

What Are “True Out-of-Pocket” Costs Under the Medicare Prescription Drug Benefit?

“True out-of-pocket” costs (called TrOOP) are the beneficiaries’ out-of-pocket cost-sharing expenses for drugs covered by the Medicare prescription drug plan that count towards the catastrophic limit. The catastrophic limit is reached once beneficiaries have spent \$3,600 (in 2006) in TrOOP on prescription drugs that are covered by the prescription drug plan. Beneficiaries must actually pay the cost-sharing requirements themselves, and only certain out-of-pocket expenses can be counted to reach the catastrophic limit. Additionally, only certain elements of the cost-sharing structure are counted: the annual deductible and any co-insurance amounts or co-payments, count towards the catastrophic benefit of a Medicare prescription drug plan. The monthly premiums paid to the plans do not count as “TrOOP” and therefore do not count towards the catastrophic limit.

The following sources of payment are “true out-of-pocket” expenses that meet the cost-sharing requirements that beneficiaries must meet in order to reach the catastrophic limit of the Medicare prescription drug plan:

- Beneficiaries’ out-of-pocket expenses including the annual deductible and any co-insurance amounts;
- beneficiary spending using health savings accounts (HSAs), flexible spending accounts (FSAs), and medical savings accounts (MSAs);
- contributions from friends or relatives;
- contributions from certain charitable foundations;
- contributions from drug manufacturer patient assistance programs (PAPs); and
- waivers or reductions by pharmacies of the cost-sharing requirements of Medicare prescription drug plans.

The following sources of payment do not count as “TrOOP” costs and therefore do not help beneficiaries reach the catastrophic limit of a Medicare prescription drug plan:

- any amount paid by other insurance plans to meet the annual deductible or any co-insurance amounts or any co-payments;
- any amount paid by state programs that receive federal funding such as Aids Drug Assistance Programs (ADAPs) to meet the annual deductible or any co-insurance amounts or any co-payments; and
- any amount spent for prescription drugs that are not covered by the Medicare drug benefit plan at each stage of the cost-sharing structure.

Remember, the monthly premiums paid to the Medicare prescription drug plans, even if paid by the beneficiary, are not TrOOP costs and do not count towards the catastrophic limit.

Medicare prescription drug plans are responsible for tracking beneficiaries' TrOOP costs. This information must be available to pharmacists and beneficiaries at the point-of-sale.

Table 1. What Are Beneficiaries' True Out-of-Pocket (TrOOP) Costs in a Medicare Prescription Drug Plan?

<u>True Out-of-Pocket Costs Include:</u>	<u>True Out-of-Pocket Costs Do NOT Include:</u>
<ul style="list-style-type: none">• Beneficiaries' out-of-pocket expenses including the annual deductible and any co-insurance amounts (including 100% of the cost of the prescription while in the "doughnut hole")• Beneficiary spending using health savings accounts (HSAs), flexible spending accounts (FSAs), and medical savings accounts (MSAs)• Contributions from friends or relatives• Contributions from certain charitable foundations• Contributions from drug manufacturer patient assistance programs (PAPs)• Waivers or reductions by pharmacies of the cost-sharing requirements of Medicare drug benefit plans	<ul style="list-style-type: none">• Monthly premiums paid to the Part D plan• Any amount paid by other insurance plans• Any amount paid by state programs that receive federal funding such as Aids Drug Assistance Programs (ADAPs)• Any amount spent for prescription drugs that are not covered by the Medicare drug benefit plan