



# SPECIAL Alert

## In This Issue

*In this sixth McGraw Wentworth Special Alert for 2009, we discuss the 2010 changes to Medicare Part D plan parameters. Several provisions of the standard Medicare Part D benefit plan are increased annually.*

*All employers need to keep these increases in mind when determining the creditable coverage status of their prescription coverage in 2010. In addition, employers that apply for the retiree drug subsidy need this information as part of the subsidy application process.*

*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 McGraw Wentworth website at [www.mcgrawwentworth.com](http://www.mcgrawwentworth.com).*

## "2010 Medicare Part D Parameters"

Medicare Part D provides valuable coverage for outpatient prescription drugs to Medicare beneficiaries. 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 2010.

Medicare Part D impacts employers in two ways:

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 that includes outpatient prescription drug coverage that is as good as or better than the standard Medicare Part D benefits can apply for a subsidy from the federal government. The subsidy is a tax-free rebate of a portion of the retiree plan's prescription expenses.

This *Special Alert* will address the 2010 indexed parameters for the standard Medicare Part D benefit plan.

### 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 2009 and 2010 are found in the table on page 2.



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 test for the Retiree Drug Subsidy process. The attestation must be completed by an actuary, and the actuary must use the 2010 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 and the amounts for 2009 and 2010 are as follows:

**Cost Threshold**

2009:	\$295
2010:	\$305

**Cost Limit**

2009:	\$6,000
2010:	\$6,200

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 threshold are critical to ensuring your organization submits the correct claim information for 2010 subsidy.

	2009	2010
Deductible	\$295	\$305
Initial Coverage Limit	\$2,700	\$2,780
Out-of-Pocket Cost Threshold	\$6,153.75	\$6,356.25
True Out-of-Pocket Limit	\$4,350	\$4,500
Generic and Brand copay once true out-of-pocket cost is met (greater of 5% of cost or copay amount)	\$2.40 generic/ \$6.00 brand	\$2.50 generic/ \$6.20 brand

**Concluding Thoughts**

Medicare Part D provides a valuable benefit to Medicare beneficiaries. The plan does not only affect Medicare beneficiaries. It has responsibilities that apply to any employer that covers any Medicare-eligible individuals. Employers must determine the creditable coverage status of the plan. 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 2010 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 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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