



Medicare Part D – Creditable Coverage

Under the Medicare Modernization act of 2003, new Medicare prescription drug coverage (Part D) was effective on January 1, 2006. Most employers that provide prescription drug coverage to the Medicare-eligible population must disclose to that population whether the coverage is “creditable.” A prescription drug plan is “creditable” if it:

1. provides coverage for brand and generic prescriptions;
2. provides reasonable access to retail providers and, optionally, for mail order coverage;
3. the plan is designed to pay on average at least 60% of participants’ prescription drug expenses; and
4. satisfies at least one of the following:
 - a. The prescription drug coverage has no annual benefit maximum benefit or a maximum annual benefit payable by the plan of at least \$25,000 or
 - b. The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare eligible individual.
 - c. For entities that have integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000 and has no less than a \$1,000,000 lifetime combined benefit maximum.

The purpose of the disclosure is to advise the Medicare eligible population whether or not the employer sponsored plan is creditable. If the employer sponsored plan is not creditable, the Medicare eligible population must enroll in a creditable plan to avoid paying Part D penalties on their creditable coverage plan premiums for the remainder of their lives. If a Medicare eligible beneficiary goes without creditable coverage for more than 63 days, when the person enrolls in a Part D Plan, premium penalties are assessed at a rate of 1% per month that the person was without creditable coverage.

Employers are responsible for completing the two items outlined below regarding Medical Part D Creditable Coverage:

1. All employers that provide prescription drug coverage to any Medicare eligible beneficiary must provide annual Notice of Creditable Coverage to the Medicare eligible population in that plan.

The Notice of Creditable Coverage must be sent:

- Prior to the Medicare Part D Annual Coordination Election Period. Beginning November 15 through December 31 of each year;
- Before an individual’s initial enrollment period for Part D;
- Before the effective date of coverage for any Medicare eligible beneficiary that joins the plan;
- Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable; and
- Upon a beneficiary’s request.

The Centers for Medicare and Medicaid Services (CMS) have developed templates that can be used for providing Notice of Credible Coverage to the Medicare population. These templates can be found online at: www.cms.hhs.gov/creditablecoverage. On this page, click “Creditable Coverage Guidance and Model Disclosure Notice to be used after January 1, 2009.” The model for creditable coverage to distribute to employees is the second bullet, “Model Individual creditable Coverage Disclosure Notice.” Please note there are several areas where your company will need to complete information. These areas are identified by brackets ([]). In Section 2, your plan is the name of your carrier (e.g, the Highmark Blue Shield plan). Complete this document and distribute copies to those employees who qualify.

2. Employers are required to annually disclose information to CMS about their prescription drug plans offered to the Medicare eligible population. The disclosure form is online and must be completed online. The form can be found at the website listed above. The link is the first bullet under “Related Links Inside CMS” titled “Disclosure To CMS Form.” Complete this online and submit to CMS.

This overview from Pennsylvania Chamber Insurance is provided for informational purposes only and does not constitute legal advice. Additional information about this regulatory issue can be found on the CMS website at www.cms.hhs.gov/creditablecoverage.