Fact sheet

# What's the Medicare Prescription Payment Plan?

The Medicare Prescription Payment Plan is a payment option that works with your current drug coverage to help you manage your out-of-pocket costs for drugs covered by your Part D plan by spreading them across the calendar year (January-December). 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, participation is voluntary, and there's no cost to participate**.

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).

## What to know before participating

### How does it work?

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

Even though you won't pay for your drugs at the pharmacy, you're still responsible for the costs. If you want to know how much 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**. Go to page 4 to learn about Extra Help and 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.

Go to page 5 for examples of how the monthly bill is calculated.

**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've paid out of pocket to the pharmacy if you weren't participating in this payment option.
- The out-of-pocket maximum for prescription drugs covered by your plan ($2,400 in 2027).

The prescription drug law caps your out-of-pocket drug costs for covered drugs at $2,400 in 2027. **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. 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 or go to Medicare.gov/prescription-payment-plan/will-this-help-me to answer a few questions, and find out if you're likely to benefit from this payment option.

**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 (page 4).
- You get or are eligible for a Medicare Savings Program (page 4).
- You get help paying for your drugs from other organizations, like a State Pharmaceutical Assistance Program (SPAP), a coupon program, or other health coverage.

Go to page 4 to 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. If you need to pick up a prescription urgently, call your plan to discuss your options.
- **Medicare:** Visit Medicare.gov/prescription-payment-plan to learn more about this payment option and if it might be a good fit for you.

### How do I sign up?

You can contact your plan to start participating in the Medicare Prescription Payment Plan anytime during the calendar year. Every year, your plan will automatically renew your participation in this payment option, unless you change plans or contact your plan to opt out.

## What to know if I'm participating

### What happens after I sign up?

Once your health or drug plan reviews your request, they'll send you a letter confirming your participation in the Medicare Prescription Payment Plan and information about how to pay your bill. Then:

- When you get a prescription for a Part D-covered drug, your plan will automatically let the pharmacy know that you're participating in this payment option, and you won't pay the pharmacy for the prescription.
- Each month, your plan will send you a bill with the amount you owe for your prescriptions, when it's due, and information on how to make a payment. You'll get a separate bill for your monthly plan premium (if you have one).

### What happens if I don't pay my bill?

You'll get a reminder from your health or drug plan if you miss a payment. If you don't pay your bill by the date listed in that reminder, you'll be removed from the Medicare Prescription Payment Plan. You're required to pay the amount you owe, but **you won't pay any interest or fees even if your payment is late**. You can choose to pay that amount all at once or be billed monthly. If you're removed from the Medicare Prescription Payment Plan, **you'll still be enrolled in your Medicare health or drug plan**.

**Always pay your health or drug plan monthly premium first (if you have one), so you don't lose your drug coverage**. If you're concerned about paying both your monthly plan premium and Medicare Prescription Payment Plan bills, go to page 4 for information about programs that can help lower your costs.

Call your plan if you think they made a mistake about your Medicare Prescription Payment Plan bill. If you think they made a mistake, you have the right to follow the grievance process found in your plan's member handbook or "Evidence of Coverage".

### How do I leave?

You can leave the Medicare Prescription Payment Plan at any time by contacting your health or drug plan. Leaving won't affect your Medicare drug coverage and other Medicare benefits. Keep in mind:

- If you still owe a balance, you're required to pay the amount you owe, even though you're no longer participating in this payment option.
- You can choose to pay your balance all at once or be billed monthly.
- You'll pay the pharmacy directly for new out-of-pocket drug costs after you leave the Medicare Prescription Payment Plan.

### What happens if I change health or drug plans?

If you leave your current plan, or change to a new Medicare drug plan or Medicare health plan with drug coverage (like a Medicare Advantage Plan with drug coverage), your participation in the Medicare Prescription Payment Plan will end.

Contact your new plan if you'd like to participate in the Medicare Prescription Payment Plan again.

