



# SPECIAL Alert

## In This Issue

*In this third Special Alert for 2008, we discuss the 2009 Medicare Part D parameters. Medicare Part D provides outpatient prescription drug coverage to Medicare beneficiaries. Several of the provisions of the standard benefit plan are indexed and these amounts are increased annually.*

*All employers need to be aware of the standard Medicare Part D benefit plan. Many employers use the standard benefit plan to determine the creditable coverage status of their group health plan. Employers are required to annually notify Medicare eligible participants of the coverage status of their plan.*

*These amounts also impact retiree health plans that choose to apply for the retiree drug subsidy.*

*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](http://www.mcgrawwentworth.com).*

## “2009 Medicare Part D Parameters”

Medicare Part D is the voluntary outpatient prescription benefit available to Medicare beneficiaries. It provides valuable coverage for outpatient prescription drugs. The standard Medicare Part

D plan has several benefit features that are indexed annually. The Centers for Medicare & Medicaid Services (CMS) recently released the indexed parameters for 2009. They release these numbers early in 2008

because they impact not only Medicare beneficiaries but also all employers, even those that do not sponsor a retiree health care plan.

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

1. **Creditable Coverage Status:** Any group health plan (for active employees and/or retirees) 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:** Employers that sponsor a retiree health care plan which covers outpatient prescription drugs can apply for a subsidy from the

### 2008 Medicare Part D Indexed Amounts

	2008	2009
Deductible	\$275	\$295
Initial Coverage Limit	\$2,510	\$2,700
Out-of-Pocket Cost Threshold	\$5,726.25	\$6,153.75
True Out-of-Pocket Limit	\$4,050	\$4,350
Generic and Brand copay once true out-of-pocket cost is met (greater of 5% of cost or copay amount)	\$2.25 generic/ \$5.60 brand	\$2.40 generic/ \$6.00 brand

Federal government. The drug coverage must be as good as or better than the standard Medicare Part D plan. The subsidy is a tax-free rebate of a portion of the retiree plan’s prescription expenses.

This Special Alert will address the 2009 indexed parameters for the standard Medicare Part D benefit and the indexed amounts affecting employers that apply for the retiree drug subsidy.

**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 are in the table shown on page 1.

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](http://www.mcgrawwentworth.com/Benefit_Advisor/2006/BA_Issue_5.pdf).

**Retiree Drug Subsidy**

The standard plan design also impacts the attestation needed for the retiree drug subsidy application. The attestation must be completed by an actuary, and the actuary must use the 2009 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. The numbers for 2008 and 2009 are as follows:

**Cost Threshold**

2008.....	\$275
2009.....	\$295

**Cost Limit**

2008.....	\$5,600
2009.....	\$6,000

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

critical to ensuring your organization submits the correct claim information for 2009 subsidy.

**Concluding Thoughts**

Medicare Part D provides a valuable benefit to Medicare beneficiaries. Medicare Part D also has requirements that apply to any employer that covers a Medicare-eligible individual. Employers must determine

the creditable coverage status of their plan annually or when an off-anniversary change is made to the prescription drug benefit. 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 2009 indexed information. Your actuary will need the standard Medi-

care Part D plan design to conduct the plan attestation. The cost threshold and cost limit will be needed when determining the claims 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 Director. **MW**



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