



# 2022 Part D Basics

A Medicare Scholar presentation

# History

- Prior to Part D, Medicare beneficiaries had limited options to cover prescription drug costs
  - Group/union coverage
  - Retiree coverage
  - Medicare Supplement Plan J
  - Self-insure
- Medicare Part D started in 2006, and 77% of all beneficiaries are currently enrolled in the benefit

# Part D Basics

- Voluntary benefit – you are not required to enroll
- Offered through private insurance companies
- Available as a stand-alone plan (PDP), or combined with a Medicare Advantage plan (MAPD)
- Benefits change each calendar year
- Covers generic and brand name medications

# Enrollment

Must enroll or change plans during a valid enrollment period:

- **Initial Enrollment Period** – 7-month window surrounding your Part A or Part B start date
- **Annual Enrollment Period** – October 15 through December 7 each year
- **Special Election Period** – specific situations, like losing creditable coverage, that can happen throughout the year

# Premiums

- Stand-alone plans will have a monthly premium and will vary
- Some MAPD plans offer coverage for \$0 monthly premium
- Can choose to pay via automatic bank draft, monthly coupon book, or pay directly from your Social Security check

# Late Enrollment Penalty

- You may owe a late enrollment penalty if there's a period of 63 or more days in a row when you don't have creditable prescription drug coverage
- Permanently added to your Part D premium
- 1% for each month you are uncovered
- Based on the “national base beneficiary premium”, which is \$33.37 in 2022

# Coverage Stages

Part D plans are designed with four stages of coverage

- Yearly Deductible
- Initial Coverage Limit
- Coverage Gap (Donut Hole)
- Catastrophic Coverage

# Yearly Deductible

- Amount you must pay each year for your prescriptions before your Part D plan pays its share
- Deductible can vary between drug plans
- No plan may have a deductible more than \$480 in 2022
- Some plans have no deductible, or limit the deductible to specific **drug tiers**



# Initial Coverage Limit

- Combination of what you and your plan spend on covered drugs
- \$4,430 in 2022
- You pay **copays** (set dollar amount) or **coinsurances** (percentage of cost) based on what tier your medications fall into

# Initial Coverage Limit

Covered medications will fall into tiers to determine your copay/coinsurance

- **Tier 1** – lowest copay: most generic drugs
- **Tier 2** – medium copay: some higher cost generic/brand name drugs
- **Tier 3** – high copay/coinsurance: most brand name drugs
- **Tier 4 & 5** – highest coinsurance: very high cost or specialty drugs

# Coverage Gap

- Once you and your plan have spent \$4,430 on covered drugs in 2022, you're in the Coverage Gap (also known as the Donut Hole)
- You'll pay no more than 25% of the cost of your covered medications
- You'll pay these amounts until you've spent \$7,050 in out-of-pocket costs in 2022

# Coverage Gap

Items that count towards the \$7,050:

- Yearly Deductible
- Copays and coinsurances
- The discount you get on brand name drugs in the Coverage Gap (70%)
- What you pay for covered drugs (25%) in the Coverage Gap

# Catastrophic Coverage

- Once you reach \$7,050 in out-of-pocket costs, you enter the Catastrophic Coverage phase
- You'll pay the greater of:
  - 5% of the total drug cost, or
  - \$3.95 for generic drugs, and
  - \$9.85 for brand drugs
- Your benefits will reset at the start of the next calendar year

# Formulary

- List of covered medications – will vary by plan
- Includes both brand-name and generic drugs
- Medications must be included in your plan's formulary to be covered
- You can request a formulary exception for non-covered medications
- You can request a tier reduction if you believe a medication is too expensive

# Pharmacy Network

- Each plan will have its own network of participating pharmacies
- Some plans may have Preferred pharmacies that offer the lowest cost on covered medications
- Medications will not be covered at non-network pharmacies (except in emergencies)
- Plans offer a mail-order option

# Extra Help

If you have limited income and resources, you may qualify for help paying:

- Monthly premiums & late enrollment penalties
- Annual deductibles
- Copays/coinsurances
- Coverage Gap

Learn more at [ssa.gov/prescriptionhelp](https://ssa.gov/prescriptionhelp)





# Questions?



Thank you for  
attending!



# Sources

- <https://www.kff.org/medicare/issue-brief/key-facts-about-medicare-part-d-enrollment-premiums-and-cost-sharing-in-2021/>
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