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Medicare Donut Hole 2023

The Medicare Part D donut hole is just a term coined by ordinary people for the stage of Medicare Part D that is officially called the coverage gap. The reason they call it the Medicare donut hole is that it used to be a hole in the middle of your drug coverage during a calendar year.

All Medicare Part D plans have four stages, and the third stage is the donut hole. However, you may have heard about the Medicare donut hole ending. The reason people used to say that the donut hole was ending is that the percentage you pay for brand-name drugs in the gap lowered.

Confusing, right? Keep reading, and we'll break it down for you.



What is the Medicare Donut Hole?

The Medicare donut hole is a gap inside all Part D plans. When your spending reaches the threshold for the coverage gap, your medication costs can then be higher than they were prior to you reaching the donut hole. However, depending on what you paid during the initial coverage stage, your coinsurance can be lower during the coverage gap.

Congress designed Part D so that it would provide coverage for the majority of your prescription drugs. However, a small percentage of people have medication costs that go well beyond average spending. Part D was designed so that those people would then share in a greater portion of the costs for their medications when they enter the coverage gap.

Medicare designed the gap to encourage beneficiaries, whenever possible, to seek generics or drug alternatives that are lower in cost. This has helped a great deal to keep the total costs for the Part D program as low as possible.

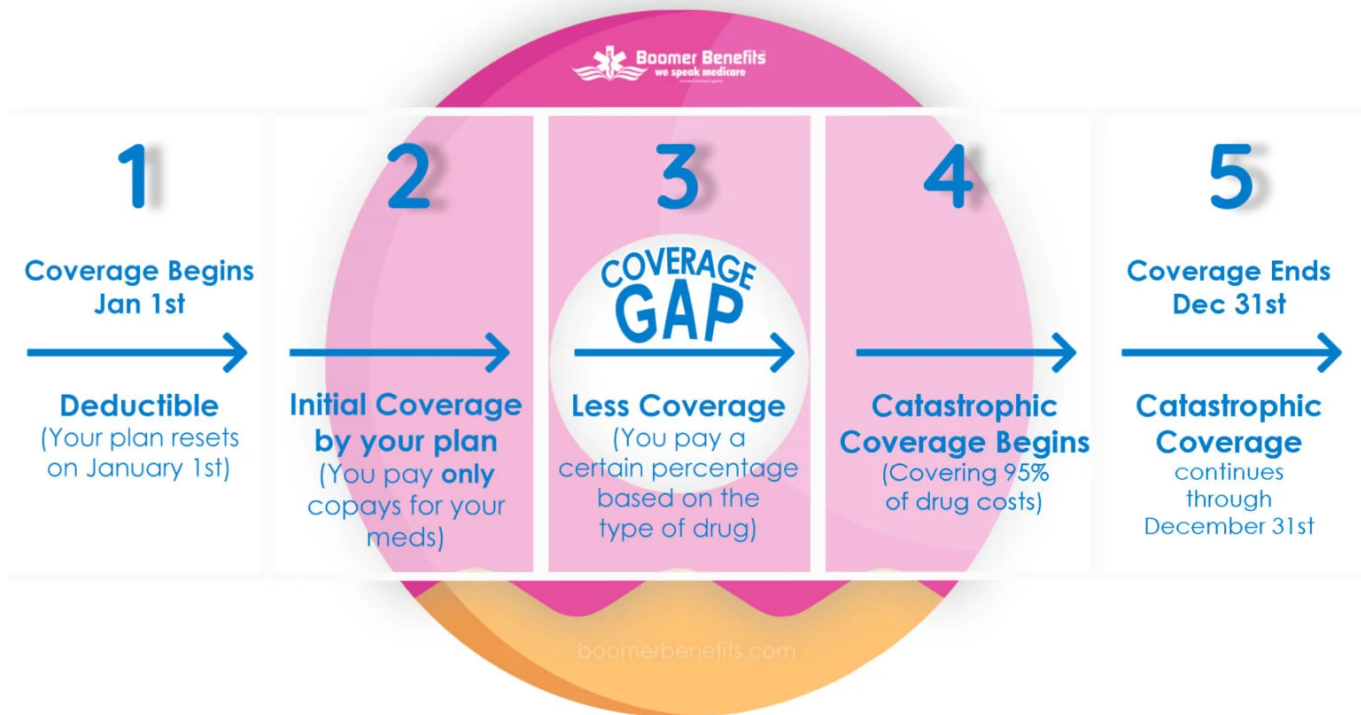
Is the Medicare Donut Hole Ending?

So, when does the donut hole end? Although it has shrunk, it hasn't ended quite yet.

Since the Affordable Care Act passed back in 2010, the donut hole has been slowly closing. It used to be that when you hit that point, you would pay 100% of the costs of your prescription drugs while you were in the gap.

However, the government has been reducing that percentage steadily, and as of 2023, the percentage of the cost that you pay for prescriptions during the Medicare donut hole is no more than 25%.

The Medicare Donut Hole



Donut Hole Expenses

Once you and your insurance plan have spent a total of \$4,660 in 2023, you will move into the Medicare donut hole. In 2023, you pay 25% of the cost of your prescriptions, both brand-name and generic, once you reach the Medicare donut hole. So, if a certain medication costs \$100, and you were paying a Tier 3 copay of \$46 before you reached the gap, the same medication will now cost you \$25 when you are in the gap. However, if that \$100 drug were a tier 2 drug and you were paying a \$10 copay prior to the coverage gap, you'd now pay \$25 in the coverage gap.

