

What's the Medicare Prescription Payment Plan?

The Medicare Prescription Payment Plan is a new payment option in the [prescription drug law](#) that works with your current drug coverage to help you manage your out-of-pocket costs for drugs covered by your plan by spreading them across the calendar year (January–December). Starting in 2025, anyone with a Medicare drug plan or Medicare health plan with drug coverage (like a Medicare Advantage Plan with drug coverage) can use this payment option. **All plans offer this payment option, and participation is voluntary.**

If you select this payment option, each month you'll continue to pay your plan premium (if you have one), and you'll get a bill from your health or drug plan to pay for your prescription drugs (instead of paying the pharmacy). There's no cost to participate in the Medicare Prescription Payment Plan.

This payment option might help you manage your monthly expenses, but it doesn't save you money or lower your drug costs. [Learn about other programs that might save you money, if you qualify.](#)

Before using this payment option

How does it work?

When you fill a prescription for a drug covered by Part D, you won't pay your pharmacy (including mail order and specialty pharmacies). Instead, you'll get a bill each month from your health or drug plan.

Even though you won't pay for your drugs at the pharmacy, you're still responsible for the costs. If you want to know what your drug will cost before you take it home, call your plan, or ask the pharmacist.

This payment option might help you manage your monthly expenses, but it doesn't save you money or lower your drug costs. [Learn about other programs that might save you money, if you qualify.](#)

How is my monthly bill calculated?

Your monthly bill is based on what you would have paid for any prescriptions you get, plus your previous month's balance, divided by the number of months left in the year. All plans use the same formula to calculate your monthly payments. [Review examples of how this payment option works in different situations.](#)

Your payments might change every month, so you might not know what your exact bill will be ahead of time. Future payments might increase when you fill a new prescription (or refill an existing prescription) because as new out-of-pocket costs get added to your monthly payment, there are fewer months left in the year to spread out your remaining payments.

In a single calendar year (January – December), you'll never pay more than:

- The total amount you would have paid out of pocket to the pharmacy if you weren't participating in this payment option.
- The out-of-pocket maximum for prescription drugs that are covered by your plan (\$2,000 in 2025).

The prescription drug law caps your out-of-pocket drug costs for covered drugs at \$2,000 in 2025. **This is true for everyone with Medicare drug coverage, even if you don't participate in the Medicare Prescription Payment Plan.**

Will this help me?

It depends on your situation. **Remember, this payment option might help you manage your monthly expenses, but it doesn't save you money or lower your drug costs.**

You're most likely to benefit from participating in the Medicare Prescription Payment Plan if you have high drug costs earlier in the calendar year. Although you can start participating in this payment option at any time in the year, starting earlier in the year (like before September), gives you more months to spread out your drug costs. [Answer a few questions to find out if this payment option is likely to help you.](#)

If there's a drug that you'd like to take but it's too expensive, and you think this payment option might spread out the cost enough to work for you, contact your plan to confirm the drug is covered and get more help.

This payment option may not be the best choice for you if:

- Your yearly drug costs are low.
- Your drug costs are the same each month.
- You're considering signing up for the payment option late in the calendar year (after September).
- You don't want to change how you pay for your drugs.
- You get or are eligible for [Extra Help from Medicare](#).
- You get or are eligible for [Medicare Savings Program](#).
- You get help paying for your drugs from other organizations, like a [State Pharmaceutical Assistance Program \(SPAP\)](#), a coupon program, or other health coverage.

[Learn about programs that can help lower your costs.](#)

Who can help me decide if I should participate?

- **Your health or drug plan:** Visit your plan's website, or call your plan to get more information.
- **State Health Insurance Assistance Program (SHIP):** Visit shiphelp.org to get the phone number for your local SHIP and get free, personalized health insurance counseling.

How do I sign up?

Visit your health or drug plan's website, or call your plan to start participating in this payment option:


- **In 2024, for 2025:** If you want to participate in the Medicare Prescription Payment Plan for 2025, contact your plan now. Your participation will start January 1, 2025.

