**2017 Legal Notice Medicare Part D Notice of Creditable Coverage For Active Employees**

**Medicare Part D Notice of Creditable Coverage**

**This is an important notice from (Employer Name) about your prescription drug coverage and Medicare.**

**Please read this notice carefully and keep it where you can refer to it if necessary. The following is information about your current prescription drug coverage with (Employer Name) and the prescription drug coverage options available under Medicare for those entitled to Medicare Part A and/or enrolled in Medicare Part B. This notice provides documentation that your prescription drug coverage under a Prudential medical program is “creditable” and also tells you where to find more information to help you in making your prescription drug coverage decisions.**

This notice is being provided in case you may be entitled to Medicare Part A and/or enrolled in Medicare Part B, which would make you eligible to enroll in a Medicare prescription drug plan.

**Prescription Drug Coverage and Medicare**

• Starting January 1, 2006, prescription drug coverage became available through Medicare prescription drug plans (Medicare Part D plans) to everyone entitled to Medicare Part A and/or enrolled in Medicare Part B;

• You can get this coverage if you join a Medicare prescription drug plan or join a Medicare Advantage Plan (like an HMO or PPO) that offers prescription drug coverage;

• The prescription drug coverage offered through your group medical program is, on average for all program participants, expected to pay out as much as or more than the standard Medicare prescription drug coverage will pay and is considered creditable coverage; and

• Read this notice carefully. It explains the options you will have under the Medicare prescription drug program, and can help you decide whether or not to enroll yourself and/or your family member now or when you become a Medicare beneficiary.

Medicare prescription drug coverage is offered by private health insurance companies, not directly by the federal government. All Medicare prescription drug plans will provide at least a “standard” level of coverage set by Medicare (refer to the illustrative example of the standard 2017 Medicare offering). Some plans might also offer more coverage for a higher monthly premium.

As long as you remain enrolled in group medical program (for example, as an active employee or through COBRA continuation of active medical program coverage or as an eligible enrolled dependent) that provides creditable prescription drug coverage, you can keep your group medical coverage and not pay extra if you later decide to enroll in Medicare Part D. If, based on your personal situation, you are eligible for Medicare prescription drug benefits, you could choose to enroll in a Medicare Part D plan.

If you retire and are eligible for and enroll in Medicare, Medicare will become your primary coverage for medical services (Parts A and B).

You should also understand Medicare Part D, the benefits it provides and how it compares with the prescription drug benefits offered in connection with group medical programs. Medicare prescription drug plans are generally designed for Medicare beneficiaries who need them most. These include two types of participants:

• **Those currently without prescription drug coverage***.* ***Your employer has determined that each of its medical programs provides prescription drug coverage, which, on average, is as good as or, in many cases, better than the standard Medicare prescription coverage.*** If you are not covered by our group medical program, you do not have creditable coverage through our plan. Once you are a Medicare beneficiary, you will need to consider your own individual circumstances and the amount you are required to pay for your group medical coverage. In most cases, you will likely find that our group medical programs provide a more valuable benefit than what you would receive under a Medicare Part D plan. If you are eligible for Medicare Part D and decide to enroll in a Part D plan, you will be able to do so during the Medicare open enrollment period. In this case, you will not have to pay a late enrollment penalty (as long as you do not have a break in your group coverage of 63 continuous days or more before enrolling in a Medicare Part D plan). If there are 63 continuous days or more between the time you lose your group prescription drug coverage and the time you enroll in a Medicare Part D plan, late enrollment penalties will apply to your Medicare Part D plan premium; and

•**Those with limited income and assets.** The Social Security Administration (SSA) mails information and applications for extra help directly to people who may qualify. While most employees and retirees may find that prescription drug benefits under our group medical program are greater than the benefits Medicare Part D provides, those with limited income and assets may find they have better benefits through a Part D plan.

**Note to those who waive medical coverage:** If you are currently waiving group medical coverage, this means that you do not have creditable coverage under our group medical program.

**Understanding the Basics**

While you are still enrolled in our group medical program, it’s a good idea to understand how Medicare Part D plans work. It’s up to you to decide what prescription drug coverage option makes the most financial sense for you and your family given your personal situation. If you’re considering the option of joining a Medicare prescription drug plan available in your area, you need to carefully evaluate what that plan has to offer (for example, which drugs are covered at what cost) versus the coverage you already have through your group medical program.

First, you should understand some key things about the implications of joining a Medicare prescription drug plan and the coverage that will be offered:

**• Your coverage available through your group medical program is, on average, at least as good as standard Medicare prescription drug coverage. This means if you are enrolled in our group medical program, you currently have creditable coverage.** If you maintain creditable coverage through your group prescription drug coverage and you later choose to join a Medicare prescription drug plan, you may do so without paying a late enrollment penalty (as long as you do not have a break in your group coverage of 63 continuous days or more before enrolling in a Medicare prescription drug plan);

• **You can join a Medicare prescription drug plan when you first become eligible for Medicare and each year from October 15 to December 7.** However, if you lose your current creditable prescription drug coverage, through no fault of your own, you will be eligible for a two-month Special Enrollment Period (SEP) to join a Medicare prescription drug plan;

