

CLIENT ALERT

Brought to you by:



Helping Employers Understand Prescription Drug Creditability

Every year, prior to November 15th, we remind our clients that they must notify all their plan participants who are eligible for Medicare Part D if their plan is Creditable or Non-Creditable. In addition to this annual notice, employers must notify their plan participants if they change their prescription drug plan during the year if the prescription drug plan ends or changes so that it is no longer creditable or becomes creditable.

As employers continue to deal with double digit renewal increases, one of the areas that typically gets hit with changes are the prescription drug co-pays. **It is critical that you know when you make those changes if your plan retains its creditability status.**

The information provided below provides important information regarding this topic. Please feel free to contact your CHB Group account manager with any questions.

HELPING EMPLOYERS UNDERSTAND PRESCRIPTION DRUG CREDITABILITY

1. Calculating drug “credibility”.
 - a. A drug plan is considered “Creditable” if on the average it is expected to pay out an amount equal to or more than the base Medicare D Prescription Drug Plan
2. Determining credibility
 - a. The insurance carriers identify which plans are creditable or not based on actuarial evaluations.
3. Employer Obligations
 - a. The Centers for Medicare and Medicaid (CMS) have specified in Regulation 43 CFR 423.56(f) when you must provide disclosure of creditable coverage to Medicare D eligible individuals. At a minimum, a notice disclosing whether the plan is creditable or not must be provided to the employees at the following times:
 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, as described under 423.38(a)
 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.

If the Notice is provided to all plan participants annually, CMS will consider items 1 and 2 to be met. “Prior to” is clarified to mean within the past 12 months
4. Assistance provided by CHB Group
 - a. We will identify any prescription drug plans in our initial and renewal proposals that are not creditable.
 - b. Every year prior to the Medicare D Open Enrollment Period we send a Client Alert to our clients reminding them of their obligations to send out notices. We also provide Model Language for both Creditable and Non-Creditable Notices.
5. Choices for a Medicare eligible individuals
 - a. A Medicare eligible individual may maintain their employer sponsored prescription drug plan and either enroll in a Medicare D prescription drug plan or opt not to enroll in a Medicare D prescription drug plan.
6. Importance of knowing whether a group Prescription Drug Plan is credible or not to a Medicare Eligible individual
 - a. Medicare eligible individuals who are not covered under a creditable prescription drug plan and who choose to NOT enroll in a Medicare D prescription drug plan will most likely pay a higher premium if they subsequently decide to enroll in a Medicare D prescription drug plan.
 - b. When a prescription drug plan changes from creditable to non-creditable, a Medicare eligible individual has a special enrollment opportunity to enroll in a Medicare Part D

plan without a penalty. This period lasts for 2 months after the month in which creditable coverage is lost.

Disclaimer: this notification is not meant to advise you of your entire obligations under Medicare D, or to serve as legal advice. This material is provided as guidance only. If you would like more complete information, please do not hesitate to contact our office or your attorney.

Additional Resources:

We can provide a one page summary to provide to your employees – we particularly recommend this if your prescription drug plan is not creditable. This summary DOES NOT take the place of the Disclosure Notice as required by the Centers for Medicare and Medicaid, but is meant as a supplement.

Medicare and You – This booklet is mailed to each Medicare eligible individual every year. Also online at <http://www.medicare.gov/Library/PDFNavigation/PDFInterim.asp?Language=English&Type=Pub&PubID=10050>

Overview of Creditable Coverage from the Centers for Medicare and Medicaid
http://www.cms.gov/CreditableCoverage/08_CCafterJanuary1.asp#TopOfPage