

It's That Time Yet Again — Creditable Coverage Disclosures to CMS Due by March 1

Each year, group health plan sponsors that provide prescription drug coverage to individuals eligible for Medicare Part D must disclose to the Centers for Medicare & Medicaid Services whether that coverage is “creditable” or “non-creditable.” The disclosure obligation applies to all plan sponsors that provide prescription drug coverage, even those that do not offer prescription drug coverage to retirees. Calendar year plans must submit this year’s disclosure to CMS by March 1, 2015.

Background

Individuals who fail to enroll in Medicare Part D prescription drug coverage when first eligible may be subject to late enrollment penalties if they go 63 consecutive days or longer without creditable prescription drug coverage. Prescription drug coverage is “creditable” when it is at least actuarially equivalent to Medicare Part D prescription drug coverage. Because of this potential penalty, both Medicare Part D-eligible individuals and the Centers for Medicare & Medicaid Services (CMS) need to know whether a group health plan’s prescription drug coverage is creditable or non-creditable.

Plan sponsors that provide prescription drug coverage must furnish Part D-eligible individuals with a notice disclosing the creditable or non-creditable status of their coverage before the beginning of the Medicare Part D annual enrollment period and at certain other times. (See our [September 12, 2014 For Your Information.](#)) Plan sponsors must also disclose to CMS, on an annual basis and at certain other times, whether the coverage they provide is creditable or non-creditable. The deadline for this year’s disclosure to CMS by calendar year plans is drawing near.

Creditable Coverage Disclosures to CMS

Plan sponsors generally must disclose creditable coverage status to CMS no later than 60 days after the beginning of each plan year. Disclosure is made online using the “Disclosure to CMS Form” available on the CMS [website](#). An entity that does not offer outpatient prescription drug benefits to any Part D-eligible individual on the first day of its plan year is not required to complete the CMS



disclosure form for that plan year. Plan sponsors that contract directly with Medicare as a Part D plan or that contract with a Part D plan to provide qualified prescription drug coverage are also exempt from the CMS disclosure requirement for individuals who participate in the Part D plan.

In addition to the annual disclosure, plan sponsors must submit a new disclosure form to CMS within 30 days following any change in the creditable coverage status of a prescription drug plan. This includes both a change in the coverage offered so that it is no longer creditable and the termination of a creditable coverage option. A new disclosure form must also be submitted to CMS within 30 days after the termination of a prescription drug plan.

Comment. The disclosure requirement applies to all plan sponsors that provide prescription drug coverage, even those that do not make prescription drug coverage available to retirees.

Calendar year plans must submit this year's disclosure to CMS by March 1, 2015.

Information Needed to Complete the Disclosure

In preparing the disclosure to CMS, plan sponsors need to:

- Identify the number of prescription drug options they offer to Medicare-eligible individuals. This is the total number of benefit options they offer, excluding any benefit options they are claiming under the retiree drug subsidy (RDS) program (i.e., benefit options for which the plan sponsor is expected to collect the subsidy). For example, a plan sponsor with an HMO, a PPO, and an indemnity option available under its plan would identify three prescription drug options.
- Determine the number of benefit options offered that are creditable coverage and the number that are non-creditable.
- Estimate the total number of Part D-eligible individuals expected to have coverage under the plan at the start of the plan year (or, if both creditable and non-creditable coverage options are offered, estimate the total number of Part D-eligible individuals expected to enroll in each coverage category). This includes Part D-eligible active employees, retirees, and disabled individuals and any of their Part D-eligible dependents, and any individuals on COBRA who are Part D-eligible. The estimate should not include any Part D-eligible individuals being claimed under the RDS program. If a plan sponsor provides retiree prescription drug coverage, it will have to be able to provide a similar estimate of Part D-eligible individuals who have retiree coverage at the start of the plan year.

Comment. Individuals who will be or become Part D eligible after the start of the plan year should not be included in the count for that year, but they must be provided a notice of creditable or non-creditable coverage prior to their initial enrollment period for Part D.

- State the most recent calendar date on which the required notices of creditable or non-creditable coverage were provided.

In Closing

Plan sponsors should review the instructions carefully before completing the Disclosure to CMS Form to make sure that they have all necessary information, and calendar year plans should report the information by March 1, 2015.

Authors

Richard Stover, FSA, MAAA
Leslye Laderman, JD, LLM

Produced by the Knowledge Resource Center of Buck Consultants at Xerox

The Knowledge Resource Center is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive or email fyi@xerox.com.

You are welcome to distribute *FYI*® publications in their entireties. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.