part D participants that will reach catastrophic coverage in 2011. We project that these discounts will save these individuals more than \$1,500 in 2011, reducing their total out-of-pocket spending on prescription drugs by nearly one-third.

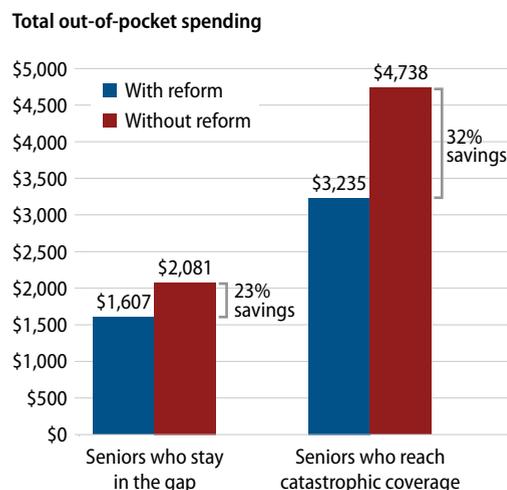
Medicare Part D enrollees would lose these savings and spend significantly more out-of-pocket on prescription drugs if the Affordable Care Act were repealed.

But these individuals face more than this financial risk. As people face higher costs for prescription drugs they change their medication habits, which places them at risk for potentially severe health consequences. More than 23 percent of Part D enrollees using medications to control their diabetes changed their drug use upon reaching the coverage gap in 2007. Among those, 10 percent stopped taking their antidiabetes prescription altogether, 5 percent reduced their usage, and 8 percent switched to a different drug.

For people dependent on these costly drugs—more than half of Medicare participants using oral antidiabetes medications had spending high enough to reach the coverage gap—high out-of-pocket costs can threaten their health and may cause higher Medicare spending for preventable emergency room visits and hospitalizations.

### Seniors save with reform

Projected out-of-pocket savings, 2011



### Keep the doughnut hole closed

The term “doughnut hole” may not resonate with many average Americans. But in fact it’s a very real burden and a health risk in the lives of millions of elderly and disabled Americans who depend on Medicare prescription drug coverage. Repeal of health care reform would hurt these individuals by eliminating \$500 in annual savings in 2011 for Medicare enrollees in the gap and over \$1,500 for those facing catastrophic coverage. It also likely would force many Part D enrollees to change the drug regimen recommended by their doctors because they cannot afford the extra cost.

The Affordable Care Act closes the dreaded doughnut hole and will result in better health care outcomes, which is in keeping with 45 years of commitments to older and disabled Americans. This anniversary reminds us to celebrate improvements in the Medicare program’s ability to protect beneficiaries’ health and financial stability—and to guard against efforts to unravel these changes.

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## Methodology

A [Kaiser Family Foundation](#) examination of the Medicare prescription drug coverage gap found that Medicare Part D enrollees who reached the coverage gap—and did not receive federal help with premiums and cost-sharing—spent \$3,364 on prescription medications in 2007 on average. This total, which includes enrollees' out-of-pocket payments and costs covered by their Part D plan, represents 62 percent of the upper limit of the coverage gap. Enrollees who reached catastrophic coverage similarly spent a total of \$8,635, or 158 percent of the upper limit, on prescription drugs in 2007.

We determined the savings enrollees will realize with the brand-name and generic discounts by first estimating total prescription drug spending for these groups of enrollees in 2011. We assumed that the relationship between total drug spending and the upper limit of the coverage gap would remain constant, using the 2011 thresholds for the Part D program. We then subtracted the initial deductible and beneficiary cost-sharing to calculate the amount of total spending that would occur in the coverage gap. Finally, we applied the 50 percent and 7 percent brand-name and generic discounts to this estimate of spending in the gap, using recent Centers for Medicare and Medicaid Services data to allocate total spending across brand-name and generic medications.

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