**“2022” Medicare Part D Rx Plan and Clarification**

**By Rick Solofsky**

**The Four Coverage Stages or Phases of Medicare's Part D Program**

**Throughout the year, your prescription drug plan costs may change depending on the coverage stage you are in. If you have a Part D plan, you move through the CMS coverage stages in this order: Deductible (if applicable), Initial coverage, Coverage gap, and Catastrophic coverage.**

**Everybody’s Slate Starts clean every “January 1”**

If you have a Part D plan, you move through the CMS coverage stages in this order:

**Stage 1 “Deductible Phase” (if applicable), Stage 2 “Initial Coverage,” Stage 3 “Doughnut Hole/Coverage Gap,” Stage 4 “Catastrophic coverage.”**

**Annual Deductible (Phase I)**

**Begins with your first prescription of the plan year.**

You pay the full cost of your prescriptions until your spending adds up to the amount of your deductible. So, if your plan has a $0 deductible, you skip straight to the next stage. Keep in mind that some deductibles may only apply to drugs on specific tiers, which means you may not have any deductible if you do not take any medications on those tiers. Any payments for your monthly premium or for medications on tiers that do not apply to the deductible are not counted toward reaching the deductible.

## Initial Coverage Period (Phase II)

**Begins immediately if your plan has no deductible. Or, when the prescription payments you have made equal your plan's deductible.**

**The Initial Coverage Limit (ICL) will go up from $4,130 in 2021 to $4,430 in 2022. This means you can purchase prescriptions worth up to $4,430 before entering what's known as the Medicare Part D Donut Hole, which has historically been a gap in coverage.**

**This $4,430 Number is reached by adding your copays AND The Pharmacist’s Average Wholesale cost of EACH Prescription you purchase, EACH Month.**

Your plan pays for a portion of each prescription drug you purchase, as long as that medication is covered under the plan's formulary (list of covered drugs). You pay the other portion, which is either a copayment (a set dollar amount) or coinsurance (a percentage of the drug's cost). The amount you pay will depend on the tier level assigned to your drug.[1](https://www.rxmedicareplans.com/Learn/Stages#footnote-1) This stage ends when the amount spent by you and your plan on your covered drugs adds up to equal the initial coverage limit set by Medicare for that year. In 2022 that limit is $4,430. Your monthly premium payments do not count toward reaching that limit

**Coverage Gap/Doughnut Hole (Phase III)**

**Begins when you and your plan have collectively spent $4,430 on your covered drugs.**

Not everyone will enter the coverage gap (also referred to as the "donut hole"). In the coverage gap, the plan is temporarily limited in how much it can pay for your drugs. If you do enter the gap, you'll pay 25% of the plan's cost for covered brand-name drugs and 25% of the plan's cost for covered generic drugs.

Keep in mind that while the percentage you pay for brand-name drugs is lower, the price of that drug may be much higher than the generic option. Calculate the amount you would owe for each to see which one really offers the best cost savings for you.

You exit the coverage gap when your total out-of-pocket cost on covered drugs (not including premiums) reaches $7,050. Your out-of-pocket cost is calculated by adding together all of the following: yearly deductible, coinsurance, and copayments from the entire plan year, and what you paid for drugs in the coverage gap (including the discounted amounts you didn't pay in that stage)

**Catastrophic Coverage (Phase IV)**

**Begins when your out-of-pocket costs reach $7,050 on covered drugs.**

After your out-of-pocket cost totals $7,050, you exit the gap and get catastrophic coverage. In the catastrophic stage, you will pay a low coinsurance or copayment amount (which is set by Medicare) for all of your covered prescription drugs. That means the plan and the government pay for the rest – about 95% of the cost. You will remain in this phase until the end of the plan year.