



The Vita Viewpoint

Important Information for Decision Makers

Medicare Part D Creditable Coverage Requirements

Overview

Medicare Part D was established through the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Part D) with an initiation date of January 1, 2006. This addition to the Medicare regulations will not add prescription drug coverage to all Medicare recipients' current benefits structure. Medicare eligible individuals currently receiving a prescription drug benefit as part of their group coverage may not qualify for Part D. In an effort to notify these individuals of their rights to Part D The Centers for Medicare and Medicaid Services (CMS) defined a set of criteria in order to determine if a prescription drug plan qualifies as creditable coverage and requires sponsors of the plans to notify beneficiaries whether their plan qualifies as creditable coverage and participant's corresponding right to Part D.

What is Creditable Coverage?

A group plan qualifies as creditable coverage if its coverage equals or exceeds the level of benefit provided by the Medicare Part D prescription drug plan. The following list provides specific criteria in order to determine whether a plan qualifies as creditable coverage.

- 1) Group Plan provides coverage for brand name and generic prescriptions.
- 2) The plan provides access to retail providers with an option for mail-order prescriptions.
- 3) The plan pays an average of 60% for prescription expenses.
- 4) A plan with integrated prescription benefits meets one of the following maximum annual benefits:
 - a. Annual deductible of less than \$250
 - b. Annual benefit maximum at least \$25,000
 - c. Lifetime maximum benefit at least \$1,000,000

Requirements of the Notice of Creditable Coverage

An employer with a prescription drug plan which qualifies as creditable coverage must provide a Notice of Creditable Coverage to their active and retired employees who are Medicare eligible. In addition, this notice must also be submitted to the CMS on an annual basis or when any change occurs effecting the plan's creditability of coverage. Delivery of the notice must be provided to Medicare eligible participants at the following times:

- 1) Prior to the Medicare Part D annual election period (Nov 15 – Dec 31)
- 2) Prior to a plan participant's initial enrollment
- 3) Prior to the effective date of coverage for a Medicare eligible new plan participant
- 4) When a prescription drug plan's coverage changes creditability status
- 5) Upon request from the plan participant

Commentary

A majority of prescription drug plans will qualify as creditable coverage and the Notice of Creditable Coverage will need to be created, maintained and disbursed to plan participants. Employers may want to begin researching the creditability of their prescription plan coverage and developing a strategy on implementing the notice into their current procedures.

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.