



Three simple ways to communicate changes to Medicare Part D



Group Medicare Part D prescription drug plans ensure retirees get the medications they need, when they need them.

Recent changes put into law through the Inflation Reduction Act will likely significantly impact members' drug coverage and costs. Understanding these new features is critical for retirees, so they can continue making the best healthcare decisions for themselves and their families.

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Here's how plan sponsors can communicate changes to Medicare Part D plans in ways that are meaningful for retirees.



You may save money

Easing the financial burden of prescription medications is one of the biggest changes to Medicare Part D: a \$2,000 cap on out-of-pocket prescription drug costs is now in effect. Lowering maximum out-of-pocket drug costs for seniors from more than \$7,000 in 2023 to \$2,000 in 2025 will help an estimated 53 million people¹ enrolled in Medicare Part D plans save money on covered medications this year. If a retiree spent more than \$2,000 in a previous year on prescription medications—or expects to this year—he or she may benefit from this new spending cap.

Here's how the cap works. A retired Group Medicare Advantage member takes a costly diabetes drug. He typically reaches the \$2,000 limit in the first two months of the new year. Once he does, he won't have to pay anything out-of-pocket for the remainder of the year.

In fact, the American Association of Retired Persons (AARP) reports that Part D enrollees who hit the \$2,000 cap will save an average of \$1,500 in 2025, and some will see savings of \$3,000 or more.² “[T]his new out-of-pocket spending cap will provide critical savings, allowing people to redirect money toward their families, broader health needs, or financial stability,” Nancy LeaMond, AARP executive vice president and chief advocacy and engagement officer, said in a statement.²



You can spread out of pocket expenses throughout the year

Group Medicare Advantage members can now pay their out of pocket prescription drug costs in monthly installments rather than the full amount when they fill a prescription. This option is called the Medicare Prescription Payment Plan.

If they select this option, retirees will receive a bill each month to pay their drug plan directly instead of paying the pharmacy. They don't incur any interest on the balance and there's no cost to participate. Minimum monthly payments must be made in order to continue participation in this program.

Although the Medicare Prescription Payment Plan doesn't reduce the overall cost of medications for retirees, it does make it easier for them to manage their overall healthcare expenses throughout the year.



You can close the 'gap' with a simplified payment process

Most retirees are familiar with Medicare's coverage gap, often referred to as the “donut hole,” in which members were responsible for a percentage of their prescription drug costs. These cost-sharing amounts have changed over the years, causing confusion, especially for those saddled with high prescription drug costs.

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Fortunately, changes to Medicare Part D have eliminated this gap, simplifying out-of-pocket costs for Medicare members. Here's how to describe the 3 simple phases of coverage:

- 1. Deductible phase:** Members pay 100% of their drug costs until they meet their deductible.
- 2. Initial coverage phase:** After the deductible, members pay a portion of their drug costs until their out-of-pocket expenses reach \$2,000. This portion amount varies by plan.
- 3. Catastrophic phase:** Once the \$2,000 out-of-pocket limit is reached, members will not have to pay anything for covered drugs for the rest of the year.

Retirees don't need to worry about complex cost-sharing arrangements in the catastrophic coverage phase anymore. Rather, they pay no more than \$2,000 out of pocket for prescription drugs covered under Part D. It's that simple.

Retirees shouldn't require a crash course in legislative reform to understand recent changes to Medicare Part D. Rather, in 3 simple steps, plan sponsors can communicate in relevant and meaningful terms how these changes will make prescription drugs more affordable and easier to pay for.

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1. Cubanski, Juliette and Anthony Damico, "Key Facts About Medicare Part D Enrollment Premium, and Cost Sharing in 2024," accessed March 12, 2025, <https://www.kff.org/medicare/issue-brief/key-facts-about-medicare-part-d-enrollment-premiums-and-cost-sharing-in-2024/>
 2. Nania, Rachel, "3 Big Medicare Prescription Drug Changes for 2025," accessed March 12, 2025, <https://www.aarp.org/health/medicare-insurance/info-2024/future-medicare-drug-payment-changes.html>

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