

EMPLOYEE BENEFITS COMPLIANCE UPDATE

A Parker, Smith & Feek Benefit Alert

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Medicare Part D Changes: Impact to Group Health Plans

Employers sponsoring a group health plan that provides prescription drug coverage are required to determine whether the prescription drug coverage is creditable. They must then communicate creditable or non-creditable coverage status annually to eligible employees, their family members, and the Centers for Medicare & Medicaid Services (CMS).

Special Note: Employers are not required to maintain creditable coverage which means there is no penalty for having non-creditable coverage.

The information assists Medicare Part D eligible individuals in making an informed decision about whether to enroll in Medicare Part D. Individuals who delay enrollment may face late enrollment penalties for failing to enroll in Part D when they are first eligible if it turns out that the employer's prescription drug plan is not creditable.

WHAT'S CHANGING

The Medicare Part D drug benefit has undergone enhancements due to the Inflation Reduction Act of 2022 that, amongst other things, aimed to lower prescription drug costs for people with Medicare.

Starting in January 2025, significant improvements to the Part D drug benefit mean that employer-sponsored coverage that was previously creditable may no longer be creditable as of 1/1/25. Particularly, we anticipate some HSA-qualified high deductible health plans (HDHPs) will no longer be creditable.

ARE EMPLOYERS PENALIZED FOR NOT HAVING CREDITABLE COVERAGE?

No, prescription drug plans are not required to be creditable. The only requirement is that the employer distributes the notice to Medicare Part D-eligible individuals who are eligible to enroll in the plan sponsor's prescription drug plan.

Note: Parker, Smith & Feek recommends distributing to all eligible employees as a best practice because employers may not always know who is Medicare eligible.

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ARE MEDICARE PART D-ELIGIBLE INDIVIDUALS PENALIZED IF THE EMPLOYER'S PLAN DOESN'T HAVE CREDITABLE COVERAGE?

If the prescription drug plan they are enrolled in offers creditable coverage, no, they will not be penalized for late enrollment into Part D.

If the prescription drug plan they are enrolled in is considered non-creditable coverage, then yes, they will be penalized for late enrollment into Part D. This is why it's important to communicate whether the employer's drug coverage is creditable or non-creditable.

HOW DO WE DETERMINE IF OUR PLAN'S PRESCRIPTION DRUG COVERAGE IS CREDITABLE STARTING IN 2025?

Contact your carrier or TPA for assistance.

Note: Parker, Smith & Feek clients can rely on their Parker, Smith & Feek team for assistance. This is especially important for employers offering an HSA-qualified HDHP.

WHAT DO EMPLOYERS NEED TO DO NOW?

Determine if your prescription drug plan is still creditable starting with the plan year that begins on or after

January 1, 2025. We recommend distributing the Medicare Part D notice during open enrollment for the plan year starting in 2025 to avoid confusion.

There are specific distribution and timing requirements for the Medicare Part D notice:

- + Prior to annual Medicare open enrollment period (October 15)
- + Prior to an individual's initial enrollment period (age 65)
- + Prior to the effective date of coverage under group health plan
- + Whenever creditable status of plan changes
- + Upon request

"Prior to" means any time in the 12 months preceding the due date – issuing the notice once a year, e.g. at open enrollment, will satisfy notice obligations, other than for new enrollees or if there has been a change in creditable status.

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Michele hosts a monthly podcast series, **Cammayo's Compliance Talk: Ask Michelle**. Her podcast is focused on employee benefits and tackles the latest developments, questions, and conversations that organizations are navigating.



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