



MEDICARE PART D- REVIEWING THE EMPLOYER'S RESPONSIBILITIES

What do I need to do to prepare for Medicare Part D?

The Medicare drug benefit or "Part D" will begin on January 1, 2006. All employers providing prescription drug benefits to Medicare-eligible individuals (active or retired) need to notify those individuals whether their drug coverage is creditable to Medicare Part D. Creditable means that the employer's drug benefit equals or exceeds the value of the new Medicare drug benefit.

What is the deadline for providing notice to my employees?

Employers must provide the notice of Creditable Coverage to their Medicare-eligible population by **November 15, 2005**.

Why do I need to provide this notice to my employees?

The objective of this notification is to help Medicare-eligible employees and dependents make the decision between the employer's Rx plan and Medicare Part D. The open enrollment period for individual enrollment in the Medicare drug benefit runs from **November 15, 2005- May 15, 2006**, so it is critical that employees understand whether their employer's coverage is at least as valuable as Medicare. If the employer-sponsored coverage is NOT creditable to Medicare Part D, the employee would have to elect Part D on their own during the open enrollment period in order to avoid paying a premium surcharge later.

What is the premium surcharge?

Eligible individuals who DO NOT enroll in Part D during the initial open enrollment period of **November 15, 2005 until May 15, 2006** may have to pay a premium surcharge if they later enroll in Part D, unless they had coverage through a creditable Rx plan. The premium surcharge is 1% of the premium for each month without creditable coverage.

Where do I get a Creditable Coverage notice?

The Centers for Medicare & Medicaid Services (CMS) have provided two model notices employers can use to communicate whether or not their Rx coverage is creditable to Medicare Part D- the Creditable Coverage Notice and the Non-Creditable Coverage Notice. These notices can be accessed on

<http://www.cms.hhs.gov/medicarerereform/CCguidances.asp>

RSI has adapted a simplified version of the Creditable Coverage Notice which you can use as an alternative to the Medicare version. The RSI version is shorter, but still contains the required points indicated by CMS. You can link to the RSI Notice of Creditable Coverage in Word format by clicking [here](#).

Do I need to send the notice to ALL of my employees?

While CMS only requires that you notify Medicare-eligible individuals, RSI recommends that you notify all employees (including COBRA participants and retirees). Some employees may have Medicare-eligible dependents that are unknown to the employer. Therefore, we think it makes sense to send the notice to

everyone rather than to chance missing certain individuals.

How do these notices need to be sent to employees?

These notices may be provided to employees and their dependents in conjunction with other material, such as open enrollment paperwork, as long as it is sent by **November 15, 2005**. One notice can be provided to both the employee and dependents, unless it is known that a Medicare-eligible spouse or dependent lives at a separate address.

How do I know if my plan counts as creditable coverage?

Most of our clients who have Rx plans with a straight copay arrangement with no initial deductible or coinsurance will find that their plans are creditable based on the criteria below. You will see that calculation below distinguishes between integrated Rx benefits and non-integrated benefits. Generally, plans with a prescription drug card are not considered "integrated" with the group's medical plan. However, a drug benefit that is subject to the overall deductible of the health plan would be considered "integrated".

The Centers for Medicare and Medicaid Services (CMS) have provided the following simplified calculation:

Simplified Calculation of Creditable Coverage

1. Drug coverage must be available for brand and generics;
2. Reasonable access to retail drug providers must be available;
3. Plan must be designed to pay at least 60% of member's drug expenses;
4. Plan must meet "maximum benefits test" below.

Maximum Benefits Test is met if one of the three criteria below is met:

1. Drug benefit is *not integrated* with other benefits (such as medical or dental) and has a maximum benefit of at least \$25,000;
2. Drug benefit is *not integrated* and is expected to pay at least \$2,000 per individual in 2006;
3. Drug benefit is *integrated* and has a deductible that is not more than \$250, a benefit maximum of at least \$25,000 and a lifetime maximum of at least \$1 million.

It is important to note that although most employer-sponsored plans are creditable, many Medicare Advantage Plans are NOT. Therefore, if you sponsor a Medicare plan for your 65+ employees which has some kind of drug maximum, that plan might not be creditable. You can maintain that plan and communicate that coverage as NOT creditable or to replace it with a new Medicare Advantage with prescription drug plan. Your carrier will be sending you a renewal for your Medicare plan and will likely present options for creating a creditable coverage option.

Do I need to provide notice to anyone else?

Notice of creditable coverage status must also be provided to CMS. Model language for this disclosure is pending from CMS.

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