

Medicare Part D 'Creditable Coverage' Disclosures and Disclosures to CMS due from employers who provide Rx drug benefits

Each year, group health plan sponsors that provide prescription drug coverage to individuals eligible for Medicare Part D must disclose to the Centers for Medicare & Medicaid Services (CMS) whether that coverage is [“creditable” or “non-creditable.”](#) The disclosure obligation applies to all plan sponsors that provide prescription drug coverage, even those that do not offer prescription drug coverage to retirees.

Background

Individuals who fail to enroll in Medicare Part D prescription drug coverage when first eligible may be subject to late enrollment penalties if they go 63 consecutive days or longer without creditable prescription drug coverage. Prescription drug coverage is “creditable” when it is at least actuarially equivalent to Medicare Part D prescription drug coverage. Because of this potential penalty, both Medicare Part D-eligible individuals and the Centers for Medicare & Medicaid Services (CMS) need to know whether a group health plan’s prescription drug coverage is creditable or non-creditable.

Plan sponsors that provide prescription drug coverage must:

- **Furnish Part-D-eligible individuals** with [a notice disclosing the creditable or non-creditable status of their coverage](#) before the beginning of the Medicare Part D annual enrollment period [generally by Oct. 15] and at certain other times.
- **Disclose to CMS**, on an annual basis and at certain other times, whether the coverage they provide is creditable or non-creditable.

Making Annual Disclosures to CMS

Plan sponsors generally must disclose creditable coverage status to CMS *no later than 60 days after the beginning of each plan year*. Disclosure is [made online](#) using the “[Disclosure to CMS Form](#)” available on the CMS website. *An entity that does not offer outpatient prescription drug benefits to any Part D-eligible individual on the first day of its plan year is not required to complete the CMS disclosure form for that plan year.*

In addition to the annual disclosure, plan sponsors must submit a new disclosure form to CMS within 30 days following any change in the creditable coverage status of a prescription drug plan. This includes both a change in the coverage offered so that it is no longer creditable and the termination of a creditable coverage option. A new disclosure form must also be submitted to CMS within 30 days after the termination of a prescription drug plan.

Note: The disclosure requirement applies to all plan sponsors that provide prescription drug coverage.

Information Needed to Complete Disclosures

In preparing the disclosure to CMS, plan sponsors need to:

- Identify the number of prescription drug options they offer to Medicare-eligible individuals. This is the total number of benefit options they offer. For example, a plan sponsor with a three PPO plan options available under its plan would identify three prescription drug options.
- Determine the number of benefit options offered that are creditable coverage and the number that are non-creditable.
- Estimate the total number of Part D-eligible individuals expected to have coverage under the plan at the start of the plan year (or, if both creditable and non-creditable coverage options are offered, estimate the total number of Part D-eligible individuals expected to enroll in each coverage category). This includes Part D-eligible active employees, retirees, and disabled individuals and any of their Part D-eligible dependents, and any individuals on COBRA who are Part D-eligible. The estimate should not include any Part D-eligible individuals being claimed under the RDS program. If a plan sponsor provides retiree prescription drug coverage, it will have to be able to provide a similar estimate of Part D-eligible individuals who have retiree coverage at the start of the plan year.

Note: Individuals who will become Part D eligible after the start of the plan year should not be included in the count for that year, but they must be provided a notice of creditable or non-creditable coverage prior to their initial enrollment period for Part D.

- State the most recent calendar date on which the required notices of creditable or non-creditable coverage were provided.

In Closing

Plan sponsors should review the instructions carefully before completing the Disclosure to CMS Form to make sure that they have all necessary information, and calendar year plans should report the information by March 1, 2014.