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MEDICARE PART D: CREDITABLE COVERAGE CHANGES IN 2025

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PRESENTER



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2025 CHANGES TO MEDICARE PART D

- Increased prescription drug coverage available via Part D effective January 2025
 - Coverage that is currently creditable may no longer be creditable
- Credibility for employer prescription drug coverage tied to plan year
 - Non-calendar year plan effective first day of plan year beginning in 2025
- Employer action
 - Determine if coverage is creditable for 2025
 - Notify participants and CMS


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MEDICARE OVERVIEW

- Medicare Eligibility
 - Age-based
 - Disability-based
 - ESRD-based (end stage renal disease)
- Medicare Parts
 - Part A - hospital insurance
 - Automatically enrolled upon turning age 65 if already collecting social security benefits
 - Effective date retroactive up to 6 months if enrollment is delayed
 - Part B - medical insurance
 - May delay without penalty due to creditable coverage based on active employment status
 - Part C - Medicare Advantage (an alternative to Parts A and B, and sometimes D)
 - Part D - prescription drug coverage

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MEDICARE PART D ELIGIBILITY

- Individuals become eligible for Part D (Rx coverage) upon enrolling in Part A, Part B, or both
 - Individuals merely eligible for Medicare, but not yet enrolled in Part A or B are not eligible for Part D
- Once eligible for Medicare Part D, going 63 days or more without creditable Rx coverage may then result in lifetime late enrollment penalties
- Upon a change in creditable coverage status, special enrollment is triggered for 2 months from loss of coverage or notification, whichever occurs later



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MEDICARE PART D ELIGIBILITY

- Example
 - Plan Information
 - 7/1/24 - 6/30/25 → Creditable
 - 7/1/25 - 6/30/24 → Non-Creditable
- Employee Information:
 - Enrolled in employer's group health plan (including Rx coverage) 7/1/24 - 6/30/25
 - Also enrolled in Medicare Part A 9/1/24, but delayed enrollment in Medicare Part B and D
 - 2-month special enrollment for Medicare Part D 7/1 - 8/31/25 upon loss of creditable coverage

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MEDICARE & HSA-ELIGIBILITY

- HSA-Eligibility
 - Enrollment in Medicare, any part, is disqualifying coverage
 - Mere eligibility for Medicare does not impact HSA-eligibility
 - Enrollment in disqualifying coverage mid-calendar year allows a pro rata contribution to the HSA
 - 1/2 of annual contribution amount for each month individual is HSA-eligible

Eligible to Contribute to an HSA

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MEDICARE & HSA-ELIGIBILITY

Example

- Individual became eligible for Medicare Feb. 2024, but delayed enrollment
- Individual enrolled in employer-sponsored HDHP coverage for Jan - Dec. 2024
- Individual enrolled in Medicare Dec. 2024, but effective date was retroactive to Jun. 2024

HSA Contributions

- Individual is eligible to contribute 5/12 of the annual contribution limit (for Jan. - May 2024)
- 5/12 of (annual contribution limit + \$1,000 catch-up) can be made up until Apr. 15, 2025

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RX CREDITABLE COVERAGE

Value of Group Health Plan Prescription Drug Coverage

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Actuarial value of standard prescription drug coverage under Medicare Part D

- How is Creditable Coverage Determined?
 - Carrier or TPA may provide creditable status; or
 - Employer must use simplified method or obtain actuarial determination
- Why is it Important?
 - Individuals must enroll in Medicare Part D coverage when first eligible or pay a premium penalty unless covered by a group health plan with creditable Rx coverage

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DETERMINING CREDITABLE (OR NON CREDITABLE) STATUS

- **Step 1: Check with Carrier or TPA**
 - If carrier or TPA cannot timely confirm status, move to Step 2
 - If carrier or TPA provides creditable status, move to Step 3
- **Step 2: Use Simplified Method or Obtain an Actuarial Determination**
 - Plans not applying for the retiree drug subsidy for qualified retiree coverage are eligible to use the simplified method (most plans)
 - Plans applying for the retiree drug subsidy must obtain an actuarial determination
- **Step 3: Distribute Creditable Status Notices to Eligible Individuals**
- **Step 4: Report Creditable Status to CMS**

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CREDITABLE COVERAGE - SIMPLIFIED METHOD REQUIREMENTS

Cover brand-name and generic prescription drugs

Provide reasonable access to retail providers

Designed to pay on average at least 60% of participants' Rx expenses

Non-integrated drug plan must satisfy at least one of the following:

- Have either no annual benefit maximum or a minimum annual benefit of \$25,000; OR
- Have an actuarial expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare-eligible individual

Integrated plans must:

- Have a maximum annual deductible of \$250;
- Have either no annual benefit maximum or a minimum annual benefit of \$25,000; AND
- Have a lifetime combined benefit maximum of at least \$1 million

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INTEGRATED VS. NON-INTEGRATED

Rx benefits combined with other coverage offered by the employer (e.g., medical, dental, vision)

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Integrated Plan

All of the following are true: (a) combined deductible for all benefits; (b) combined annual benefit maximum for all benefits; and (c) combined lifetime benefit maximum for all benefits

Many plans are arguably non-integrated

- Many plans impose separate deductibles or benefit maximums for different benefits
- Plans with combined deductible, but no benefit maximum might not meet this requirement either


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CREDITABLE COVERAGE - SIMPLIFIED METHOD REQUIREMENTS

- Cover brand-name and generic prescription drugs
- Provide reasonable access to retail providers
- Designed to pay on average at least 60% of participants' Rx expenses ?
- Non-integrated drug plan must satisfy at least one of the following:
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CREDITABLE COVERAGE NOTICE

- Notify Eligible Individuals of Creditable Status
 - Upon initial eligibility
 - Annually
 - Upon a change in creditable status

We recommend providing it during open enrollment each year (rather than each fall) to align with any change in creditable status

- Model notices available

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MEDICARE PART D CREDITABLE COVERAGE NOTICE

- Which plans are required to comply?
 - Any plans providing prescription drug coverage
- Which individuals must receive the notice?
 - All Medicare-eligible individuals who are eligible for the employer's plan...best to provide it to all who are eligible for the employer's plan
- Which plan year is described in the creditable coverage notice to individuals?
 - Depends on the timing of the notice, which plan was covered in the last notice distribution, and whether there was a change in creditable status

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CREDITABLE COVERAGE REPORTING

- Report Status to CMS
 - Within 60 days of the start of each plan year
 - Within 30 days of change in creditable status (if it changes mid-plan year)
 - Within 30 days of termination of plan (if it terminates mid-plan year)
- Disclosure is online: <https://www.cms.gov/medicare/employers-plan-sponsors/creditable-coverage/disclosure-form>

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MEDICARE PART D CREDITABLE COVERAGE

- Failure to Comply (Notices & Reporting)

Employer/Plan Consequences	}	<ul style="list-style-type: none"> • No specific civil or criminal penalty, but is required • Could result in a loss of the retiree subsidy
Individual Consequences	}	<ul style="list-style-type: none"> • Could result in Medicare-eligible individuals missing enrollment opportunities and paying late enrollment penalties

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