



SPECIAL Alert

In This Issue

In this seventh Special Alert for 2007, we will discuss the 2008 parameters for Medicare Part D's standard benefit plan. Although Medicare Part D is a benefit plan that provides prescription coverage to Medicare beneficiaries, it also has impact on group health plans.

The new 2008 parameters may impact the determination of creditable coverage. In addition, if an employer applies for the subsidy, the adjusted amounts will impact the subsidy application.

We welcome your comments and suggestions regarding this issue of our Special Alert. For more information on this article, please contact your Account Manager or visit the McGrawWentworth web site at www.mcgrawwentworth.com.

“CMS Releases 2008 Medicare Part D Parameters”

Part D is well into its second year insuring many Medicare beneficiaries. Medicare Part D affects individuals and group health plans for active employees and also retirees.

Two major ways that Medicare Part D impacts employers are as follows:

1. **Creditable Coverage Status:** Any group health plan that provides coverage to a Medicare-eligible individual must determine the plan's creditable coverage status. The status must be determined at least once per year, and at any time your plan makes a change to the prescription drug coverage.

2. **Retiree Drug Subsidy:** For employers that sponsor retiree health plans that include outpatient prescription drug coverage, they had several options to choose from when Medicare Part D launched. The options included discontinuing retiree prescription drug coverage, requiring retirees to enroll in a Medicare Part D plan and the group plan would pay secondary, and so on. One option was to apply for a

subsidy payable by the government if the retiree plan's prescription drug coverage was as good as or better than the standard Medicare Part D benefit. The subsidy would be a tax-free rebate of a portion of the retiree plan's prescription expenses.



The standard Medicare Part D amounts as well as certain parameters associated with the Retiree Drug Subsidy are indexed. These parameters are increased for inflation every year; CMS just recently released the increased parameters for 2008.

Creditable Coverage Status

A group health plan is considered creditable if the prescription drug benefits under the group health plan are as good as or better than Medicare's standard benefit plan. The indexed amounts for the standard Part D plan for 2008 can be found in the table on the next page.

The new standard drug plan parameters may impact some organizations' creditable coverage status. The government provides several methods to calculate creditable coverage status.

For more information on determining creditable coverage status, please see our *Benefit Advisor* at http://www.mcgrawwentworth.com/Benefit_Advisor/2006/BA_Issue_5.pdf.

Retiree Drug Subsidy

The standard plan design also impacts the attestation test for the Retiree Drug Subsidy process. The attestation must be completed by an actuary, and the actuary must use the 2008 plan design in the testing process.

In addition, not all prescription drug expenses can be included in the subsidy application process. Any drugs that are covered by the standard Medicare Part D plan and fall between the cost threshold and the cost limit can be submitted for the subsidy. The cost threshold and cost limit are also annually indexed:

Cost Threshold

2007: \$265
2008: \$275

Cost Limit

2007: \$5,350
2008: \$5,600

Many employers are working with key vendors in the application for the subsidy. Organizations must complete the subsidy application annually. The cost limit and cost

	2007	2008
Deductible	\$265	\$275
Initial Coverage Limit	\$2,400	\$2,510
Out-of-Pocket Cost Threshold	\$5,451.25	\$5,726.25
True Out-of-Pocket Limit	\$3,850	\$4,050
Generic and Brand copay once true out-of-pocket cost is met (greater of 5% of cost or copay amount)	\$2.15 generic/ \$5.35 brand	\$2.25 generic/ \$5.60 brand

threshold are critical to ensuring your organization submits the correct claim information for 2008 subsidy.

Concluding Thoughts

Medicare Part D was a landmark piece of legislation that added outpatient prescription drug coverage to the Medicare program. It also added new responsibilities to any employer that covers any Medicare-eligible individuals. The creditable status of drug coverage must be determined annually, or when an off-anniversary change is made to the prescription drug plan. The standard Medicare Part D plan design may be used by employers if they are using a gross test to determine the creditable coverage status of their health plan. Many actuaries and health plans use the gross test.

Employers that are applying for the retiree drug subsidy also need the 2008 indexed information. Your actuary will need the standard Medicare Part D plan design to conduct the plan attestation. The cost threshold and cost limit will be needed when determining the claim to be included in the subsidy application process.

Employers should not lose sight of their obligations regarding Medicare Part D and its notice requirements. If you have any questions regarding this Special Alert, please contact your McGraw Wentworth Account Manager. **MW**

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