

Packet "D"

For Prescription Drug coverage provided to Medicare eligible retirees through a "Wrap" or Supplemental Plan.

Another option available to Plan Sponsors is to encourage their retirees to enroll in a Medicare Prescription Drug Plan or Medicare Advantage Plan that includes prescription drugs (collectively, "Part D Plans"), while opting to provide them with extra help.

Step 1: Identify Plans providing prescription drug benefits. For Plans with multiple benefit options the regulation requires that entities apply the actuarial value test separately for each benefit option.

Step 2: Determine the type of "wrap" or supplemental plan to be provided. There are several ways that employer and union Plan Sponsors could supplement the standard Medicare drug benefit:

- (1) They can set up their own separate supplemental plans and coordinate benefits with the coverage offered by prescription drug benefit plans their retirees enroll in to provide extra help with cost sharing in much the same way they may currently supplement the standard Medicare Part A and B benefits.
- (2) They can pay for enhanced coverage through a drug plan to subsidize more of their retirees' cost-sharing and provide additional benefits. CMS plans to use its waiver authority to allow Plan Sponsors to make special arrangements with drug plans for their retirees. These waivers would allow employers to provide more flexible benefits and to limit enrollment to their retirees.
- (3) Regardless of whether they choose to provide additional coverage that supplements the standard Medicare prescription drug coverage, Plan Sponsors can also provide other types of financial help, such as assisting their retirees in paying for some or all of their prescription drug benefit premiums or contributing to a tax-favored account for medical expenses.

Step 3: Determine the type of Disclosure Notice to be sent. Since a Wrap-around or Supplemental plan assumes enrollment in Medicare Plan D, the Plan Sponsor should encourage their retirees to enroll in a plan that offers coverage under the Medicare prescription drug benefit while opting to provide them with extra help. This can be clearly indicated in the cover letter accompanying the Disclosure Notice.

- A.) Employers sponsoring group health plans with prescription drug coverage for Medicare eligible participants (and those seeking to enroll who are Medicare eligible) must notify those participants by November 15, 2005 of whether or not the group health Plan's prescription drug coverage is "creditable". A Medicare eligible participant is an individual who has coverage under

Medicare Part A or Part B. These participants may include active workers and their spouses and dependents.

- B.) Since the Medicare eligible participants are encouraged to choose the Medicare Part B benefit, a Non-creditable Disclosure Notice would seem to be the only appropriate choice.

Step 4: Send Disclosure Notices

- A) Review model notice for the *initial* disclosure to determine what customization may be needed. The model Notices provided by CMS are only to be used for the initial notification which participants should receive by November 15, 2005. CMS sample *initial* Disclosure Notices for both “creditable” and “non-creditable” coverage are available at the EBC website.
- B) Since it is possible for the Plan to have a plan participant, particularly a dependent, who is eligible or may become eligible for Medicare Part D, it is recommended that the Disclosure Notice be sent to **all** plan participants (including those seeking to enroll). The entity may provide a single Disclosure Notice to the covered Medicare individual and his/her Medicare eligible dependents covered under the same Plan. However, the entity is required to provide a separate Disclosure Notice if it is known that any spouse or dependent that is Medicare eligible resides at a different address than the participant/employee.
- C) Subsequent Disclosure Notices must be provided to eligible individuals at the following times:
- (1) Prior to the individual’s initial enrollment in Medicare Part D;
 - (2) Prior to commencement of the Annual Coordinated Election Period (November 15-December 31) of each year;
 - (3) Prior to the effective date of enrollment in the prescription drug coverage;
 - (4) Whenever prescription drug coverage ends or changes so that it affects whether the coverage is “creditable”; and
 - (5) Upon request by the individual.

Recent guidance issued by CMS clarifies that if the Disclosure Notice is provided annually to all plan participants, items (1) and (2) will be met. According to CMS “prior to” means that the beneficiary must have been provided the Disclosure Notice within the past twelve months. CMS will provide model Disclosure Notices to be used after the initial Notice deadline of November 15, 2005.

Step 5: Provide Disclosure Notice to CMS (Centers for Medicare & Medicaid Services) A Notice must be provided to CMS annually and upon any change that affects whether or not the coverage is creditable. The form for this notice has not yet been provided.

Step 6: Document whether or not the prescription drug coverage is “creditable” and that the initial notices have been provided.

Step 7: Establish policies and procedures for providing notices to the Plan participants as indicated in Step 4, C.

Step 8: Establish policies and procedures for providing CMS with an annual notice and upon any change that affects whether or not the coverage is creditable.

The Medicare Part D documents provided on the EBC website is for informational purposes only and does not contain or convey legal advice. For additional advice regarding the Medicare Part D legislation we recommend you consult your attorney or benefit adviser.