## What programs can help lower my costs?

If you have limited income and resources, find out if you're eligible for one of these programs:

- **Extra Help:** A Medicare program that helps pay your Medicare Part D drug costs. Visit SSA.gov/medicare/part-d-extra-help to apply and find out if you qualify. You can also apply with your State Medical Assistance (Medicaid) office. Visit Medicare.gov/ExtraHelp to learn more.
- **Medicare Savings Programs:** State-run programs that might help pay some or all of your Medicare premiums, deductibles, copayments, and coinsurance. Visit Medicare.gov/medicare-savings-programs to learn more.
- **State Pharmaceutical Assistance Programs (SPAPs):** Programs that might include coverage for your Medicare drug plan premiums and/or cost sharing. SPAP contributions may count toward your Medicare drug coverage out-of-pocket limit. Visit go.Medicare.gov/spap to learn more.
- **Manufacturer Pharmaceutical Assistance Programs (sometimes called Patient Assistance Programs (PAPs)):** Programs from drug manufacturers to help lower drug costs for people with Medicare drug coverage (Part D). Visit go.Medicare.gov/pap to learn more.

Many people qualify for savings and don't realize it. Visit Medicare.gov/basics/costs/help, or contact your local Social Security office to learn more. Find your local Social Security office at SSA.gov/locator.

## Where can I get more information?

- **Your health or drug plan:** Visit your plan's website, or call your plan to get more information.
- **Medicare:** Visit Medicare.gov/prescription-payment-plan, or call 1-800-MEDICARE (1-800-633-4227), 24 hours a day, 7 days a week. TTY users can call 1-877-486-2048.

## Examples of how a monthly bill is calculated

### Example 1:

You take several high-cost drugs that have a total out-of-pocket cost of $600 each month. In January 2027, you join the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

**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:**

$2,400 [annual out-of-pocket maximum]
– $0 [no out-of-pocket costs before using this payment option]
= $2,400

12 [remaining months in the year]

**= $200 [your "maximum possible payment" for the first month]**

- **Then, we figure out what you'll pay for January:**
  - Compare your total out-of-pocket costs for January ($600) to the "maximum possible payment" we just calculated: $200.
  - Your **plan will bill you the lesser of the 2 amounts**. So, you'll pay $200 for the month of January.
  - You have a remaining balance of $400 ($600-$200).

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

$400 [remaining balance] + $600 [new costs] = $1,000

11 [remaining months in the year]

**= $90.91 [your payment for February]**

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

$909.09 [remaining balance] + $600 [new costs] = $1,509.09

10 [remaining months in the year]

**= $150.91 [your payment for March]**

**In April, when you refill your prescriptions again, you'll reach the annual out-of-pocket maximum for the year ($2,400 in 2027).** 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.

$1,358.18 [remaining balance] + $600 [new costs] = $1,958.18

9 [remaining months in the year]

**= $217.58 [your payment for April and all remaining months in the year]**

Even though your payment varies each month, 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 covered by your plan ($2,400 in 2027).

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.

| Example 1: Start participating in January with high drug costs early in the year | | | |
|---|---|---|---|
| **Month** | **Your monthly drug costs** (without this payment option) | **Your monthly payment** (with this payment option) | **Notes** |
| **January** | $600 | $200 | 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 differently for the rest of the months in the year. |
| **February** | $600 | $90.91 | |
| **March** | $600 | $150.91 | |
| **April** | $600 | $217.58 | This month you reached the annual out-of-pocket maximum ($2,400 in 2027). You'll have no new out-of-pocket drug costs for the rest of the year. |
| **May** | $0 | $217.57 * | *You'll still get your $600 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 | $217.57 * | |
| **July** | $0 | $217.57 * | |
| **August** | $0 | $217.57 * | |
| **September** | $0 | $217.57 * | |
| **October** | $0 | $217.57 * | |
| **November** | $0 | $217.57 * | |
| **December** | $0 | $217.57 * | |
| **Total** | **$2,400** | **$2,400** | **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 $600 each month from January to April, this payment option will help you manage your costs. If you prefer to pay $600 each month for 4 months and then pay $0 for the rest of the year, this payment option might not be right for you. Contact your health or drug plan for personalized help.** | | | |

### Example 2:

You take several drugs that have a total out-of-pocket cost of $80 each month. In January 2027, you join the Medicare Prescription Payment Plan through your Medicare drug plan or Medicare health plan with drug coverage.

