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# Medicare Part D Creditable Coverage

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# Compliance Updates

# Medicare Part D

## Part D = Prescription drug piece of Medicare

- Individuals who are eligible for Part D must have creditable coverage or pay late enrollment penalties
- Employers do not have to offer creditable coverage, just provide notice to employees and spouses

## Creditable coverage = coverage at least as good as Part D

- Big change coming in 2025 - \$2,000 OOPM under Part D
- \$2,000 OOPM potentially makes Medicare more attractive than group plans for certain Medicare eligible individuals
- Greater focus on creditable coverage by employers than in prior years

# Creditable Coverage Notices

- Distribute by **October 15<sup>th</sup>** to all Part D eligible individuals enrolled or seeking to enroll
- Recommend distributing to all eligible employees rather than just employees over a certain age
- ERISA electronic distribution safe harbor applies
- Notice should reflect upcoming renewal creditability for calendar year plans (if available)
- If plan design has not been finalized for renewal, notice applies to current plan in effect – updated notice needs to be provided if creditability changes

# Medicare Part D

- \$2,000 OOPM may or may not impact whether employer plans are creditable or not

## Two options to determine creditability:

- Simplified Method
- Actuarial Analysis
- Simplified method does not consider the \$2,000 OOPM, while actuarial analysis does
- Many, but not all, employers can use the simplified method
- Simplified method may stay the same, go away, or look different for 2026

# Medicare Part D – Simplified Method

## Integrated Plans

- A combined plan year deductible for all benefits under the plan;
- A combined annual benefit maximum for all benefits under the plan;
- A combined lifetime benefit maximum for all benefits under the plan;
- A deductible of no more than \$250 per year;
- No annual benefit maximum or a maximum annual benefit of at least \$25,000; and
- No less than a \$1,000,000 lifetime combined benefit maximum.

## Non-Integrated Plans (Most Common)

- Provide coverage for brand-name and generic prescriptions;
- Provide reasonable access to retail providers;
- Be designed to pay on average at least 60% of participants' prescription drug expenses; and
- Satisfy **one** of the following standards:
  - The prescription drug coverage has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000; or
  - The prescription drug coverage has an expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare eligible individual.

# Medicare Part D – Simplified Method

- Most plans are not integrated (which is counterintuitive)
  - Plans with separate medical/Rx deductibles
  - Plans that have separate annual/lifetime maximums for non-essential health benefits (example: a plan that provides \$25,000 in lifetime fertility coverage)
  - Plans with no annual or lifetime maximums – **most likely to cause plans to lose integrated status**
- Plans must be “designed to pay on average at least 60% of participants' prescription drug expenses” – **most common “unknown” when using simplified method**
- Reference to 60% is separate from ACA Minimum Value requirement
- HDHPs are a known challenge



# Medicare Part D Rates

- **2024 Part D Base Rate** - \$34.70 per month
- **2025 Part D Base Rate** - \$36.78 per month
- Rates alone do not provide a full picture... the Inflation Reduction Act caps increases at 6%
- The **uncapped 2025 Base Rate** would be \$55.98

**Moral of the story – benefit improvements come at a cost**

# Medicare Reminders

- The **Medicare Secondary Payer Rules** prevent employers with more than 20 employees from taking Medicare into account with regard to group benefits
  - Cannot require or incentivize employees or spouses to move to Medicare
  - Cannot limit plan options for employees or spouses who are Medicare eligible
- **Opt-Out payments** (a/k/a cash in lieu of benefits) cannot be offered to those who are enrolled in Medicare unless they also have group coverage
- **ICHRA**s can be offered to those who are enrolled in Medicare, but must comply with applicable classification rules and minimum class sizes – Medicare eligible individuals is not an allowable class

# Testing and Next Steps

# How to Determine if Coverage is Creditable

**Rely on information provided by your insurance carrier, third party administrator (TPA) or prescription benefits manager (PBM)**

**Make a determination using the CMS Simplified Method**

**Use an outside vendor or actuarial firm to perform either simplified method determination, or an actuarial determination**

# Next Steps for Employers

**Understand the  
importance of  
Creditable  
Coverage**

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**Make a  
determination for  
each plan**

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**Provide Creditable /  
Non-Creditable  
Coverage notification  
to all employees by  
October 15, 2024**

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# Thank you

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