



Fact Sheet

BYRON L. DORGAN
CHAIRMAN

DPC Staff Contact: Jacqueline Garry Lampert (202) 224-3232

June 10, 2010

DPC Press Contact: Barry Piatt (202) 224-0577

Available Online: dpc.senate.gov

Health Reform Delivers for Seniors First Wave of Rebate Checks Sent to Seniors in the ‘Donut Hole’

Senate Democrats fought for health reform to provide greater savings and higher quality care for America’s seniors and their families and to put control over health care decisions in the hands of the American people, not insurance companies. One of the most valuable benefits for Medicare beneficiaries is closing the prescription drug “donut hole.” The new health reform law provides a \$250 rebate check to seniors who don’t receive extra help with their prescription drug costs when they hit the “donut hole” in their prescription drug plan. The first round of checks was sent to seniors today, and checks will continue to be sent each month as seniors fall into the “donut hole.” By 2020, the donut hole will be completely filled in. Filling in the “donut hole” is just one of the many benefits of health reform for seniors.

Filling in the “Donut Hole”

The Medicare prescription drug benefit, or Part D, was created in the *Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173)*. In order to reduce costs to the federal government, Republicans passed the bill on to seniors by including a substantial gap in coverage, often called the “donut hole,” during which beneficiaries are required to pay 100 percent of their prescription drug costs, in addition to continuing to pay their plan premiums. This year, the standard Part D benefit plan has a coverage gap of \$3,610, and by 2019, the gap is projected to total nearly \$6,000. [Kaiser Family Foundation, [11/09](#)]

While private companies offering Part D coverage are allowed to design plans that do not have a “donut hole,” this year, 80 percent of plans have a coverage gap, the highest percentage since 2006, the first year the prescription drug benefit was offered. [Kaiser Family Foundation, [11/09](#)]
Beneficiaries may also purchase their prescription drug coverage in conjunction with a Medicare Advantage plan, but nearly half of these plans also have a “donut hole.”

Some low-income Medicare beneficiaries qualify for the low-income subsidy (LIS), also called Medicare Extra Help, and are generally not responsible for the costs of prescription drugs they may require while in the coverage gap. [Kaiser Family Foundation, [11/09](#)]

[\\$250 Rebate Check in 2010](#)

This year, the new health reform law provides Medicare beneficiaries who do not receive Medicare Extra Help with a \$250 rebate check when they enter the “donut hole.” The first of

these checks was mailed to beneficiaries on June 10, and checks will continue to go out monthly as beneficiaries enter the coverage gap. [White House, [6/8/10](#)] The \$250 rebate check is tax-free and seniors do not need to do anything to receive it; Medicare will automatically mail a check when the beneficiary reaches the “donut hole.” [Centers for Medicare & Medicaid Services, [5/10](#)] Seniors should expect their check in the mail within 45 days or less of hitting the coverage gap.

Fifty Percent Discount in the “Donut Hole” in 2011, Donut Hole Filled by 2020

Beginning next year, Medicare beneficiaries who do not receive Medicare Extra Help will receive a 50 percent discount on brand-name drugs and biologics they purchase when they are in the coverage gap. In addition to the discount, coverage in the “donut hole” will increase until 2020, when 75 percent coverage on all drugs purchased in the gap will completely fill in the “donut hole.”

More Benefits for Seniors

The new health reform law ensures that seniors continue to receive their guaranteed Medicare benefits and improves Medicare benefits in many ways.

Free Preventive Care and a Free Annual Wellness Visit

The new health reform law eliminates deductibles, copayments, and other cost-sharing for preventive care, and provides free annual wellness check-ups. Today, seniors must pay 20 percent of the cost of many preventive services and they receive just one annual wellness visit when they first join Medicare.

Patient-Centered Care Coordination

The new health reform law includes innovations such as medical homes and care coordination through community health teams to improve health care quality and to better spend the more than 90 percent of Medicare dollars spent on treating chronic conditions. It also invests in developing and reporting quality measures across the delivery system to help beneficiaries make more informed choices among providers and to reduce the one in seven hospitalized Medicare patients who experience a complication. By linking payments between hospitals and other care facilities to promote coordinated care and encouraging investments in hospital discharge planning and transitional care, health reform works prevent avoidable hospital readmissions. Finally, the health reform law rewards providers that meet quality goals or show significant progress in improving patient outcomes, moving our health system toward one that rewards better care rather than more care.

Strengthens the Financial Health of Medicare

The new health reform law extends the solvency of the Medicare Trust Fund by 12 years and reduces costs to beneficiaries. [White House, [6/8/10](#)] By phasing down excessive subsidies to private insurance companies that participate in Medicare Advantage to bring them more in line with costs in the original Medicare program, the new health reform law saves Medicare more than \$130 billion over 10 years. High quality Medicare Advantage plans will receive bonus payments, ensuring that beneficiaries are getting value for their money. By investing in efforts to fight waste, fraud, and abuse in Medicare and the health care system at large, the new health reform law improves the long-term outlook of the Medicare program.