

Information partners can use on:

How Retiree Coverage Works with Medicare Drug Coverage

Note: The information in this tip sheet only applies to retiree coverage. Different rules and options apply to people who are actively working.

Everyone with Medicare is eligible for Medicare drug coverage, including retirees and their family members who have Medicare but are covered by employer- or union-sponsored health plans that offer prescription drug coverage.

Medicare works with plan sponsors to offer a variety of options for people with Medicare who have retiree drug coverage. Medicare also provides incentives to help employer and union plan sponsors continue to offer drug coverage to their Medicare-eligible retirees.

Joining Medicare drug coverage could affect a person's current drug and/or health (doctor and hospital) retiree coverage.

ALL people with retiree coverage should make sure they understand how that coverage works with Medicare before deciding whether to join a Medicare plan.

Some people may not be able to drop their retiree prescription drug coverage to join a Medicare plan unless they also drop their retiree health (doctor and hospital) coverage. Keep in mind that if someone drops retiree health coverage, family members covered by the same plan as their dependents also must drop the health coverage. It's possible that they and any family members covered by the plan may not be able to get that coverage back.

Group health plan sponsors have different options.

All employer and union plans are different, but they generally offer these options:

- **Payment of part or all of a plan’s retirees’ Medicare drug premiums**

Employers and unions may choose this option regardless of whether they also provide retiree drug coverage.

- **Customized coverage, consisting of Medicare drug coverage with additional retiree prescription drug coverage**

The employer or union buys drug coverage from a Medicare drug or health plan, or contracts directly with Medicare to become a Medicare drug plan itself. The retiree gets both Medicare drug coverage and retiree supplemental coverage from the same plan. To get the additional coverage, the retiree must join the Medicare drug or health plan the employer or union chooses.

- **A retiree plan that provides drug coverage instead of coverage under a Medicare plan**

Usually provided as part of retiree medical coverage that pays after Medicare pays, retirees with this drug coverage generally don’t join a Medicare plan because their retiree drug coverage is creditable—that is, it’s expected to pay, on average, as much as standard Medicare drug coverage. Also, some retiree plans may cancel a retiree’s medical and drug coverage if the retiree joins a Medicare plan.

Some of the group plan structures described above also may include **split retiree-family enrollment**, where spouses and dependents are allowed to continue getting coverage from the retiree plan even when the retiree joins a Medicare plan. People should check with their plan administrator to learn if this is an option.

Where can people with Medicare learn about their specific options?

The best source of information about a person’s retiree coverage is their employer or union, or the plan that administers their coverage. Medicare doesn’t have information about a person’s individual employer- or union-based coverage, or details about how it’ll work with Medicare drug coverage. Retirees should look for materials from their employer or union about their current coverage, and read them carefully. If retirees have questions, they should visit the plan’s website, or call the phone number in the communications materials. If a phone number isn’t listed, they should call their plan or benefits administrator, or call the office that answers questions about their benefits.

Employers must tell you if coverage is “creditable.”

Unless it’s offering a Medicare drug plan (Part D), all employer and union drug plan sponsors must tell all people eligible for Medicare who join or wish to join their plan—including active workers, disabled workers, people on COBRA, and retirees and their dependents—if their current drug coverage is “creditable.” **Creditable prescription drug coverage** is drug coverage that’s expected to pay, on average, at least as much as Medicare’s standard prescription drug coverage. If a person has creditable coverage and is happy with it, they generally don’t need to join a Part D plan, since Part D coverage would duplicate what they already have.

Medicare-eligible retirees need to know if their non-Medicare drug coverage is creditable. If they have creditable prescription drug coverage, they can wait to join a Medicare plan later and not pay a penalty, as long as they don’t go without creditable prescription drug coverage for 63 continuous days or longer. Plan sponsors can put the creditable prescription drug coverage disclosure in with other plan materials, but they must give this information in writing at least once every year and upon request. Medicare-eligible retirees won’t have to pay a late enrollment penalty if they can show they didn’t get sufficient information about if their drug coverage was creditable.

Should people keep retiree coverage if they qualify for Extra Help?

People with limited income and resources may qualify for Extra Help paying for Medicare drug coverage, even if they already have creditable retiree drug coverage. With Extra Help, Medicare drug coverage may pay more drug costs than retiree coverage, so it may make sense for people who qualify for Extra Help to consider joining a Medicare drug plan. **However, people should remember that before they make any decisions, they need to know if they’ll lose retiree benefits (including any non-drug health coverage) for themselves and/or their spouse or dependents if they join a Medicare drug plan.**

Some retirees with Medicare and Medicaid are automatically enrolled in a Medicare drug plan.

People who qualify for both Medicare and full Medicaid benefits automatically qualify for Extra Help. These people will be automatically enrolled in a Medicare drug plan unless they’ve chosen a plan on their own, they’ve opted out of auto-enrollment, or their employer is getting the Retiree Drug Subsidy (RDS).

People who’ll be automatically enrolled in a Medicare drug plan will get a yellow letter from Medicare (CMS Product No. 11154 or 11429) letting them know which plan they’ll be enrolled in and explaining their options. These retirees should make sure they understand how Medicare drug coverage will affect their current retiree drug and health coverage.

Some retirees with Medicare and Medicaid are automatically enrolled in a Medicare drug plan. (continued)

If an employer or union plan is getting the Retiree Drug Subsidy from CMS, the retiree will NOT be automatically enrolled in a Medicare drug plan.

These retirees will get a letter on white paper from Medicare (CMS Product No. 11334) letting them know that they qualify for Extra Help and explaining their options. They may want to consider if they'll get better coverage with their retiree plan or by joining a Medicare drug plan.

How to opt out of automatic enrollment.

If a person who was automatically enrolled in a Medicare drug plan wants to disenroll from that plan, they can call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048. They should tell the customer service representative that they decline Medicare drug plan enrollment. People with Medicare also can opt out of auto-enrollment permanently by calling 1-800-MEDICARE.

Learn more about retiree options.

For more details about how retiree drug coverage can work with Medicare prescription drug coverage, visit rds.cms.hhs.gov or call 1-800-MEDICARE.

You have the right to get Medicare information in an accessible format, like large print, Braille, or audio. You also have the right to file a complaint if you feel you've been discriminated against. Visit [Medicare.gov/about-us/accessibility-nondiscrimination-notice](https://www.Medicare.gov/about-us/accessibility-nondiscrimination-notice), or call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users can call 1-877-486-2048.

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