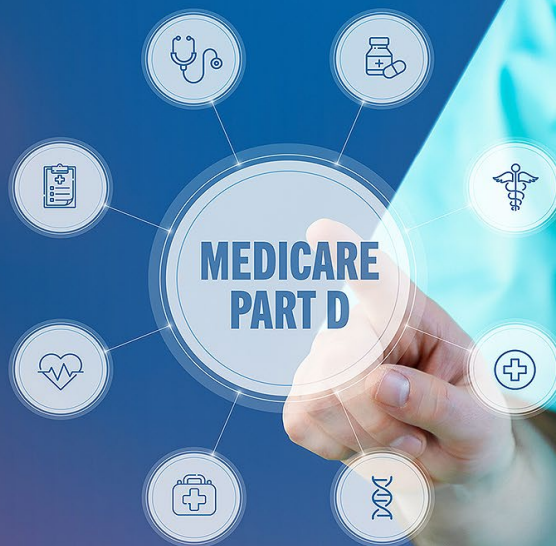


# Update for Plan Year 2025



## Major Changes Continue to Lower Patient Costs

Changes in Part D benefits started in 2024 by the [Inflation Reduction Act of 2022](#) (IRA) continue in 2025, with the biggest changes being the elimination of the coverage gap (donut hole) and the Initial Coverage Limit (ICL).



**The annual coverage gap (Donut Hole) is eliminated for 2025. Next year, a Part D enrollee will pay 25% of drug costs after satisfying the initial deductible, with a \$2,000 out-of-pocket limit. Once Medicare D enrollees reach their \$2,000 out-of-pocket threshold in 2025, they will pay nothing for formulary medications purchased in the catastrophic coverage phase.**

The \$2,000 annual cap amount – down from \$8,000 in 2024 – will be adjusted annually based on inflation in subsequent years. The \$2,000 out-of-pocket limit rule applies only to covered medications and not to out-of-pocket spending on Medicare Part B drugs such as vaccinations, injections administered by a doctor, or outpatient drugs.



Part D plans will pick up 60% of a beneficiary's drug costs in 2025 after they meet the \$2,000 out of pocket limit. Drug manufacturers and Medicare will split the remaining 40%. In 2024, Part D plans picked up just 20% of costs in the catastrophic phase, with Medicare paying the remainder.

From 2024-2029, annual Part D premium growth is capped at 6% to ensure that insurers and manufacturers do not pass their new costs on to enrollees.

**Be on the lookout for other ways in which health insurers may try to compensate for their higher costs, such as more prior authorizations, more restrictive formularies and higher co-pays.**

## 2025 Benefit & Cost Adjustments

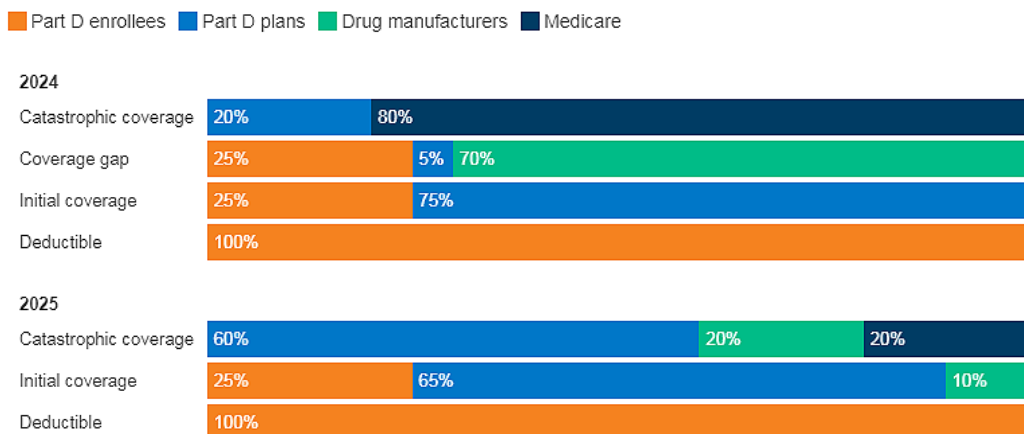
- **Initial Deductible:** Increases by \$45 to \$590 in 2025. In most cases, beneficiaries pay 100% of drug costs in the deductible phase. After enrollees meet the deductible, they pay 25% of covered costs up to the out-of-pocket limit. Some plans may offer a \$0 deductible for lower-cost (Tier 1 and Tier 2) drugs.

- **Initial Coverage Limit Eliminated:** in 2024, beneficiaries pay 25% of drug costs up to the \$5,030 ICL. That \$5,030 limit is eliminated for 2025.
- **Out-of-Pocket Threshold:** Decreases from \$8,000 in 2024 to \$2,000 in 2025 (equivalent to total drug spending of \$6,230 in 2025, down from \$11,206 in 2024).
- **Minimum Cost-sharing During Catastrophic Coverage:** Beneficiaries will pay \$4.50 for generic or preferred multisource drugs (or 5%, whichever is higher), up from \$4.15. For brand drugs, beneficiaries will pay \$12.15 (or 5%, whichever is higher), up from \$11.20 in 2024.
- **Maximum Co-payments below the Out-of-Pocket Threshold for certain Low-Income Full Subsidy (LIS) Eligible Enrollees:** Increases to \$4.90 for a generic or preferred drug that is a multi-source drug and \$12.15 for all other drugs in 2025.

## WHO PAYS WHAT UNDER MEDICARE PART D IN 2025

The Share of Medicare Part D Drug Costs Paid by Enrollees, Plans, Drug Manufacturers, and Medicare Will Change in 2024 and 2025

Share of total drug costs paid by:



NOTE: The manufacturer discount applies to brand-name drug costs only. For generic drug costs, plans pay 75% in the coverage gap phase in 2023 and 2024, and 75% in the initial coverage phase in 2025, and Medicare will pay 40% in the catastrophic coverage phase in 2025.

SOURCE: KFF, based on Medicare Part D benefit design changes in the Inflation Reduction Act.

**KFF**

## Resources

- [Q1.com Latest News on Annual Medicare Plan Changes](#)
- [Q1.com Monthly Newsletter:](#) Keep up to date on the latest Part D news & tips
- [Medicare Plan Finder:](#) Official resource on medicare.gov
- [Guide to Medicare Open Enrollment:](#) Patient resource from Medicare Matters
- [AARP Medicare Part D Guide:](#) Extensive patient resources; also available [in Spanish](#).

