HOW BIG IS THE DONUT HOLE?
CALCULATION OF SPENDING NEEDED
TO TRIGGER SECOND-TIER (NEAR-CATASTROPHIC) COVERAGE

Step 1 – Beneficiary Spending Under Initial Coverage Limit

$250	deductible
+ $500	25% of drug spending between $250-2250
$750	beneficiary out-of-pocket spending (not including premiums) for $2250 worth of prescription drugs

Step 2 – Drug Spending Needed to Reach the Second-Tier Limit

$3600	trigger in out-of-pocket spending for Second-Tier coverage
-$750	amount already spent under initial benefit limit
$2850	amount of remaining out-of-pocket spending needed to reach trigger

Step 3 – The Gap/Donut

Thus, the “gap” or “donut” is the $2850 in spending after the initial $2250 benefit limit and before $3600 trigger is reached

Step 4 – Total Drug Spending Needed to Trigger Second Tier Coverage

$2250	total drug spending under initial benefit limit (pre-“gap”)
+$2850	beneficiary out-of-pocket spending during the “gap”
$5100	total drug spending to get to second-tier coverage