

For the first \$2,000 of coverage, the consumer will pay over \$1,100; for the first \$5,000 of coverage, the consumer will pay approximately \$4,000. If a consumer buys approximately \$5,000 of drugs a year, the consumer will pay 80 percent of that cost.

Under the Medicare conference agreement, the prescription drug benefit would only provide approximately \$1 of additional drug coverage for every \$4 dollars that seniors pay for themselves. Specifically, **seniors with high drug costs must pay \$4,020 in order to receive \$5,044 worth of prescription drugs.** This spending level of \$4,020 consists of \$420 in premiums, plus \$3,600 in out-of-pocket costs, before the second tier coverage begins.

#### Summary of Prescription Drug Benefit

Annual Premium	\$420 (estimated at \$35 per month)
Deductible	\$275
Coinsurance	Beneficiary pays 25 percent from \$275 to \$2,200 in drug costs
Donut Hole	Beneficiary pays 100 percent from \$2,200 to \$5,044 in drug costs
Second Tier Coverage	Begins when beneficiary out-of-pocket spending reaches \$3,600, which is equivalent to total drug coverage (beneficiary and plan spending) of \$5,044. At that point, beneficiary pays 5 percent.

The table below walks through this calculation in more detail.

	A Senior Spends...	And the Plan Covers...	To Get Prescription Drugs Totalling...
Deductible	\$275	\$0	\$275
Above deductible and before donut hole	\$481 (25 percent)	\$1,444 (75 percent)	\$1,925
In donut hole	\$2,844	\$0	\$2,844
Total Spending, Excluding Premium	\$3,600	\$1,444	\$5,044
Plus Premium	\$420	\$0	\$0
Total Spending, Including Premium	\$4,020	\$1,444	\$5,044