

## **\*\* IMPORTANT EMPLOYER BULLETIN \*\***

**TO: ALL GROUP HEALTH CLIENTS**

**FROM: GREENBERG & ASSOCIATES INSURANCE**

**DATE: AUGUST 29, 2005**

**RE: MEDICARE PART "D"**

As you may already be aware, effective January 1, 2006 the Medicare Modernization Act of 2003 added a new voluntary prescription drug benefit called Medicare Part D. It is the first time in the history of Medicare that coverage for outpatient prescription drugs will be available. With the new benefit comes new employer responsibilities mandated by the Centers for Medicare and Medicaid Services (CMS).

Anyone covered on Medicare will be eligible for the new Medicare Part D prescription drug program. This includes those who are covered by other programs, such as those covered as active employees or as retirees of employer-sponsored plans. There will be an initial open enrollment period for the Part D prescription drug program starting on November 15, 2005 and continuing through May 15, 2006. If a person is currently covered by a prescription drug plan that provides benefits that are at least as good as the Medicare plan, they can continue under that plan instead of enrolling in the Medicare drug program. Coverage that meets or exceeds the new Part D benefits will be considered "creditable coverage". When that person is no longer covered by an employer plan or employer-sponsored plan, they can enroll in the Medicare prescription drug program without paying any penalty for late enrollment.

On the other hand, if the health plan in which a Medicare eligible employee is covered does NOT provide benefits for prescription drugs that are at least as good as Medicare, and they decide NOT to enroll during the initial enrollment period, they will pay a higher premium for Medicare prescription drug coverage if they do decide to enroll at any time in the future. This additional premium will be permanent.

Many of the plans I have surveyed regarding the new Medicare Part D regulations have indicated that they plan to assist their group policyholders with their new responsibilities. However, most health plans have not yet finalized the details. In order to help you prepare (and alleviate anxieties about some of the things you may have heard about), I want to share the following information at this time:

**Prescription Drug Plans** – I have determined that most group prescription drug plans are "creditable coverage" for the purpose of Medicare Part D eligibility with all of the carriers. What this means, is that the prescription drug benefits provided with most health plans meet or exceed the new Medicare Part D prescription drug benefit. Most carriers, however, are still evaluating HSA and HRA High Deductible Health Plans that include a prescription drug benefit. Prescription drug benefits subject to the high deductible may not be considered creditable. There is NO problem if a group prescription drug benefit is not "creditable". It is only important to know whether your benefit is or is not creditable because you will need to notify your Medicare eligible employees of the status of any prescription drug benefits you provide.

**Medicare Part D Subsidy** – This will impact very few groups. The only instance in which you will need to be involved with this provision of the new Medicare Part D benefit, is if you offer a prescription drug benefit to Medicare eligible *retirees*. If this is the case, the health plans will provide actuarial certification upon request for any group applying for a Medicare Part D subsidy.

**Sample Disclosure Notice** – CMS will require that all employers who have group health plans provide a Disclosure Notice to all Part D eligible individuals regarding the availability of prescription drug coverage under the Medicare program. The purpose of the notice is twofold. First of all, Medicare wants to be sure every Medicare eligible individual is made aware of the new benefit available January 1, 2006 and the penalties for late enrollment if they do not have “creditable coverage”. Secondly, the notification will disclose to the Medicare eligible employee whether your current group health prescription drug benefit will provide them with “creditable coverage”. As noted above, most prescription drug benefits meet or exceed the Medicare Part D benefit and will be “creditable”. Some of the carriers have indicated that they will provide a sample notice based on the CMS model. In addition, I have received copies of the CMS model notices and once it is clear which carriers will NOT be providing model notices for their clients, I will be doing so for those groups.

**Member Notification** – Since employers may not be aware of employees and dependents enrolled in Medicare due to age, disability, or End Stage Renal Disease, it is recommended that employers provide the disclosure notice to ALL covered individuals to ensure that no Medicare eligible individual is missed and that notice requirements are met. Even if you are not required to give the notice to all employees, I think it is a good idea to do so in any event. As we all know, Medicare beneficiaries frequently depend on family and friends to give them advice about their Medicare decisions. It’s important that everyone, regardless of age, be aware of the new program.

**CMS Notification** – Employers will now be required to also notify CMS annually with regard to the credibility of their prescription drug coverage. The notice does not require actuarial certification. CMS is currently reviewing the manner in which these notices should take place.

It is still not clear to what extent most of the insurance carriers will be assisting us in the new employer mandates. I have been told by most that they will know more by mid September when there is supposed to be additional information coming out from CMS. Therefore, you can look forward to hearing more from me regarding this issue sometime in late September, early October. In the meantime, please don’t hesitate to let me know if you have any questions.

Sharon and Adrienne