

Client Alert



Applies To: Self-Funded, Fully-Funded, Large Group, and Small Group

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2025 Medicare Part D Enhancements May Affect Your Plan's Creditable Coverage Status

Under Medicare Part D regulations, group health plan sponsors offering prescription drug coverage to Part D eligible individuals (including active or disabled employees, retirees, COBRA participants, and beneficiaries) must disclose to those individuals and to CMS whether the plan coverage is creditable or non-creditable. The disclosure must be made by October 15th of each year, and at certain other times. In simple terms, for coverage to be creditable, the group health plan prescription drug benefits must be at least as good as that provided by the standard Medicare Part D prescription drug benefit. The notice is important because if a Part D eligible individual (someone enrolled in Part A or B of Medicare) does not sign up for Part D coverage when first eligible, if and when enrolled, that individual will pay a higher premium permanently for Part D unless the individual has creditable prescription drug coverage through the employer plan.

Currently, most employer major medical plans (even HDHPs) are considered creditable. However, in 2025, significant changes to the standard Part D benefits may affect the creditable status of such plans. Under the Inflation Reduction Act, in 2025, the Part D out-of-pocket maximum will significantly decrease, from \$8,000 to \$2,000. That means the standard Part D plan will provide better prescription drug coverage than in the past. This change means that it will be harder for employer plans to achieve creditable status, because many plans, particularly High Deductible Health Plans (HDHP), have out-of-pocket maximums higher than \$2,000. Because a HDHP's out-of-pocket maximum applies to both medical and prescription costs, the actuarial assumptions used in determining the proportion of the out-of-pocket maximum attributable to prescription drugs will affect the estimated actuarial value of employer plans.

Employers that sponsor group health plans should consult with their insurance carriers (for fully insured plans) and third-party administrators (for self-funded plans) to determine creditable status for 2025. Employers whose group health plans will lose creditable status for 2025 will want to develop an effective communication strategy regarding this change. While employers will want to explain the repercussions of non-creditable status, the employer communication should be drafted carefully to avoid a perception that the employer is pushing the employee off the employer plan and onto Medicare Part D.

Please visit www.moreton.com/news-events/ for more information and to view other client alerts. This Client Alert was written by Carolyn Cox, who provides our clients with compliance services. For additional questions, please contact Carolyn at 801-715-7110 or ccox@moreton.com.

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