

How Much Does Medicare Part D Cost?

By [Beth Braverman](#) | Last updated June 18th, 2020 | [Getting Started With Medicare](#)
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The cost of medication can be one of the biggest contributors to healthcare expenses in retirement. Most Medicare enrollees won't have to pay the entire cost of their medication, however. Since 2006, Americans have had the option to purchase Medicare Part D, an insurance plan that helps cover drug costs for those with Medicare.¹

Unlike Medicare Parts A and B, you purchase Part D from private insurers or get it as part of your Medicare Advantage Plan.² The average Medicare beneficiary had 28 prescription drug plans to choose from in 2020,³ and the amount that you pay for Medicare Part D depends on your plan. In 2019, more than 45 million Americans were enrolled in a Medicare Part D drug plan.⁴

How much does Medicare Part D cost?

The total cost of Medicare Part D depends on several factors, including your income, when you enroll, the number and type of drugs you take, and the pharmacy you use, (whether it is in-network or preferred.⁵ Your costs include your premiums (monthly payments), deductible (the amount you pay before insurance starts), and coinsurance or copayments (what you owe after insurance has paid its share).

What are Medicare Part D costs?

Premiums

If you have a Medicare Advantage plan that includes prescription drug coverage, you may not have a separate premium for Medicare Part D. Otherwise, you'll pay a separate premium for Part D.

The amount of your premium depends on your plan, and they can vary significantly. Premiums this year ranged from an average of just \$13 per month to more than \$80.⁶

You may have to pay extra if you earned more than \$87,000 as a single filer or \$174,000 for married couples filing jointly based on your tax return from two years ago.⁷ That’s because higher-income beneficiaries must pay an “income-related monthly adjustment amount (Part D IRMAA) in addition to their regular premium.

Your IRMAA payment goes directly to Medicare, rather than to your insurer

If your filing status and yearly income in 2018 was:

File individual tax return	File joint tax return	Married & filing separately	You pay each month (in 2020)
\$87,000 or less	\$174,000 or less	\$87,000 or less	your plan premium
above \$87,000 up to \$109,000	above \$174,000 up to \$218,000	not applicable	\$12.20 + your plan premium
above \$109,000 up to \$136,000	above \$218,000 up to \$272,000	not applicable	\$31.50 + your plan premium
above \$136,000 up to \$163,000	above \$272,000 up to \$326,000	not applicable	\$50.70 + your plan premium
above \$163,000 and less than \$500,000	above \$326,000 and less than \$750,000	above \$87,000 and less than \$413,000	\$70.00 + your plan premium
\$500,000 or above	\$750,000 and above	\$413,000 and above	\$76.40 + your plan premium

Source: Centers for Medicare & Medicaid Services. [“Monthly Premium for Drug Plans.”](#) medicare.gov (accessed May 18, 2020).

Late enrollment penalty

Another factor influencing the cost of your premium is when you enroll. For each full month after eligibility that you don’t have prescription drug coverage, you’ll typically have to pay 1% of the base premium (\$32.74 this year), and you’ll have to pay that for as long as you have Medicare prescription drug coverage.⁸ The penalty amount may change from year to year.

Your Deductible

Your deductible varies based on your plan but cannot exceed \$435 in 2020, up from \$415 last year.⁹ Some Medicare drug plans don’t have any deductible at all. Before choosing a low- or no-deductible plan, it’s important to calculate the total cost of your plan, including premiums and copays or coinsurance.

Cost Sharing

Once you’ve paid your deductible, you’ll share the cost of your drugs with your insurer, paying either a copayment (a fixed amount for your drugs) or coinsurance (a percentage of the cost).

What are Drug Tiers?

Drug plans publish a formulary, or list of covered drugs. Often, they separate their formularies into “tiers,” with Tier 1 drugs (usually generic drugs) costing the least and Tier 4 drugs (non-preferred, brand name prescription drugs) costing the most. Some plans also have a “specialty tier” that includes the highest cost drugs.

What is the Coverage Gap (Donut Hole)?

The amount that you have to pay for drugs varies depending on the amount that you’ve already paid out-of-pocket. Once the total amount of drug costs (including those paid by both you and the plan) reach \$4,020 in 2020 on plan-covered drugs, you enter the Coverage Gap, also known as the “donut hole” and have to pay 25% of your drug costs.¹⁰

Once you’ve spent \$6,350 out of pocket, you enter Catastrophic Coverage. For the rest of the year, you’ll pay 5% coinsurance or \$3.60 for generic drugs and \$8.95 for brand drugs, whichever is higher.¹¹

Can You Get Help Paying for Prescription Drug Coverage?

If you have limited resources, you can apply for “Extra Help,” worth about \$5,000 from the Social Security Administration.¹² To qualify, you’ll need to have a net worth (excluding your home and personal possessions) of less than \$14,610 and an income of less than \$19,140. Married couples who live together can get help if they have a net worth of less than \$29,160 if married and living with your spouse and an income of less than \$25,860.¹³

If you meet the requirements for extra help, the cost of prescription drugs is capped at \$3.60 each for generics and \$8.95 each for brand name medication.¹⁴

It’s hard to know exactly how much Medicare Part D will cost you, since you don’t know which drugs you’ll have to take in the future. Understanding how Medicare Part D works, however, can help you estimate your expenses and make a plan for how you’ll cover them.

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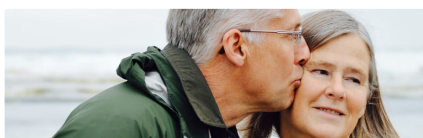
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