

**The Medicare Prescription Drug Plan (Part D) became effective on January 1, 2006. This information is provided to inform you of your obligations as an employer/plan sponsor.**

### **INTRODUCTION TO THE NEW MEDICARE PRESCRIPTION DRUG BENEFIT**

Effective January 1, 2006, individuals who are entitled to Medicare Part A and/or enrolled in Part B are eligible for Prescription Drug Coverage under Medicare Part D. This includes:

- Active employees age 65 or older
- Spouses age 65 or older of active employees
- Retirees over the age of 65
- Spouses age 65 or older of retirees
- COBRA Continuees
- Active Employees on Medicare due to end stage renal disease
- Active Employee's dependents on Medicare due to end stage renal disease
- Disabled active employees on Medicare
- Disabled dependents on Medicare of active employees

Eligible individuals have the option of enrolling in Medicare Advantage Plans (old Medicare+Choice), or Prescription Drug Plans (PDP) that contract with Medicare. If an eligible individual has creditable coverage through their employer, they do not have to enroll in a Medicare D plan. If an employer's plan is deemed not creditable, then Medicare eligible employees must enroll in Part D on a timely basis to avoid late entrant penalties.

### **YOUR OBLIGATION AS AN EMPLOYER WITH PLAN PARTICIPANTS WHO ARE ELIGIBLE FOR MEDICARE:**

- 1. You must determine if your Prescription Drug Plan is creditable or non-creditable.**
- 2. You must notify all Medicare eligible plan participants, even if you do not cover retirees, whether their coverage is creditable or not by each November 15.**
- 3. You must notify the Centers for Medicare and Medicaid Services (CMS) annually as to the status of your plans creditability. Log onto [www.cms.hhs.gov/creditablecoverage](http://www.cms.hhs.gov/creditablecoverage) and click on *Disclosure to CMS Form*. The form is sent online to CMS and only takes a few minutes to complete**
- 4. You must provide periodic Notices as required by CMS.**

### **Your plan is creditable if it meets the Simplified Determination of Creditable Coverage.**

To be Creditable, the plan must meet the following criteria:

1. Provides coverage for brand and generic prescriptions
2. Provides reasonable access to retail providers and as an option, mail order coverage
3. The plan is designed to pay on average 60% of the participants prescription drug expenses
4. The plan satisfies one of the following:
  - The coverage has no annual maximum benefit or a maximum annual benefit payable by the plan of at least \$25,000
  - The coverage has an actuarial expectation that the amount payable by the plan will be \$2,000 or more per eligible individual in 2006

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

For entities with integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, has no annual benefits maximum or a maximum annual benefit of at least \$25,000 and has no less than a \$1,000,000 lifetime combined maximum.

**If you are in doubt as to whether your plan is creditable or not, please contact us.**

**The Notice of Credible Coverage is intended to give your Medicare eligible employees and dependents the information they need in order to determine if they should enroll in a Medicare sponsored prescription drug plan.**

You were required to provide an initial Notice of Creditability by November 15, 2005 to all Individuals entitled To Medicare Part A and/or enrolled In Part B.

**Future Notification must also be made to participants at the following time:**

1. Prior to the Medicare Part D Annual Coordinated Election Period (ACEP) that begins each November 15th and ends each December 31st of the year.
2. Prior to an individual's Initial Enrollment Period (IEP) for Part D
3. Prior to the effective date of coverage for any Medicare eligible individual that joins the plan
4. Whenever the Prescription Drug Plan ends or changes so that it is no longer creditable or becomes creditable
5. Upon the request of a beneficiary.

NOTE: If the Notice is provided to all plan participants, CMS will consider items 1 and 2 to be met. "Prior to" is clarified by CMS to mean within the past 12 months

There are very specific guidelines for the Notice of Creditable or Non-Creditable coverage, all the way down to the size of the font. CMS has posted model Notices on their website, [www.cms.hhs.gov/creditablecoverage](http://www.cms.hhs.gov/creditablecoverage)

**We have designed a model notice that you may choose to use.  
Please contact us and we will be glad to send it to you.  
You will need to add your Plan Sponsor information before you send it out.**

This information is provided to you as a service from Cherry Hill Benefits, Inc. It is not meant to take the place of legal advice.