

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 \$500 each month. In January 2025, 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:**

$$\begin{array}{r}
 \$2,000 \text{ [annual out-of-pocket maximum]} \\
 - \$0 \text{ [no out-of-pocket costs before using this payment option]} \\
 = \$2,000 \\
 \hline
 12 \text{ [remaining months in the year]}
 \end{array}
 \qquad
 = \$166.67 \text{ [your “maximum possible payment” for the first month]}$$

- **Then, we figure out what you'll pay for January:**

- Compare your total out-of-pocket costs for January (\$500) to the “maximum possible payment” we just calculated: \$166.67.
- Your **plan will bill you the lesser of the two amounts**. So, you'll pay \$166.67 for the month of January.
- You have a remaining balance of \$333.33 (\$500-\$166.67).

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

$$\begin{array}{r}
 \$333.33 \text{ [remaining balance]} + \$500 \text{ [new costs]} \\
 = \$833.33 \\
 \hline
 11 \text{ [remaining months in the year]}
 \end{array}
 \qquad
 = \$75.76 \text{ [your payment for February]}$$

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

$$\begin{array}{r}
 \$757.57 \text{ [remaining balance]} + \$500 \text{ [new costs]} \\
 = \$1,257.57 \\
 \hline
 10 \text{ [remaining months in the year]}
 \end{array}
 \qquad
 = \$125.76 \text{ [your payment for March]}$$

In April, when you refill your prescriptions again, you'll reach the annual out-of-pocket maximum for the year (\$2,000 in 2025). 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.

$$\begin{array}{r}
 \$1,131.81 \text{ [remaining balance]} + \$500 \text{ [new costs]} \\
 = \$1,631.81 \\
 \hline
 9 \text{ [remaining months in the year]}
 \end{array}
 \qquad
 = \$181.31 \text{ [your payment for April and all remaining months in the year]}$$

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 total annual out-of-pocket maximum (\$2,000 in 2025).

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 drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$500	\$166.67	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 for the rest of the months in the year differently.
February	\$500	\$75.76	
March	\$500	\$125.76	
April	\$500	\$181.31	This month you reached the annual out-of-pocket maximum (\$2,000 in 2025). You'll have no new out-of-pocket drug costs for the rest of the year.
May	\$0.00	\$181.31 *	*You'll still get your \$500 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	\$0.00	\$181.31 *	
July	\$0.00	\$181.31 *	
August	\$0.00	\$181.31 *	
September	\$0.00	\$181.31 *	
October	\$0.00	\$181.31 *	
November	\$0.00	\$181.31 *	
December	\$0.00	\$181.31 *	
Total	\$2,000.00	\$2,000.00	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 \$500 each month from January to April, this payment option will help you manage your costs. If you prefer to pay \$500 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 2025, 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:**

\$2,000 [annual out-of-pocket maximum]	
- \$0 [no out-of-pocket costs before using this payment option]	
= \$2,000	= \$166.67 [your “maximum possible payment” for the first month]
12 [remaining months in the year]	

- **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: \$166.67.
- **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 total annual out-of-pocket maximum (\$2,000 in 2025).

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 drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$80.00	\$80.00	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 for the rest of the months in the year differently.
February	\$80.00	\$7.27	
March	\$80.00	\$15.27	
April	\$80.00	\$24.16	
May	\$80.00	\$34.16	
June	\$80.00	\$45.59	
July	\$80.00	\$58.93	
August	\$80.00	\$74.92	
September	\$80.00	\$94.93	
October	\$80.00	\$121.59	
November	\$80.00	\$161.59	
December	\$80.00	\$241.59	
Total	\$960.00	\$960.00	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 \$4 every month in out-of-pocket costs for a prescription you use regularly. In April 2025, you need a new one-time prescription that costs \$613, so your total out-of-pocket costs in April are \$617. 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:**

\$2,000 [annual out-of-pocket maximum]	
- \$12 [your out-of-pocket costs before using this payment option]	
= \$1,988	
9 [remaining months in the year]	= \$220.89 [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 (\$617) to the “maximum possible payment” we just calculated: \$220.89.
- **Your plan will bill you the lesser of the two amounts.** So, you'll pay \$220.89 for the month of April.
- You have a remaining balance of \$396.11 (\$617 - \$220.89).

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

\$396.11 [remaining balance] + \$4 [new costs] = \$400.11	
8 [remaining months in the year]	= \$50.01 [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 total annual out-of-pocket maximum (\$2,000 in 2025).

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 drug costs (without this payment option)	Your monthly payment (with this payment option)	Notes
January	\$4.00	\$4.00*	*You made these payments directly to the pharmacy before you started participating in the Medicare Prescription Payment Plan.
February	\$4.00	\$4.00*	
March	\$4.00	\$4.00*	
April	\$617.00	\$220.89	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 for the rest of the months in the year differently.
May	\$4.00	\$50.01	
June	\$4.00	\$50.59	
July	\$124.00	\$71.25	This month, you need a drug that's \$120, in addition to your \$4 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	\$4.00	\$72.05	
September	\$4.00	\$73.05	
October	\$124.00	\$114.39	This month, you need a drug that's \$120, in addition to your \$4 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	\$4.00	\$116.39	
December	\$4.00	\$120.38	
Total	\$901.00	\$901.00	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 \$617 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

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