**If you go 63 continuous days or longer without creditable prescription drug coverage, your monthly premium may go up by at least 1% of the Medicare base beneficiary premium per month for every month that you did not have that coverage.** For example, if you go 19 months without creditable coverage, your premium may consistently be at least 19% higher than the Medicare base beneficiary premium. You may have to pay this higher premium (a penalty) as long as you have Medicare prescription drug coverage. In addition, you may have to wait until the following October to join;

• **While you continue to be enrolled in an active group medical program, you will continue to have creditable coverage.** The prescription drug benefits for you and your family members who are eligible for Medicare will continue to be provided through your group medical program;

• **While you continue to be enrolled in an active group medical program, in most cases any Part D plan benefits would be secondary to those.** This means that the coverage under your group program will be your “primary” coverage and your prescription drug coverage under your Medicare program will be “secondary.” In addition, your current group coverage pays for other health expenses in addition to prescription drugs. If you enroll in a Medicare prescription drug plan, you and your eligible dependents will still be eligible to receive all of your current health and prescription drug benefits; and

• **Different Medicare prescription drug plans are offered.** Although Medicare has outlined a “standard” way that Medicare prescription drug plans will cover prescription drug expenses (refer to the “Evaluating a Medicare Prescription Drug Coverage Plan” section), different health insurance companies may offer plans with different benefits. For example, plans may have different deductibles, coinsurance requirements and premium costs. Each plan may also have a different “formulary,” which is the list of drugs covered by the plan. Some plans may not cover the particular drugs you need. You will receive information directly from various health insurers and prescription drug benefit companies in your area that will offer Medicare prescription drug plans. You will need to carefully review their materials to learn how the plans work. Here are some things to think about:

- **The Medicare prescription drug plans work much like other insurance.** You pay a monthly premium as well as a share of the cost of your prescriptions. However, the premiums will vary based on the plan you choose and your geographic location, and the premiums are expected to increase annually. The plans may also vary by the prescription drugs covered, how much you have to pay out-of-pocket and which pharmacies you can use; and

- **Some Medicare prescription drug plans will have “coverage gaps.”** This means that plans will pay benefits up to a certain amount, and then it will be up to you to pay the full cost for prescription drugs. Then, after you have paid a certain amount out-of-pocket, the plan will start to pay benefits again. To help you understand what this looks like, refer to the illustrative example.

**Evaluating a Medicare Prescription Drug Coverage Plan**

If you are eligible for and enroll in our group medical program, you will have creditable prescription drug coverage through your group medical program. However, if you want to consider a Medicare prescription drug plan, here are some questions to consider as you go through your decision-making process:

• **How much is the monthly premium for the Medicare prescription drug plan?** The monthly premiums for Medicare prescription drug plan coverage will vary significantly based on the actual plan offered and the location in which the coverage is being provided. Medicare has estimated that the national average premium for 2017 will be approximately $34.00 per month for the standard plan. Premiums are expected to increase in future years. This premium is in addition to any premiums you pay for your Prudential retiree medical coverage, Medicare Part A and/or Part B;

• **Does the Medicare prescription drug plan have an annual deductible? If yes, how much is it?** In addition to the annual premium to participate in the plan, the deductible is the amount you will need to pay out-of-pocket each year before the plan pays any benefits. The annual deductible may be as high as $400 for 2017, and potentially higher in future years;

• **After I meet the plan’s deductible (if any), what will I pay each time I get a prescription filled?** After you meet the plan’s deductible, you will most likely need to pay coinsurance, or a percentage of the cost of the drug. For example, if the cost of a drug is $100 and the plan pays 75% of the cost of the retail price of the prescription, the portion of the drug’s cost that you will pay is $25 (or 25%);

• **Does the plan have a “coverage gap?” If yes, how does it work?** For an illustrative example of how a coverage gap might work, refer to Medicare & You; and

• **Does the plan have any restrictions on the drugs that are covered?** Different Medicare prescription drug plans will cover different drugs, and the particular drugs you take now may or may not be covered. Find out if the plan you are considering has a preferred drug list or formulary. If it does, you should check to see if it includes the medications you currently take.

**For More Information**

For more information about this notice or your current prescription drug coverage contact:

(Employer Name)

(HR Contact)

(Phone Number)

Once you are eligible for Medicare, you will also get a copy of the “Medicare & You” handbook in the mail every year from Medicare.

In addition, you can get more information about Medicare prescription drug plans from these places:

• The Medicare website (at **www.medicare.gov**);

• Your State Health Insurance Assistance Program (see your copy of the “Medicare & You” handbook for their telephone number); and

• 1-800-MEDICARE (1-800-633-4227). Participants who have a telephone device for the hearing-impaired (TDD) may call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit the SSA website (at **www.socialsecurity.gov**) or call 1-800-772-1213. Participants who have a telephone device for the hearing-impaired (TDD) may call 1-800-325-0778.

**About This Notice**

**Keep this notice. If you enroll in a Medicare prescription drug plan in the future, you may need to provide a copy of this notice when you enroll to ensure that you are not required to pay a higher premium amount. You may request a copy if needed by calling employer. You may also receive a similar notification at other times in the future, such as before the next Medicare prescription drug coverage enrollment period or if the drug coverage under your group medical program changes.**