



# SPECIAL Alert

## In This Issue

*In this seventh McGrawWentworth Special Alert for 2010, we discuss the 2011 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 creditable coverage status and applying for the retiree drug subsidy. This year we also summarize the impending changes to Part D due to health care reform.*

*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).*

## "2011 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 2011.

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.

This *Special Alert* will address the 2011 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 2010 and 2011 are found 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 2011 plan design in the testing 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 but were unchanged from 2010:

	<u>2010</u>	<u>2011</u>
<b>Cost Threshold</b>	\$305	\$305
<b>Cost Limit</b>	\$6,200	\$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 2011 subsidy.

### Changes Made by Health Care Reform

The health care acts also included changes that will impact the Medicare Part D plan. The most immediate change applies to Medicare Part D participants in 2010. If a Medicare Part D participant reached the donut hole during 2010, the participant will receive a rebate of \$250.

Starting in 2011, Part D plans and Medicare Advantage plans with prescription drug plans will receive additional discounts on brand name drugs purchased once they hit the coverage gap. In addition, the original negotiated price will apply to the true out-of-pocket limit. One of the goals of health care was to eliminate the coverage gap over time.

### Medicare Part D Index Limits

	2010	2011
Deductible	\$305	\$310
Initial Coverage Limit	\$2,780	\$2,840
Out-of-Pocket Cost Threshold	\$6,356.25	\$6,447.50
True Out-of-Pocket Limit	\$4,500	\$4,550
Generic and Brand Copay Once True Out-of-Pocket Cost Is Met (greater of 5% of cost or copay amount)	\$2.50 generic/ \$6.20 brand	\$2.50 generic/ \$6.30 brand

As these changes are made over time to the Medicare Part D, it is important to understand the actuarial value of the Medicare Part D plan will increase. For employers with a benefit plan that is close to the Medicare Part D plan, over time, they may not be able to pass the attestation process, and these plans will lose the Retiree Drug Subsidy. Employers that are currently receiving the drug subsidy and are very close to the Part D standard plan level, may want to consider contracting with a PDP, which may be more cost-effective if an employer loses the drug subsidy.

### Concluding Thoughts

Employers have several responsibilities that relate to Medicare Part D coverage. When an employer offers prescription coverage to Medicare eligible participants, a number of additional issues need to be considered. 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.

Employers that are applying for the Retiree Drug Subsidy also need the 2011 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.

Over the next few years, changes will be made to Medicare Part D that will increase the value of the standard plan. Your organization will need to keep an eye on your plan to determine the impact of these changes. If you have any questions regarding this *Special Alert*, please contact your McGraw Wentworth Account Director. **MW**

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