

Legislative Brief

Medicare Part D – Plan Sponsor’s “To-Do” List When Offering Retiree Benefits



STEP 1: Assess Your Active and Retiree Population

- Determine who you are covering.
- Assess your retiree population.
- Could you potentially be covering an active employee that is Medicare eligible?
- Could you potentially be covering an active employee’s spouse or dependent that is Medicare eligible?

Note: If you have active employees or dependents that are Medicare eligible you must provide a Notice of Creditable Coverage.

STEP 2: Select a Medicare Part D Option:

- Continue current prescription drug plan with coverage that is at least as good as Part D, and apply for federal retiree drug subsidy.
- Contract with a Prescription Drug Plan (PDP) or Medicare Advantage organization (MA-PDP) to provide coverage.
- Apply to become a PDP.
- Provide a supplemental plan that wraps around Part D coverage.
- Terminate current prescription drug plan and subsidize monthly Part D premiums.
- Do nothing.

STEP 3: Determine if Your Prescription Drug Plan’s Coverage is Deemed to be Creditable.

How? If an entity is not an employer or union that is applying for the retiree drug subsidy, it can use a simplified determination that its prescription drug plan’s coverage is creditable if the plan design meets all four of the following standards. However, **the standards listed under 4(a) and 4(b) may not be used if the entity’s plan has prescription drug benefits that are integrated with benefits other than prescription drug coverage** (i.e. Medical, Dental, etc.). **Integrated plans must satisfy the standard in 4(c).**

A prescription drug plan is deemed to be 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 percent of participants’ prescription drug expenses; and
4. Satisfies at least one of the following:
 - a. The prescription drug coverage has no annual benefit maximum 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.
 - 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

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the plan of at least \$25,000, and has no less than a \$1,000,000 lifetime combined benefit maximum.

If an entity is applying for the retiree drug subsidy, it cannot use the simplified determination of creditable coverage status outlined above. It must instead, consult with an actuary to perform an actuarial equivalence determination before preparing its creditable coverage disclosure notices.

STEP 4: Distribute the Creditable or Non-Creditable Coverage Notification Prior to November 15 of each year.

This notification must be provided to:

- Retirees and spouses old enough to be eligible for Medicare;
- Employees and spouses age 65 and older;
- Individuals eligible for Medicare due to having end stage renal disease; and
- Individuals eligible for Medicare due to disability.

STEP 5: Develop and Implement a Communication Campaign

Active Employees

- Provide clear communications to all employees, human resources, and management staff. This notification needs to be done on an annual basis due to possible plan changes, new employees, and/or employees attaining the age of 65 within the past year.
- Recommended Strategy:
 - Notify all employees of the Creditable Coverage finding, regardless of age or dependent status, with a short cover letter explaining what Medicare Part D is and to whom it pertains. This can be done via intranet, bulletin boards, payroll stuffers, etc.
 - Target those individuals that you know are affected by Medicare Part D.
 - Include the Creditable Coverage notification in your company’s Summary Plan Description.
 - Include the Creditable Coverage notification in all retiree packets.

Retirees

- *Pre-announcement*: Let retirees know that the company is aware of their concerns and is currently working on an approach.
- *Announcement*: Notify all active and retired employees of the company’s approach to Medicare Part D.
- *Enrollment*: Ensure that all retirees receive their usual enrollment materials and highlight the explanation of Medicare Part D.
- *Reminder*: Reiterate the company’s approach in November before the Medicare Part D enrollment period begins (**prior to November 15 of each year**).

**Source: Centers for Medicare & Medicaid Services*

This [b_officialname] Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

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