

WHAT IS CREDITABLE COVERAGE?

Beginning January 1, 2006, Medicare beneficiaries will have the opportunity to receive subsidized prescription drug coverage through the new Medicare Part D program. Beneficiaries who choose not to sign up at the first opportunity may have to pay more if they wait to enter the program later after the open enrollment period.

Beneficiaries who have other sources of drug coverage - through a current or former employer or union, for example - may stay in that plan and choose not to enroll in the Medicare drug plan. If their other coverage is at least as good as the new Medicare drug benefit (and therefore considered "creditable coverage"), then the beneficiary can continue to get the high quality care they have now as well as avoid higher payments if they sign up later for the Medicare drug benefit.

Under §423.56(a) of the final regulation, coverage is creditable if the actuarial value of the coverage equals or exceeds the actuarial value of standard prescription drug coverage under Medicare Part D, as demonstrated through the use of generally accepted actuarial principles and in accordance with CMS actuarial guidelines. In general, the actuarial equivalence test measures whether the expected amount of paid claims under the entity's prescription drug coverage is at least as much as the expected amount of paid claims under the standard Part D benefit.

REQUIRED DISCLOSURES TO CMS

Section 423.56(e) of the final regulation requires all entities described in § 423.56(b) to disclose to CMS whether their prescription drug coverage is creditable or non-creditable. The disclosure must be made to CMS on an annual basis, or upon any change that affects whether the coverage is creditable. Rules for making disclosures to CMS will be provided in future guidance.

REQUIRED DISCLOSURES TO MEDICARE BENEFICIARIES

In general, entities listed in section 423.56(b) of the final regulation must provide, or arrange for providing, a notice of creditable prescription drug coverage to Medicare beneficiaries who are covered by, or who apply for, prescription drug coverage under the entity's plan.