

Creditable Coverage Employer Toolkit

Applies to all plan sponsors who have Medicare-eligible active or retired employees

The Medicare Modernization Act of 2003 added a new voluntary prescription drug benefit (Part D) to the Medicare program. Coverage is effective January 1, 2006 for those Medicare eligible participants who enroll. The enrollment period begins November 15, 2005.

Which plan sponsors are affected?

- » Any plan sponsor with Part D eligible individuals (active and/or retired, enrolled or eligible), regardless of whether they offer retiree prescription drug coverage.
- » Applies to all group sizes
- » Part D eligible individuals are defined as individuals who
 1. are covered under at least Part A and
 2. reside in a PDP or MA-PD service area (which basically only excludes those individuals living abroad or who are incarcerated).
 - A PDP is a Prescription Drug Plan approved by or contracted with Medicare.
 - A MA-PD is a Medicare Advantage plan that provides qualified prescription drug coverage.

Why must a plan sponsor provide notifications of creditable coverage?

- » If Part D eligible individuals go without creditable prescription drug coverage for more than 63 days after the end of their initial enrollment in Part D, they are subject to late enrollment penalties.
- » If current coverage provided by the plan sponsor meets certain standards, the creditable coverage notice allows beneficiaries to delay enrollment past their initial eligibility date without penalty.

What is creditable coverage?

- » A plan provides creditable coverage if the expected paid claims under the plan sponsor's prescription drug coverage is at least as much as the expected paid claims under the standard Medicare Part D benefit.
- » Each benefit option must be tested separately. A benefit option is defined as a particular benefit design, category of benefits, or cost sharing arrangement offered within a group health plan.

How does a plan sponsor determine if their plan provides creditable coverage?

- » Prescription drug coverage is creditable if the plan design meets all four of the following standards:
 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 per Medicare eligible individual in 2006.
 - 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.
- » If the plan does not pass the above test, then an actuary can determine whether or not the plan provides creditable coverage.

Who does the plan sponsor notify?

- » Disclosure notices must be provided to all Part D eligible individuals who are covered under, or who apply for, the entity's prescription drug coverage (including spouses of employees and retirees).
- » Notification must also be provided to the Centers for Medicare and Medicaid Services (CMS). Guidance on this notification requirement will be forthcoming from CMS.

Notification to Participants

- » CMS has provided sample/model language for the Initial Open Enrollment Period (November 15, 2005-May 15, 2006). The documents are attached.
- » Subsequent sample/model language will be provided in further guidance for new plan enrollees (those with Part D Initial Enrollment Periods after May 15, 2006) and for use in future plan years.
- » If plan sponsors choose not to use the sample language then there are several standards that their notices must meet.
- » The credible coverage disclosures can be part of other plan participant information materials (including enrollment and/or renewal materials), but a statement about credible coverage must be prominently referenced in at least 14-point font in a separate box, bolded, or offset on the first page.
- » The disclosure notice can be provided electronically, but there are several rules:
 - Medicare eligible beneficiary must agree to receive their information via electronic means.
 - They must be informed of their right to obtain a paper version, how to withdraw their consent, update address information, and identify any hardware or software requirements to access and retain the credible coverage disclosure.
 - The beneficiary must provide a valid email address to the entity.
 - The beneficiary's consent must be submitted electronically to the entity. Even if you have previously received permission to send documents electronically, you must obtain a separate consent to send the credible coverage notice electronically.

Timing of Notification to Participants

- » At a minimum, disclosure must be made at the following times:
 1. Prior to the Medicare Part D Annual Coordinated Election Period (November 15th through December 31st of each year).
 2. Prior to an individual's Initial Enrollment Period 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 coverage ends or changes so that it is no longer credible or becomes credible.
 5. Upon a beneficiary's request.
- » If the credible coverage disclosure notice is provided to all plan participants, CMS will consider items 1 and 2 to be met.
- » "Prior to" means within the past 12 months.

Notification to CMS

- » CMS will provide the timing, format, and model language in further guidance.
- » Disclosures must be provided on an annual basis or when credible coverage status changes.

