



Medicare Part D – Creditable Coverage

Under the Medicare Modernization act of 2003, new Medicare prescription drug coverage (Part D) was effective on January 1, 2006. Most employers that provide prescription drug coverage to the Medicare-eligible population must disclose to that population whether the coverage is “creditable.” A prescription drug coverage is “creditable” if the actuarial value of the coverage equals or exceeds the actuarial value of standard prescription drug coverage.

The purpose of the disclosure is to advise the Medicare eligible population whether or not the employer sponsored plan is creditable. If the employer sponsored plan is not creditable, the Medicare eligible population must enroll in a creditable plan to avoid paying Part D penalties on their credible coverage plan premiums for the remainder of their lives. If a Medicare eligible beneficiary goes without creditable coverage for more than 63 days, when the person enrolls in a Part D Plan, premium penalties are assessed at a rate of 1% per month that the person was without creditable coverage.

All employers that provide prescription drug coverage to any Medicare eligible beneficiary must provide annual Notice of Creditable Coverage to the Medicare eligible population in that plan.

The Notice of Creditable Coverage must be sent:

- Prior to the Medicare Part D Annual Coordination Election Period. Beginning November 15 through December 31 of each year;
- Before an individual’s initial enrollment period for Part D;
- Before the effective date of coverage for any Medicare eligible beneficiary that joins the plan;
- Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable; and
- Upon a beneficiary’s request.

The Centers for Medicare and Medicaid Services (CMS) have developed templates that can be used for providing Notice of Credible coverage to the Medicare population. These templates can be found online at: www.cms.hhs.gov/creditablecoverage. On this page, click “Creditable Coverage Guidance and Model Disclosure Notices to be used after February 15, 2007.” Then click “Model Individual Creditable Coverage Disclosure Notice (Zip, 13kb).”

Employers are required to annually disclose information to CMS about their prescription drug plans offered to the Medicare eligible population. The disclosure form is online and must be completed online. The form can be found at the website listed above. The link is the fourth bullet point under the left side title “Creditable Coverage.” The bullet is titled “Disclosure to CMS Form.”

This overview from PCI Insurance, Inc. is provided for informational purposes only and does not constitute legal advice. Additional information about this regulatory issue can be found on the CMS website at www.cms.hhs.gov/creditablecoverage.