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

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

$2,400 [annual out-of-pocket maximum]
– $0 [no out-of-pocket costs before using this payment option]
= $2,400

12 [remaining months in the year]

**= $200 [your "maximum possible payment" for the first month]**

- **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: $200.
  - **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:**

$0 [remaining balance] + $80 [new costs] = $80

11 [remaining months in the year]

**= $7.27 [your payment for February]**

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

$72.73 [remaining balance] + $80 [new costs] = $152.73

10 [remaining months in the year]

**= $15.27 [your payment for March]**

Even though your payment varies each month, 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 covered by your plan ($2,400 in 2027).

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.

| Example 2: Start participating in January with consistent costs throughout the year | | | |
|---|---|---|---|
| **Month** | **Your monthly drug costs** (without this payment option) | **Your monthly payment** (with this payment option) | **Notes** |
| **January** | $80 | $80 | 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 differently for the rest of the months in the year. |
| **February** | $80 | $7.27 | |
| **March** | $80 | $15.27 | |
| **April** | $80 | $24.16 | |
| **May** | $80 | $34.16 | |
| **June** | $80 | $45.59 | |
| **July** | $80 | $58.93 | |
| **August** | $80 | $74.92 | |
| **September** | $80 | $94.93 | |
| **October** | $80 | $121.59 | |
| **November** | $80 | $161.59 | |
| **December** | $80 | $241.59 | |
| **Total** | **$960** | **$960** | **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 might not benefit from using this payment option due to the higher payments that start in September. Contact your health or drug plan for personalized help.** | | | |

### Example 3:

You pay $5 every month in out-of-pocket costs for a prescription you use regularly. In April 2027, you need a new one-time prescription that costs $613, so your total out-of-pocket costs in April are $618. 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.

**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:**

$2,400 [annual out-of-pocket maximum]
– $15 [your out-of-pocket costs before using this payment option]
= $2,385

9 [remaining months in the year]

**= $265 [your "maximum possible payment" for the first month]**

- **Then, we figure out what you'll pay for April:**
  - Compare your total out-of-pocket costs for April ($618) to the "maximum possible payment" we just calculated: $265.
  - **Your plan will bill you the lesser of the 2 amounts.** So, you'll pay $265 for the month of April.
  - You have a remaining balance of $353 ($618–$265).

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

$353 [remaining balance] + $5 [new costs] = $358

8 [remaining months in the year]

**= $44.75 [your payment for May]**

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.

**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 covered by your plan ($2,400 in 2027).

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.

| Example 3: Start participating in April with varying costs throughout the year | | | |
|---|---|---|---|
| **Month** | **Your monthly drug costs** (without this payment option) | **Your monthly payment** (with this payment option) | **Notes** |
| **January** | $5 | $5* | *You made these payments directly to the pharmacy before you started participating in the Medicare Prescription Payment Plan. |
| **February** | $5 | $5* | |
| **March** | $5 | $5* | |
| **April** | $618 | $265 | 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 differently for the rest of the months in the year. |
| **May** | $5 | $44.75 | |
| **June** | $5 | $45.46 | |
| **July** | $125 | $66.30 | This month, you need a drug that's $120, in addition to your $5 drug. Following the same formula we used in May, your payments increase because you're adding drug costs during the year, but you have fewer months left in the year to spread your payments across. |
| **August** | $5 | $67.30 | |
| **September** | $5 | $68.55 | |
| **October** | $125 | $110.21 | This month, you need a drug that's $120, in addition to your $5 drug. Following the same formula we used in May, your payments increase because you're adding drug costs during the year, but you have fewer months left in the year to spread your payments across. |
| **November** | $5 | $112.72 | |
| **December** | $5 | $117.72 | |
| **Total** | **$913** | **$913** | **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 $618 in April, this payment option will help you spread your costs across monthly payments that vary throughout the year. If you're concerned about higher payments later in the year, this payment option might not be right for you. Contact your health or drug plan for personalized help.**

Medicare

You have the right to get Medicare information in an accessible format, like large print, braille, or audio. You also have the right to file a complaint if you feel you've been discriminated against. Visit **Medicare.gov/about-us/accessibility-nondiscrimination-notice**, or call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users can call 1-877-486-2048.

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