

Understanding Medicare Part D – 2025 Reference Guide

How does Medicare Part D work?

Medicare Part D is a government benefit that provides coverage for prescription drugs and is generally available to people aged 65 years and older, people younger than 65 years with certain disabilities, and people of all ages with end-stage renal disease (ESRD).

The two types of Medicare prescription drug plans are:

1

Part C: Medicare Advantage Prescription Drug Plan (MA-PD)

This is a managed care plan that offers coverage for Medicare Parts A, B, and D. These types of plans are run by insurance companies and other private companies approved by Medicare. The costs and types of drugs covered in each plan may vary.

2

Part D: Prescription Drug Plan (PDP)

The PDP provides coverage for drugs that are typically obtained at a participating pharmacy for people with original Medicare (Parts A and B) and certain other plans.

Medicare Part D plans costs and the coverage patients receive may vary by plan and change every year. Patients are encouraged to review their current plan materials each year and compare them with other plans to ensure that they are enrolled with the most appropriate coverage option. Patients can visit www.Medicare.gov to enroll in the Medicare plan that is best for them.

Certain patients may be eligible to receive financial assistance to pay for their Medicare prescription drug plan. Financial assistance may be available for patients with limited income through Medicare's Extra Help program (also known as Low Income Subsidy (LIS)). Patients can visit www.ssa.gov/medicare/part-d-extra-help to learn more.

The Inflation Reduction Act (IRA) impacted Medicare Part D and introduced changes that enhance patient affordability. Beginning in 2025, additional changes include:

\$2000 Annual Out-of-Pocket (OOP) Maximum: Patients will have a cap of \$2,000 on their yearly prescription drug spending. After reaching this limit, all additional covered medication costs will be fully covered for the rest of the year.

Elimination of the Coverage Gap (“Donut Hole”): Part D enrollees will no longer face cost sharing for a drug once they reach the catastrophic Coverage phase; they will have no additional costs after reaching that \$2,000 out-of-pocket maximum.

Introduction of the Medicare Prescription Payment Plan (M3P): This new option allows patients to spread their out-of-pocket costs over the year, making it easier to manage medication expenses with monthly payments.

These enhancements were designed to help make prescription medications more affordable and accessible for patients on Medicare. Please see below for the base structure around cost sharing under Medicare Part D. Your patients' plan may vary slightly.

2025 Medicare Part D - Cost Sharing

Keep in mind that the Coverage Gap, previously referred to as the "Donut Hole," has been eliminated as noted above.

Phase 1 Deductible: Enrollees are responsible for 100% of their drug costs up to the annual deductible of \$590. Once the deductible is met, enrollee enters the next phase.

Phase 2 Initial Coverage: Enrollees are responsible for 25% coinsurance for covered Part D drugs until their total out-of-pocket expenses reach \$2,000.

Phase 3 Catastrophic: In this phase, the enrollee pays no cost sharing for covered Part D drugs. That shared cost is between the health plan and the drug manufacturer.

What is the Medicare Prescription payment Plan (M3P)?

Patients with Medicare Part D or Medicare Advantage Prescription Drug Plan may now opt in to spread their OOP prescription costs over the course of the year rather than pay them all at once.



M3P is an optional program with no enrollment fees. Participants can pay \$0 at the pharmacy for covered Part D drugs, with costs billed monthly by their health plan.



Patients on high-cost therapy may be notified by their health plan or pharmacy regarding eligibility and enrollment.



Patients must actively enroll in the payment plan – it is not automatic. Although their health plan or pharmacy may notify them of eligibility, enrollment requires their action. Patients can enroll during 2025 Medicare Open Enrollment (October 15-December 7, 2024)



Payments may vary each month based on the new prescriptions or refills. To spread the costs of a prescription, patients must be enrolled in M3P at the time of filling the prescription. While patients may benefit most from enrolling early in the year, they can still enroll at any time.

M3P may not be helpful for all patients.



Patients should look for upcoming communications from their health plan regarding M3P education and enrollment details.

