

Medicare Part D Creditable Coverage



WHAT IS CREDITABLE COVERAGE

Under the Medicare Modernization Act of 2003, new Medicare prescription drug coverage (Part D) went into effect on January 1, 2006. Under the legislation at 42 CFR §423.56, most employers that provide pharmacy coverage to the Medicare-eligible population must annually disclose to that population whether the pharmacy plan is “creditable”. “Creditable” means the prescription drug coverage provided meets or exceeds the Medicare Part D standards for the year. Further, employers must complete an annual disclosure to the Centers for Medicare & Medicaid Services (CMS).

The purpose of the disclosure is to advise the Medicare-eligible population whether or not the employer-sponsored plan is creditable. If the employer-sponsored plan is not creditable, the Medicare-eligible population must enroll in a creditable plan to avoid paying Part D penalties on their creditable plan premiums for the rest of their life. If a Medicare-eligible beneficiary goes without creditable coverage for more than 63 days, when the person enrolls in a Part D Plan, premium penalties are assessed at a rate of 1% per month that the person was without creditable coverage.

WHO MUST SEND NOTICES OF CREDITABLE COVERAGE

All employers that provide prescription drug coverage to any Medicare-eligible beneficiary must provide annual Notice of Creditable Coverage to the Medicare-eligible population in that plan. The only exception is for employers that provide coverage under a contracted Medicare Part D Plan.

While it is the responsibility of the employer to provide appropriate notifications to their Medicare-eligible population in accordance with these regulations, CIGNA can provide assistance with this process as an optional service.

WHO IS MEDICARE ELIGIBLE

- Individuals are Medicare eligible if entitled to Medicare Part A and/or enrolled in Part B.
- Medicare eligibility could be the result of age, disability, railroad board entitlement, or End Stage Renal Disease. This includes members and dependents of active and retiree plans.
- To be eligible for a specific Part D Plan, individuals must be Medicare eligible as of the effective date of coverage; and reside in the service area of a Medicare Part D Prescription Drug Plan (PDP) or of a Medicare Advantage plan that provides prescription drug coverage (MA-PD).



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HOW IS CREDITABLE COVERAGE DETERMINED

The determination of creditable coverage status does not require an attestation by a qualified actuary unless the entity is an employer or union electing the Retiree Drug Subsidy. A simplified test is available to determine creditability of an employer's prescription drug plan.

A prescription drug plan is deemed to be creditable if it:

- 1) Provides coverage for brand and generic prescriptions. All standard CIGNA Pharmacy Management plans meet this requirement.

AND

- 2) Provides reasonable access to retail pharmacies and, optionally, for mail order coverage. CIGNA Pharmacy Management's pharmacy network provides broad access to retail pharmacies and includes mail order.

AND

- 3) The plan is designed to pay on average at least 60% of participants' prescription drug expenses. CIGNA Pharmacy Management standard plans typically meet this standard (refer to the following chart for member cost-share levels). If the plan's member contribution level is richer than the co-payment levels listed, it is deemed creditable. Using this simple test, if a member's cost share is 40% or higher, this standard is not met, and the plan cannot be deemed creditable.

AND

- 4) Satisfies at least one of the following:
 - a) The prescription drug coverage has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000 (most CIGNA Pharmacy plans meet this standard),

OR

- b) The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least \$2,000 per Medicare-eligible in 2006 (CIGNA can support this evaluation where needed),

OR

- c) For entities that have integrated health coverage, the integrated health plan has no more than a \$265 deductible per year, has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000 and has no less than a \$1,000,000 lifetime combined benefit maximum.

CIGNA Sales Representatives can assist with determination of creditable coverage of CIGNA's 2007 pharmacy plans by referencing the following chart provided by CIGNA Pharmacy Underwriting. CIGNA Pharmacy Underwriting should be consulted regarding any plan that is not covered by the chart.

