

Medicare Prescription Drug Plans and Employer Notification Requirements

Beginning January 1, 2006, Medicare will offer prescription drug plans (Part D) for everyone with Medicare. These plans will be offered through private companies and insurance carriers. They are different from the Medicare approved drug discount cards which phase out by May 15, 2006 or when enrollment in a Medicare prescription drug plan takes effect, if earlier. All eligible individuals who are covered by an employer/union health plan with outpatient prescription drug coverage must receive a notice, regardless of whether the employer/union coverage is primary or secondary to Medicare. The notice must be provided to active employees and their spouses as well as those who are covered as retirees, disabled or on COBRA.

Employers must communicate by November 14, 2005 to all eligible individuals enrolled in their plans (both retirees and Medicare eligible active employees) if the coverage offered qualifies as creditable coverage.

Your insurance carrier is obligated to provide you, the planholder, a letter stating if your group coverage is creditable coverage. You may have already received this notice.

Medicare has clarified that an employer can determine that their group prescription drug coverage is creditable if the plan design meets **all four** of the following criteria:

1. Provides coverage for brand and generic prescriptions;
2. Provides reasonable access to retail providers and, optionally, for mail order coverage;
3. Is designed to pay on average at least 60% of participants prescription drug expenses; and
4. The 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 \$1,000,000 lifetime combined benefit maximum.

I suggest however, you rely on your insurance company's determination as to whether your plan is creditable.

The Centers For Medicare & Medicaid Services (CMS) provides disclosure requirements and model language that you may use to notify your Medicare eligible employees about the "creditable coverage status" of your plan and other important information. Visit <http://www.cms.hhs.gov/medicarerereform/CCguidances.asp> .

CMS (Centers For Medicare & Medicaid Services) also mandates on an annual basis by November 14th or in the event you change your Prescription Drug plan that the employer provide written disclosure that the group has creditable coverage status. You are not required to change your prescription drug plan in any way to conform with the law.

Important Issues

Whether or not an individual elects to enroll in Medicare Part D is an important decision. There is a permanent late enrollment surcharge (penalty) for those opting out now and enrolling at a later date when their current plan is deemed “not credible”. Other important things for those eligible to consider are:

- When is Open Enrollment (initial and newly eligible)
- Penalties for Late Entrants
- Types of Drug plans available
- Details of benefits of each option
- Cost of these plans
- Low income assistance

Personalized information can be obtained at www.medicare.gov or by calling 1-(800)-MEDICARE. State Health Insurance Assistance Program (SHIP) and other local and community based organizations can provide free counseling.