

Creditable Coverage

Determination for 2025 HSA \$5,500 30%

2/13/2025

On January 1, 2006, prescription drug benefits became available to Medicare beneficiaries. Beneficiaries can select from a Medicare plan, or if available, they can choose to receive these benefits from their current or former employer. However, the benefits provided by their employer must be at least as rich as the Medicare benefit. If the benefit is at least as rich as the Medicare benefit, it can be considered “creditable coverage”.

Creditable coverage describes a benefit plan having actuarial value that is equal to or exceeds the actuarial value of the standard prescription drug coverage under Medicare Part D. This must be demonstrated through the use of generally accepted actuarial principles and in accordance with CMS actuarial guidelines.

Ventegra’s analysis using the Centers for Medicare & Medicaid Services Creditable [Coverage Simplified Determination](#) criteria:

For a prescription drug plan to be deemed as creditable it must have ALL the following:

1. Coverage for both brand and generic prescriptions;
2. Reasonable access to retail providers;
3. The plan will pay, on average, at least 60% of participants’ prescription drug expenses based on a Ventegra-supported actuarial model; and
4. The plan has no annual benefit maximum.

For your plan design and our projections, you have **NOT MET all the requirements above.**

- **Criteria 3:** the plan will pay on average at least 60% of participants’ prescription drug expenses.

PLAN SPONSOR DISCLOSURE REQUIREMENT TO EMPLOYEES

By law plan sponsors must determine and communicate the creditable coverage status for each pharmacy benefit plan offered to members who are eligible to participate in a Medicare Part D benefit plan. See information below.

For Creditable Coverage

Use the following link to the CMS **creditable coverage** template notices:

<https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/Downloads/ModelCreditableCoverageDisclosureNotice051711.pdf>

For Non-creditable Coverage

Use the following link to the CMS **NON-creditable coverage** template notices:

<https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/Downloads/ModelNonCreditableCoverageDisclosureNotice051711.pdf>

Note that sections in the template notices have information fields for employer specific and Pharmacy Service Administrator information. We recommend that client/employer distribute these notices to their employees via e-mail or payroll. At a minimum, the notification must be communicated to any Medicare-eligible employee or their dependents no LATER than October 15th every year.

All CMS template notices can be found here: <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/Model-Notice-Letters>

PLAN SPONSOR DISCLOSURE REQUIREMENT TO CMS

All entities, as defined in the regulations, must disclose to CMS whether their prescription drug coverage is creditable or non-creditable. Disclosures must be made annually or upon a change that affects this determination.

Plan Sponsor Guidance and Instructions for Disclosure to CMS

CMS requires most entities that currently provide prescription drug coverage to Medicare Part D eligible individuals to disclose to CMS whether the coverage is “creditable prescription drug coverage”. **See link below for more information.**

<https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/CCDisclosure.html>

Plan Sponsor On-line Step-by-step Instructions for Disclosure to CMS

The Disclosure should be completed annually no later than 60 days from the beginning of a plan year (contract year, renewal year), within 30 days after termination of a prescription drug plan, or within 30 days after any change in creditable coverage status. **See link below.**

<https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/CCDisclosureForm.html>

This requirement for plan sponsors is outlined in 423.56 of CFR, and further clarified by the Centers for Medicare and Medicaid Services (CMS) guidance. Further information regarding creditable coverage and guidance can be found on the CMS website at <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/>

DISCLAIMER

As the sponsor of a health plan with prescription drug benefits, you need to confirm whether the prescription drug coverage is considered “creditable coverage” for purposes of the CMS creditable coverage notice requirements. As you are aware, the design of your prescription drug coverage is intended to provide creditable coverage by providing:

1. coverage for both brand and generic prescriptions;
2. reasonable access to retail providers;
3. the plan will pay on average at least 60% of participants' prescription drug expenses; and
4. no annual benefit maximum.

The plan sponsor is responsible for making the determination of whether prescription drug coverage is considered creditable coverage and providing the relevant notice to the plan's participants in accordance with applicable law.

Ventegra cannot make this determination for a plan sponsor. Note that if you are seeking the retiree drug subsidy, you cannot use the simplified determination method outlined above and need to make an actuarial determination. We recommend that you confirm with your ERISA attorney that the prescription drug coverage is considered creditable coverage.