

Medicare Part D Legislation Requires New Notices Before November 15, 2005

Summary

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (P.L. 108-173) created a new prescription drug program that will be added to Medicare as Part D. Starting in 2006, people on Medicare will be able to take advantage of several new prescription drug plans effective on January 1, 2006. The new law impacts all employer sponsored health plans.

The new drug benefit will be delivered by competing health plans, with beneficiaries who want to use it having an open enrollment each year. The estimated cost of coverage under Medicare is expected to be about \$35 per month. Enrollment in Medicare Part D is voluntary, however, individuals who delay enrollment after their initial eligibility enrollment period will pay a lifetime premium penalty equal to 1% of the base premium for each month they delay enrollment.

The initial open enrollment begins on November 15th, 2005. Those eligible to participate are employees or dependents who are already enrolled in Medicare, including those under age 65 who may be covered by Medicare for end stage renal disease or disability.

Employers are faced with the responsibility of making some key strategic decisions, including how they will integrate Part D into their benefit offerings. While some of these decisions are of a financial nature, others deal with participant communication issues and administration.

Employers covering participants, or dependents of participants, who are enrolled in Medicare can obtain a subsidy equal to 28% of annual drug expenditures for the participant between \$250 and \$5,000.00 for those covered by their plan, providing they complete certain actions.

Covered employees or their dependents will also need to decide whether they should enroll in Medicare Part D coverage or continue using the employer plan drug coverage. The decision will often hinge upon whether the employer drug coverage is "creditable" or "non creditable."

Basically, an employer plan will be considered "creditable" when it provides prescription drug coverage that pays at least 60% of prescription drug charges. If the coverage is not creditable a covered person who does not enroll in Medicare Part D during the initial open enrollment may suffer consequences later.

Creditable And Non Creditable Coverage

Participants who elect not to enroll in Part D when first eligible and who are covered by a non creditable plan are subject to the 1% per month penalty if they choose to later enroll in Part D.

Participants who elect not to enroll in Part D when initially eligible and who are covered by a creditable plan without a 63 day gap in coverage will later be able to enroll in Part D without penalty.

Employer Requirements

Prior to November 15, 2005, plan sponsors will need to provide notice to all employees and dependents who potentially could be eligible to enroll in the Part D initial enrollment of their options. The Centers for Medicare and Medicaid Services have published both a creditable and non creditable model notice.

Since it will be very difficult for a plan sponsor to determine whether or not a dependent of an employee may or may not be eligible for the initial Part D open enrollment most experts suggest providing the notice to all employees.

On an on-going basis plan sponsors will need to provide the notice at the following times:

- * Prior to the start of the annual Part D open enrollment period, Nov. 15th - Dec. 31st each year;
- * Prior to an individual's Initial Enrollment Period for Part D;
- * Prior to the effective date of coverage for a Part D eligible individual who joins the plan;
- * When the plan ends or changes status as a creditable plan;
- * Annually, prior to the open enrollment period;
- * Upon a beneficiary's request.

Notices do not have to be provided as a separate mailing but may be included with other information, such as an SPD or enrollment kit.

System Impact

The requirements do have an impact on all BPSC systems. To make it easy for you to provide the initial and annual disclosure notice the model notices will be inserted into all products. Notice 1021 will be used for plan sponsors with creditable coverage, while notice 1022 will be used by those with non creditable coverage.

While the notice is included on the enclosed CD it will not automatically import in because you may already have a custom letter with the same identifier. Follow the procedure shown below to add the new letters.

Note that in some cases, each plan will require a different notice. This is because of the fact that you may have more than one prescription drug plan, one that is creditable and one that is not.

To output the notice you will need to use the batch letter function, available on the utility menu. When there is only one plan, or more than one, and all are creditable or all are not creditable you will be able to forward a single notice to all participants, making batch letter selection criteria easier.

To output a Medicare Part D certificate for one person simply point to the person, then select "Custom Letter" from the right button menu. Choose to output either a creditable or non-creditable certificate.

When two plans, one creditable and one not creditable, are offered you will need to select the appropriate notice by coverage.

Plan sponsors who file for the subsidy will likely need to submit data to justify the requested payment. While no guidelines are currently available the following data is likely to be required:

Census of persons enrolled in the subsidy option;

Monthly eligibility data;

Claim data to support the amount of the subsidy.

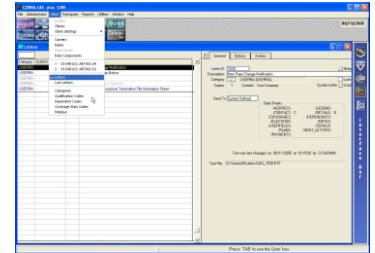
You can obtain further information by accessing:

<http://www.cms.hhs.gov/medicarerreform/>

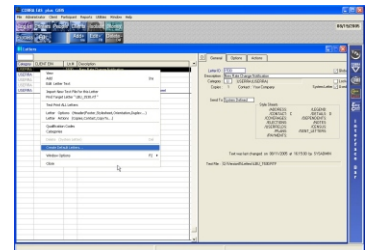
Importing The Creditable and Non-Creditable Notices

The two new letters are on the update CD in a folder that is titled "Defaults." You can get them into your letters file by simply using the "Create Default Letters" feature.

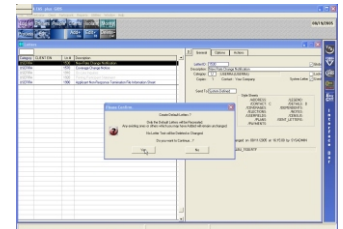
- 1 Open the Letters file - click on the Menu choice Maintenance, choose Letters from the drop down.



- 2 Hold down the Shift Key & right click. Choose "Create default letters."



- 3 At the confirm message - click on the YES button.



NOTE: Adding the default letters will not cause any of your current letters to be modified. The system will only add any new default letters not currently in your file - the two Medicare Part D model notices.

In the unlikely event that you already have an existing letter numbered 1021 and/or 1022 you should rename the letter(s) to a different number BEFORE importing the new 1021 and 1022 letters.

- 4 The application will now close. When you reopen it check to make sure that the two new letters are in the current letters file.

If you have more than one application installed you will need to repeat the above process for each to get the new default letters into each application.