Medicare continues to tally the spending between you and your insurance company while you are in the gap. If your total out-of-pocket drug expenses reach \$7,400 in 2023, then you exit the gap. You reach the fourth stage of Medicare Part D, called catastrophic coverage. At this stage, you will pay either 5% or a small copay (whichever is greater) of the cost of your medications for the rest of the year. The insurance company picks up the rest.

Some medications fall outside of Part D altogether and therefore do not get tallied toward the Medicare donut hole. See our [list of medications not covered by Part D](#) for more information on that.

While the coverage gap can be painful, it's important to remember that, just a few years ago, there was no

prescription drug program for Medicare beneficiaries. Medicare Part D has greatly helped reduce drug spending for millions of Medicare recipients.

Most Part D carriers negotiate discounted drug rates with pharmaceutical manufacturers, too. You get the benefit of these discounts just for being a plan member.

What Counts Toward Exiting the Coverage Gap

When you are in the gap and paying 25% of covered drugs, your spending counts toward exiting the gap. The manufacturer's drug discount of 70% also counts and will help you exit the gap faster.

There are two things, though, that don't count toward closing the gap. These are:

- The amount that your drug plan pays toward the cost of the drug, which is 5% of the gap
- The amount that the drug plan pays toward the pharmacy's dispensing fee, which is 75% of the fee in 2023

Keep in mind that there are other things that don't count toward reaching the catastrophic limit, which is your plan premium and also what you spend on any drugs that aren't covered by your Part D plan.

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Common Questions about the Medicare Donut Hole

How do I know if I will reach the Medicare Donut Hole?

Your [Part D company](#) sends out a statement or explanation of benefits (called an EOB) each month. This

statement tells you exactly how much you have already spent on covered medications and how many dollars are left before you reach the coverage gap. Likewise, after you reach the gap, your insurance company will continue to send you notices that track your gap spending. They will calculate how many dollars are left before you reach catastrophic coverage.

When does the Medicare Donut Hole End?

The donut hole ends when you reach the catastrophic coverage limit for the year. In 2023, the donut hole will end when you and your plan reach \$7,400 out-of-pocket in one calendar year. That limit is not just what you have spent but also includes the amount of any discounts you received in the donut hole. So, your out-of-pocket will be somewhat less than that.

So how do you get out of the donut hole? Unfortunately, it's by paying for medications through the donut hole until you reach catastrophic coverage level.

Do Medicare Advantage plans cover the Donut Hole?

No. The Part D coverage inside of a Medicare Advantage plan works exactly the same way that standalone Part D plans work. Some Part D companies and Medicare Advantage companies might offer coverage of certain medications in the gap.

However, this is almost always coverage of generic medications and rarely brand-name medications. This doesn't really help a great deal since the drugs that cost so much in the coverage gap are brand-name drugs, usually not generics.

How Can I Avoid the Donut Hole?

There is no such thing as Medicare Part D plans with no donut hole, so you have to just do your best to stay under the threshold. The best way to avoid the donut hole is to take generic medications whenever possible. You can also work with your doctor on reducing your drug spending.

Show your doctor which drugs are costing you the most on your Part D plan and see if he/she can recommend any cheaper alternatives. Some medications may not have a generic equivalent on the market yet, but there may be other similar medications that are cheaper that achieve a like result.

Why Do Some of My Drugs Still Cost More in the Gap?

There is a certain percentage of Part D plans that must cover the cost of your drugs during the initial coverage level stage and the coverage gap stage. However, many Part D drug plans voluntarily choose to do better than this in the Stage 2 initial coverage level.

For example, it's possible that a drug with a \$100 retail price might have a \$10 copay during the initial

coverage Level. Then when you reach the gap, the cost of that drug may revert to the standard minimum of 25%.

This should still be looked at as a WIN. You enrolled with a carrier that gives you the standard 25% coinsurance during the gap but adds even more value by giving you an even lower copay than required during the earlier initial coverage stage.

Either way, the 25% that you pay for drugs in the gap is still the lowest cost for drugs in the gap that plans have ever been required to give you. This means that the Medicare donut hole closing is a good thing.

Exemptions from the Coverage Gap

Sometimes people ask us if their Medigap plan will cover the coverage gap in their drug plan. The answer is no. Medigap plans help to pay for inpatient and outpatient services only. Drugs fall separately under Part D.

Every year we have clients ask us to help them find a Part D drug plan with no coverage gap. Such a plan does not currently exist in most states. There are no Medicare Part D plans without the donut hole. There is no separate insurance plan that you can buy to cover you in the Medicare donut hole either. Read more on why that is [here](#).

However, certain people with low incomes and limited assets may qualify for the low-income subsidy, called Extra Help for Part D. If you qualify, then Medicare will waive the gap for you. Also, your ordinary copays on your prescriptions will decrease quite a bit. You can apply for the subsidy at your local Social Security office or online at their website.

Reducing Costs in the Coverage Gap

Since Medicare tallies the total cost of your medications toward the Medicare donut hole, you should know the full cost of each drug you are taking. Fortunately, this is easy to do by reviewing your statements from the insurance company.

For other tips on how to lower your out-of-pocket expenses on Part D, see our blog post about that topic: [How to Reduce Costs in the Part D Coverage Gap](#).

All insurance agents at Boomer Benefits train extensively to carefully analyze your potential drug spending when you are brand new to Medicare and setting up your Part D coverage for the first time.

We then provide ongoing information and instructions on how to use Medicare's Plan Finder to shop for your Part D plan each fall. This exclusive help is limited to our Medigap and Medicare Advantage policyholders ONLY.

Worried about the coverage gap? Ask for free help from our agency with Part D when you have purchased your Medicare Supplement through us.

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