- **During 2025:** Starting January 1, 2025, you can contact your plan to start participating in the Medicare Prescription Payment Plan anytime during the calendar year.

Remember, this payment option may not be the best choice for you if you sign up late in the calendar year (after September). This is because as new out-of-pocket drug costs are added to your monthly payment, there are fewer months left in the year to spread out your payments.

Where can I get more information?

Visit your health or drug plan's website, or call your plan to get more information.

 An official website of the United States government
[Here's how you know](#)

Medicare.gov

 Menu



Examples of this payment option

Here are 3 examples of how this payment option can work, depending on different situations. For each example we'll:

- Describe a possible situation.
- Walk you through the math so you understand how the monthly payments are calculated.
- Show you a table with how the monthly payments would work for a full calendar year (January – December).

Example 1: Start participating in January with high drug costs early in the year

You take several high-cost drugs that have a total out-of-pocket cost of \$500 each month. In January 2025, you join the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

How the math works

We calculate your first month's bill in the Medicare Prescription Payment Plan differently than your bill for the rest of the months in the year:

- **First, we figure out your "maximum possible payment" is for the first month:**

<p>\$2,000 [annual out-of-pocket maximum] - \$0 [no out-of-pocket costs before using this payment option] = \$2,000</p> <hr/> <p>12 [remaining months in the year]</p>	<p>= \$166.67 [your "maximum possible payment" for the first month]</p>
--	---

- **Then, we figure out what you'll pay for January:**

- Compare your total out-of-pocket costs for January (\$500) to the "maximum possible payment" we just calculated: \$166.67.
- Your **plan will bill you the lesser of the two amounts**. So, you'll pay \$166.67 for the month of January.
- You have a remaining balance of \$333.33 (\$500 - \$166.67).

For February and the rest of the months left in the year, we calculate your payment differently:

<p>\$333.33 [remaining balance] + \$500 [new costs] = \$833.33</p> <hr/> <p>11 [remaining months in the year]</p>	<p>= \$75.76 [your payment for February]</p>
---	--

We'll calculate your March payment like we did for February:

$\begin{aligned} & \$757.57 \text{ [remaining balance]} \\ & + \$500 \text{ [new costs]} \\ & = \$1,257.57 \end{aligned}$ <hr/> <p>10 [remaining months in the year]</p>	$= \$125.76 \text{ [your payment for March]}$
--	---

In April, when you refill your prescriptions again, you'll reach the annual out-of-pocket maximum for the year (\$2,000 in 2025). You'll continue to pay what you already owe and get your prescription(s), but after April you won't add any new out-of-pocket costs for the rest of the year.

$\begin{aligned} & \$1,131.81 \text{ [remaining balance]} \\ & + \$500 \text{ [new costs]} \\ & = \$1,631.81 \end{aligned}$ <hr/> <p>9 [remaining months in the year]</p>	$= \$181.31 \text{ [your payment for April and all remaining months in the year]}$
---	--

Even though your payment varies each month, **you'll never pay more than:**

- The total amount you would have paid out-of-pocket by the end of the year.
- The out-of-pocket maximum for prescription drugs that are covered by your plan (\$2,000 in 2025).

Remember, this is just your monthly payment for your out-of-pocket drug costs. You still need to pay your health or drug plan's premium each month.

Monthly costs

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$500	\$166.67	This is when you started participating in this payment option. Remember, your first month's bill is based on the "maximum possible payment" calculation. We calculate your bill for

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
			the rest of the months in the year differently.
February	\$500	\$75.76	
March	\$500	\$125.76	
April	\$500	\$181.31	This month you reached the annual out-of-pocket maximum (\$2,000 in 2025). You'll have no new out-of-pocket drug costs for the rest of the year.