Benefit Design	Expected Member Share (w/o mail order)	Expected Member Share (2x mail order co-pay)	Expected Member Share (3x mail order co-pay)
Co-payments			
\$7/20/40	23%	21%	23%
\$7/25/50	27%	25%	27%
\$10/20/40	24%	21%	24%
\$10/20/50	26%	23%	26%
\$10/25/50	28%	25%	28%
\$15/30/45	31%	28%	31%
\$15/30/50	32%	29%	32%
\$15/35/50	34%	31%	34%
\$15/35/60	36%	32%	36%
\$15/40/60	38%	35%	38%
\$20/40/60	39%	35%	39%
Coinsurance			
Retail & Mail Order 20%/30%/40%	32%		
Retail 20%/30%/40% Mail \$10/\$50/\$100	29%		
Retail & Mail Order 30%/40%/50%		Engage Pharmacy Underwriting	
Retail 30%/40%/50% Mail \$15/\$70/\$125	38%		
Retail \$5/25%/50% Mail \$5/20%/50%	32%		
Retail \$5/30%/50% Mail \$10/25%/50%	35%		
Retail 20%/30%/50% Mail 15%/25%/50%	35%		

NOTE:

1. All HSA and HRA Plans that include Pharmacy under the deductible will fail creditability due to the magnitude of the deductible.
2. The above chart assumes no deductible. Pharmacy only deductibles of \$265 or higher will require engagement of Pharmacy Underwriting.
3. Only use this chart when the plan design is explicitly stated or falls between values that are explicitly stated.
4. Any plan design components beyond the levels by tier shown above requires engagement of Pharmacy Underwriting.

Once creditability is determined, CIGNA Sales Representatives can provide a letter to the employer with the creditability determination. Please note that the determination will be based on the simplified tests only and will not satisfy requirements for the Retiree Drug Subsidy program, but it is useful for reference when employers fulfill their notification and disclosure requirements.

WHEN MUST NOTICES BE SENT

The regulation at 42 CFR §423.56(f) specifies the times when creditable coverage disclosures must be made to Part D eligible individuals. At a minimum, disclosure must be made at the following times:

1. Prior to the Medicare Part D Annual Coordinated Election Period (ACEP) –beginning November 15th through December 31st of each year;
2. Prior to an individual’s Initial Enrollment Period (IEP) for Part D, as described under 423.38(a);
3. Prior to the effective date of coverage for any Medicare-eligible beneficiary that joins the plan;
4. Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable; and
5. Upon a beneficiary’s request.

If the creditable coverage disclosure notice is provided to all plan participants, CMS will consider items 1 and 2 to be met. This guidance clarifies that “prior to” means that the beneficiary must have been provided the Disclosure Notice within the past twelve months.

WHAT SHOULD THE NOTICE INCLUDE

The Centers for Medicare & Medicaid Services have developed templates that can be used for providing Notice of Creditable or Notice of Non-Creditable coverage to the Medicare-eligible population. These are not required, but if used, ensure satisfaction of the requirements of disclosure.

These templates are included as attachments to this summary and can also be found at the official CMS link: www.cms.hhs.gov/CreditableCoverage/02_CCAfterMay15.asp

HOW SHOULD NOTICES BE SENT

The notice need not be sent as a separate mailing. The Disclosure Notice may be provided with other plan participant information materials (including enrollment and/or renewal materials). The entity may provide a single disclosure notice to the covered Medicare beneficiary and all Medicare-eligible dependent(s) 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 where the participant/policy holder materials were mailed.

As an optional service, CIGNA can distribute notices as a direct mailing or include them in the plan materials that are provided post enrollment. Please note that inclusion of the notice in the post-enrollment materials may not fully satisfy these regulations.

HOW TO DISCLOSE CREDITABLE COVERAGE TO CMS

Employers are also required to annually disclose information to CMS about the pharmacy plans offered to the Medicare-eligible population. The disclosure form is on-line and must be completed on-line. The form can be found at: www.cms.hhs.gov/apps/ccdisclosure/default.asp. Instructions for completing the form can be found at: www.cms.hhs.gov/CreditableCoverage/Downloads/Disclosure2CMSGdnc.pdf.

At a minimum, disclosure to CMS must be made at the following times:

1. For plan years that end in 2006, disclosure of creditable coverage status must be provided no later than March 31, 2006.
2. For plan years that end in 2007 and beyond, disclosure of creditable coverage status must be provided within 60 days after the beginning date of the plan year for which the entity is providing the disclosure to CMS.
3. Within 30 days after the termination of the prescription drug plan; and
4. Within 30 days after any change in the creditable coverage status of the prescription drug plan.

Complete official guidance regarding Creditable Coverage can be found at: www.cms.hhs.gov/creditablecoverage.



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