

OVERVIEW OF CREDITABLE COVERAGE ISSUES FOR PLAN SPONSORS

Introduction: MMA mandates that certain entities offering prescription drug coverage, including group health plan sponsors, must disclose to all Medicare eligible individuals with prescription drug coverage under the plan whether such coverage is creditable. MMA also imposes a late enrollment penalty on individuals who do not maintain creditable coverage for any period of 63 days or longer following their initial enrollment period for the Medicare prescription drug benefit. This information is a key factor in retirees' decision about whether to enroll in a Part D plan. Therefore, it is important that plan sponsors provide this information and communicate effectively with retirees to ensure that the retirees make informed and timely enrollment decisions. This document provides an overview relating to this requirement.

Definition of "Creditable Coverage": Coverage is considered creditable if its actuarial value equals or exceeds the actuarial value of standard prescription drug coverage under the Medicare prescription drug benefit. In general, this actuarial equivalence test measures whether the expected amount of paid claims under the plan sponsor's prescription drug coverage is at least equal to the expected amount of paid claims under standard prescription drug coverage under Medicare.

Content: The information must explain whether the plan sponsor's prescription drug coverage is creditable. If the coverage is not creditable, this information must also explain that there are limitations on the periods during the year in which the individual may enroll in a Medicare drug plan and that the individual may be subject to a late enrollment penalty. Specific content requirements will be described in future guidance.

Timing: The final regulation generally states that disclosures for a variety of types of prescription drug coverage must be provided, at minimum: (a) prior to an individual's initial enrollment period for the Medicare prescription drug benefit; (b) prior to the effective date of enrolling in the sponsor's plan and upon any change that affects whether the coverage is creditable prescription drug coverage; (c) prior to the commencement of the annual coordinated election period that begins on November 15 of each year; and (d) upon beneficiary request. The final regulation does not specify a specific time limit within which the disclosure must be provided; it only requires that it be provided prior to any of the above events.

Model Language and Additional Guidance: CMS posted model disclosure language at http://www.cms.gov/CreditableCoverage/08_CCAfterJanuary1.asp. CMS has also posted additional guidance relating to this requirement, such as simplified rules for calculating creditable coverage for employer and union sponsors of retiree prescription drug plans, including those not electing the retiree drug subsidy. This additional guidance is located at http://www.cms.gov/CreditableCoverage/01_Overview.asp