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
May	\$0.00	\$181.31*	*You'll still get your \$500 drugs each month, but because you've reached the annual out-of-pocket maximum, you won't add any new out-of-pocket costs for the rest of the year. You'll continue to pay what you already owe.
June	\$0.00	\$181.31*	
July	\$0.00	\$181.31*	
August	\$0.00	\$181.31*	
September	\$0.00	\$181.31*	
October	\$0.00	\$181.31*	
November	\$0.00	\$181.31*	
December	\$0.00	\$181.31*	
Total	\$2,000	\$2,000	You'll pay the same total amount for the year, even if you don't use this payment option.

If you're concerned about paying \$500 each month from January to April, this payment option will help you manage your costs. If you prefer to pay \$500 each month for 4 months and then pay \$0 for the rest of the year, this payment option may not be right for you. Contact your health or drug plan for personalized help.

Example 2: Start participating in January with consistent costs throughout the year

You take several drugs that have a total out-of-pocket cost of \$80 each month. In January 2025, you join the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

How the math works

We calculate your first month's bill in the Medicare Prescription Payment Plan differently than your bill for the rest of the months in the year:

- **First, we figure out your "maximum possible payment" for the first month:**

<p>\$2,000 [annual out-of-pocket maximum] – \$0 [no out-of-pocket costs before using this payment option] = \$2,000</p> <hr/> <p>12 [remaining months in the year]</p>	<p>= \$166.67 [your “maximum possible payment” for the first month]</p>
--	---

• **Then, we figure out what you’ll pay for January:**

- Compare your total out-of-pocket costs for January (\$80) to the “maximum possible payment” we just calculated: \$166.67.
- **Your plan will bill you the lesser of the two amounts.** So, you’ll pay \$80 for the month of January.
- You have a remaining balance of \$0.

For February and the rest of the months left in the year, we calculate your payment differently:

<p>\$0 [remaining balance] + \$80 [new costs] = \$80</p> <hr/> <p>11 [remaining months in the year]</p>	<p>= \$7.27 [your payment for February]</p>
---	---

We’ll calculate your March payment like we did for February:

<p>\$72.73 [remaining balance] + \$80 [new costs] = \$152.73</p> <hr/>	
--	--

10 [remaining months in the year]	= \$15.27 [your payment for March]
-----------------------------------	------------------------------------

Even though your payment varies each month, **you'll never pay more than:**

- The total amount you would have paid out-of-pocket by the end of the year.
- The out-of-pocket maximum for prescription drugs that are covered by your plan (\$2,000 in 2025).

Remember, this is just your monthly payment for your out-of-pocket drug costs. You still need to pay your health or drug plan's premium each month.

Monthly costs

You take several drugs that have a total out-of-pocket cost of \$80 each month. In January 2025, you join the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$80.00	\$80.00	This is when you started participating in this payment option. Remember, your first month's bill is based on the "maximum possible payment" calculation. We calculate your bill for the rest of the months in the year differently.
February	\$80.00	\$7.27	
March	\$80.00	\$15.27	
April	\$80.00	\$24.16	
May	\$80.00	\$34.16	
June	\$80.00	\$45.59	
July	\$80.00	\$58.93	

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
August	\$80.00	\$74.92	
September	\$80.00	\$94.93	
October	\$80.00	\$121.59	
November	\$80.00	\$161.59	
December	\$80.00	\$241.53	
Total	\$960.00	\$960.00	You'll pay the same total amount for the year, even if you don't use this payment option.

Depending on your specific circumstances, you may not benefit from using this payment option due to the higher payments later in the year. Contact your health or drug plan for personalized help.

