

Medicare Part D Creditable Coverage



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What employers need to do

If you are an employer (Plan Sponsor) who will be offering prescription drug coverage to any Medicare Eligible individuals in 2006, you are required by the Centers for Medicare and Medicaid Services (CMS) to take the following actions.

1. You must determine if the prescription plan you offer meets the credible coverage standard established by CMS.
2. By November 15th of each year, you must communicate if your plan's drug coverage is credible or non-credible to all the Medicare eligible beneficiaries covered by your prescription drug plan.
3. You will also be required to share the credible coverage status of your plan with CMS. This is done by accessing the CMS website and filling out an on-line notice to CMS in the Disclosure section of the website. CMS provides all the details and descriptions of this process on this website link and we recommend you become familiar with it.
http://www.cms.hhs.gov/CreditableCoverage/06_CCDisclosure.asp#TopOfPage

Here is a summary of the guidelines for when you need to submit the notice.

- a. For plan years that end in 2006, disclosure of credible coverage status must be provided no later than March 31, 2006.
- b. For plan years that end in 2007 and beyond, disclosure of credible coverage status must be provided within 60 days after the beginning date of the plan year for which the entity is providing the disclosure to CMS.
- c. Within 30 days after the termination of the prescription drug plan.
- d. Within 30 days after any change in the credible coverage status of the prescription drug plan.

As an option, if your drug plan is credible, you can choose to pursue the 28 percent tax free Retiree Drug Subsidy. To do so, it will require additional testing of your drug plan beyond the credibility test and you must submit an application to CMS 90 days prior to the beginning of your "plan year". Plan year is defined as the date your annual coverage benefits are renewed or begin.

Why do employers need to send Creditable Coverage Notices?

The notice of creditable coverage is required so that Medicare-eligible beneficiaries will know if they should remain in their current group prescription drug program or if they need to enroll in a Medicare Part D plan.

If a group's coverage is not creditable, then the Medicare-eligible beneficiaries in that group will need to enroll in Medicare Part D when they become eligible or they will be charged the 1 percent of premium penalty for each month they choose not to partake in the Part D program.

If the group's coverage is creditable, then the Medicare-eligible beneficiaries do not have to sign up for Medicare Part D. The creditable coverage notices they receive from you will be accepted as evidence of coverage and CMS will waive the penalty if the beneficiary chooses to enroll in the Part D program at the end of your plan year.

Employers who do not comply with the creditable coverage determination and notification requirements established by CMS will face government penalties themselves.

Creditable Coverage explained

CMS defines "Creditable Coverage" to mean that the employer's drug plan is "as generous as, or more generous than" the standard coverage under the new Medicare Part D prescription drug benefit. In other words, the expected value of claims paid under your plan are as much as the value of claims that would be paid under the standard Medicare Part D benefit.

When and how do you send the Notices?

At a minimum, disclosure to the employees must be made at the following times:

1. Before November 15th each year
2. Before an individual's Initial Enrollment Period for Part D (as they age in)
3. Before the effective date of coverage for any Medicare-eligible individual that joins the plan
4. Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable
5. Upon a beneficiary's request

If the creditable coverage disclosure notice is provided to all plan participants, items 1 and 2 are met. In order to avoid ongoing mailings to members as they become eligible, it's a good idea to send the Notice of Creditable Coverage to those who will become eligible in the next 12 months along with those who are currently eligible and to any new employees who are Medicare eligible.

The Notice of Creditable Coverage does not need to be sent as a separate mailing. Here are some options:

- Include it with other plan materials such as enrollment materials or plan change letters. The notice must be referred to prominently – in at least a 14-point font in a separate box, bolded or as a reference to the section where the notice appears and offset on the first page of the information packaging.

Suggested wording: “If you have Medicare or will become eligible for Medicare in the next 12 months, a new federal law gives you more choices about your prescription drug coverage, starting in 2006. See page xx for details.”

- Send as a stand-alone mailing using standard letter format. We have included the link to CMS’s new model notices for Creditable and Non-creditable coverage: http://www.cms.hhs.gov/CreditableCoverage/02_CCafterMay15.asp#TopOfPage. These new versions replace the model letters from 2005.
- E-mail conforming to these points:
 - A valid e-mail address and beneficiary consent must be provided to plan sponsor.
 - Before consent a beneficiary must be informed of the right to withdraw consent, how to update their address, and software requirements.
 - The beneficiary must indicate he or she has adequate access to e-mail.
 - The notice must also be posted on the employer’s Web site.
 - Beneficiaries must be informed of their right to obtain a paper version.

How to make Creditable Coverage Determinations

There are several ways to determine if your plan is creditable. You can hire an actuary to make the determination, use CMS’s simplified determination, or utilize the determinations we have secured for the standard BCBSM/BCN prescription drug plans later referenced in this article.

CMS Simplified Determination

CMS allows you to use a simplified method to determine creditable coverage status. If your plan design meets all four of the following criteria, it is deemed creditable:

1. Provides coverage for brand name and generic prescriptions
2. Provides reasonable access to retail pharmacies and optional mail order coverage
3. Is designed to pay on average at least 60 percent of the participant’s prescription drug expenses

4. Satisfies at least one of the following:
 - a. The prescription drug coverage has no annual benefit maximum or has a maximum annual benefit payable by the plan of at least \$25,000.
 - b. It has an actuarial expectation that the plan will pay at least \$2,000 per Medicare-eligible person in 2006.
 - c. For those offering integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, no annual benefit maximum or have a maximum annual benefit of at least \$25,000 and no less than a \$1 million benefit maximum.

Creditable Coverage
Determinations for
Standard
BCBSM/BCN plans

In order to support you, BCBSM & BCN engaged an actuary, Milliman, Inc., to verify which of our standard prescription drug plans are creditable. You can use this information instead of hiring an actuary or making the determination yourself from the plans listed.

The charts starting on the next page list all of our standard prescription drug plans and identify the creditable coverage determination for each separate plan.

- If your plan is included in these charts, you offer a standard prescription drug plan and you can use the creditable coverage determination that is listed for your plan. You will not need to hire an actuary to make the creditable coverage determination for your plan nor will you need to use the simplified determination approach.
- If your plan is not included in the charts, you have several options to choose from:
 - You may choose to change your drug plan to be one of the standard plans on the list.
 - You may choose to hire an actuary to perform the creditable coverage determination for your plan.
 - You may choose to make the determination yourself by using CMS's simplified determination as described on the previous page.

In all cases, it is very important to understand that the information provided in these charts does not qualify any plan for the Retiree Drug Subsidy; it only provides the Creditable Coverage Determination for our standard prescription drug plans.

Additional
information and
support

The complete guidelines regarding creditable coverage determinations, creditable coverage notifications and Disclosures are available from CMS on their website, <http://www.cms.hhs.gov/CreditableCoverage/>

If you have questions on the Creditable Coverage requirement or the Retiree Drug Subsidy process, please feel free to contact your Blues-contracted agent or BCBSM sales representative.

BCBSM & BCN hope that this information will be beneficial to you as you make these decisions as required by CMS. BCBSM & BCN have created this document for informational purposes only and it does not constitute legal advice nor should it be relied upon as such. If you have specific questions regarding your obligations under Part D, you should consult with your legal and tax advisors who are familiar with your business needs.