

Medicare Insurance Enrollment Center™

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Blog Post: The 4 Stages of Your Part D Plan

The question I seem to frequently get is, “What is the donut hole, and will I hit it?”

Let’s start from the beginning.

Your Part D prescription drug plan has four payment stages: deductible, initial coverage, coverage gap, catastrophic. Each stage is explained below.

1. **Deductible:** A deductible is the amount a policyholder must pay out-of-pocket before the plan pays anything. For 2020, the standard deductible for a Part D plan is \$435; however, your plan can have a deductible less than \$435 or even have no deductible. Once you meet your plan deductible, you will move onto the next stage.
2. **Initial Coverage:** You have met your deductible and now have entered the initial coverage stage. During the initial coverage stage, you will only pay part of the cost for your covered drugs – usually just a copay. Once the amount you and your plan has spent reaches \$4,020, you will enter the next stage.
3. **Coverage Gap or the “Donut Hole”:** What you spent and what the plan has spent has reached \$4,020, you have now entered the coverage gap or what most know it as, the “donut hole”. During this stage you will pay 25% of the costs of your covered prescriptions. If your costs reach \$6,350 then you will enter the final stage.
4. **Catastrophic:** Once you have paid \$6,350, you are out of the coverage gap and you’ll pay a set amount for your covered drugs for the rest of the year. During this stage you’ll pay the greater of 5% or \$3.60 for generics and \$8.95 for brand name prescriptions.

Not everyone will go through every stage. Some may stay in the initial coverage stage for the entire year. Some may enter the coverage gap but never make it to the catastrophic stage. It ultimately depends on your prescription combination and the costs associated.

This cycle resets each year.

As of January 1, 2020, the “donut hole” has officially been closed, but that doesn’t mean it is gone for good. The closing of the “donut hole” means the percentage one may pay has been capped at 25%.

To find out what stages apply to you, what your prescription costs will be on your plan, or how you may be able to lower your out-of-pocket costs, do not hesitate to contact us.