Example 3: Start participating in April with varying costs throughout the year

You pay \$4 every month in out-of-pocket costs for a prescription you use regularly. In April 2025, you need a new one-time prescription that costs \$613, so your total out-of-pocket costs in April are \$617. That same month, before you fill your prescriptions, you decide to participate in the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

How the math works

We calculate your first month's bill in the Medicare Prescription Payment Plan differently than your bill for the rest of the months in the year:

- **First, we figure out your "maximum possible payment" for the first month:**

<p>\$2,000 [annual out-of-pocket maximum] – \$12 [your out-of-pocket costs before using this payment option] = \$1,988</p> <hr/> <p>9 [remaining months in the year]</p>	<p>= \$220.89 [your "maximum possible payment" for the first month]</p>
--	---

- **Then, we figure out what you'll pay for April:**
 - Compare your total out-of-pocket costs for April (\$617) to the "maximum possible payment" we just calculated: \$220.89.
 - **Your plan will bill you the lesser of the two amounts.** So, you'll pay \$220.89 for the month of April.

- You have a remaining balance of \$396.11 (\$617 – \$220.89).

For May and the rest of the months left in the year, we calculate your payment differently:

<p>\$396.11 [remaining balance] + \$4 [new costs] = \$400.11</p> <hr/> <p>8 [remaining months in the year]</p>	<p>= \$50.01 [your payment for May]</p>
--	---

Your payments will vary throughout the year. That's because you're adding drug costs during the year, but you have fewer months left in the year to spread your payments across.

You'll never pay more than:

- The total amount you would have paid out-of-pocket by the end of the year.
- The out-of-pocket maximum for prescription drugs that are covered by your plan (\$2,000 in 2025).

Remember, this is just your monthly payment for your out-of-pocket drug costs. You still need to pay your health or drug plan's premium each month.

Monthly costs

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$4.00	\$4.00*	*You made these payments directly to the pharmacy before you started participating in the Medicare Prescription Payment Plan.
February	\$4.00	\$4.00*	
March	\$4.00	\$4.00*	
April	\$617.00	\$220.89	This is when you started using this payment option. Remember, your first month's bill is based on the "maximum possible payment" calculation. We calculate your bill for the rest of the months in the year differently.
May	\$4.00	\$50.01	
June	\$4.00	\$50.59	

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
July	\$124.00	\$71.25	This month, you need a drug that's \$120, in addition to your \$4 drug. Following the same formula we used in May, your payment will adjust to account for these new costs.
August	\$4.00	\$72.05	
September	\$4.00	\$73.05	
October	\$124.00	\$114.39	This month, you need a drug that's \$120, in addition to your \$4 drug. Following the same formula we used in May, your payment will adjust to account for these new costs. Remember, your payments increase because you're adding drug costs during the

Month	Your drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
			year, but you have fewer months left in the year to spread your payments across.
November	\$4.00	\$116.39	
December	\$4.00	\$120.38	
Total	\$901.00	\$901.00	You'll pay the same total amount for the year, even if you don't use this payment option.

If you're concerned about paying \$617 in April, this payment option will help you by spreading your costs across monthly payments that vary throughout the year. If you're concerned about higher payments later in the year, this payment option may not be right for you. Contact your health or drug plan for personalized help.

Your payments might vary throughout the year. That's because you're adding drug costs during the year, but you have fewer months left in the year to spread your payments across.

By the end of the year, you'll never pay more than:

- The total amount you would have paid out-of-pocket.
- The out-of-pocket maximum for prescription drugs that are covered by your plan (\$2,000 in 2025).

Remember, this is just your monthly payment for your out-of-pocket drug costs. You still need to pay your health or drug plan's premium (if you have one) each month.

What do you want to do next?

Visit your health or drug plan's website, or call your plan to:

- Get more information.
- Start participating in this payment option.

Site Menu

Take Action

CMS & HHS Websites

Helpful Links

Signup for email updates

ENTER YOUR EMAIL ADDRESS

By checking this box, you consent to our [data privacy policy](#).

Next Step



-
- About Medicare
 - Nondiscrimination / Accessibility
 - Privacy Policy
 - Privacy Setting
 - Linking Policy
 - Using this site
 - Plain Writing

Medicare.gov



A federal government website managed and paid for by the U.S. Centers for Medicare and Medicaid Services.
7500 Security Boulevard, Baltimore, MD 21244

