



SPECIAL Alert

In This Issue

In this fourth McGrawWentworth Special Alert for 2014, we discuss changes to Medicare Part D plan parameters for 2015. After a decrease in 2014, Standard Medicare Part D benefit plan provisions are increasing in 2015. All employers need these parameters to determine the creditable coverage status of their prescription benefits. Certain employers will need this information if they plan 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.

"2015 Medicare Part D Parameters"

The federal government has released the 2015 indexed provisions of the standard Medicare Part D plan. Insurance carriers offering Medicare Part D plans can structure their benefit in any way they choose. The carrier's standard prescription drug plan must be the actuarial equivalent of the standard Medicare Part D benefit plan.

Open enrollment runs from October 15 to December 7 each year. Coverage begins on January 1 of the following calendar year. The most-recent government model notice wording can be found at <http://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/Model-Notice-Letters.html>.

Medicare Part D affects employers in two ways:

- 1. Creditable Coverage:** At least once a year, group health plans (for active employees as well as retirees) that cover Medicare-eligible participants must determine whether the plan has creditable coverage. Plans must also determine whether they still have creditable coverage if they alter their prescription drug benefits. Employers must notify Medicare-eligible plan participants that the plan has creditable coverage every year.
- 2. Retiree Drug Subsidy:** Employers can apply for a subsidy from the federal government if their post-65 retiree health care plan includes outpatient prescription drug coverage. The employer's plan must be as good as or better than the standard Medicare Part D benefits.



In 2014, for the first-time, the cost-sharing parameters in the Part D program decreased. The cost-sharing parameters for 2015 increased.

To see how the standard Part D plan design for 2014 compares to the 2015 design, please see the table at the top of page 2.

While the government sets the standard benefit plan design, health care reform did change how medications are handled during the coverage gap. The coverage gap is the gap between the initial coverage limit and the true out-of-pocket cost limit. Before health care reform, the beneficiary was responsible for 100 percent of the drug cost in the coverage gap. However, health care reform now requires discounts on drug costs during the coverage gap. Beneficiaries pay the discounted cost; the full cost is applied to the coverage gap. The net result is beneficiaries will meet the true out-of-pocket cost limit sooner.

For 2014, the discounts on prescriptions filled in the coverage gap are as follows:

- 52.5% on brand-name drugs
- 28% on generic drugs

These discounts will increase annually until 2020.

Retiree Drug Subsidy

Medicare will partially reimburse drug costs for employers that cover Medicare-eligible retirees as long as an actuary certifies that the employer's plan is as good as or better than the Medicare Part D standard plan. The actuary must use the 2015 plan design during the testing process for the 2015 retiree drug subsidy application.

Any drugs the standard Medicare Part D plan covers that fall between the cost threshold and the cost limit qualify for the subsidy. The cost

Standard Part D Comparison	2014	2015
Deductible	\$310	\$320
Initial Coverage Limit	\$2,850	\$2,960
Out-of-Pocket Cost Threshold	\$4,550	\$4,700
True Out-of-Pocket Cost Limit	\$6,455	\$6,680
Copays for Generic and Brand Drugs after the True Out-of-Pocket Cost Limit is Met	\$2.55 generic/ \$6.35 brand	\$2.65 generic/ \$6.60 brand

threshold and cost limit are indexed every year as follows:

	2014	2015
Cost Threshold	\$310	\$320
Cost Limit	\$6,350	\$6,600

Retiree drug subsidy funds are taxable unless the organization does not pay taxes. Therefore, employers that will be taxed on the subsidy may want to consider less expensive alternatives to providing drug coverage to post-65 retirees.

Concluding Thoughts

All employers offering prescription drug coverage need to be aware of the Medicare Part D standard benefit changes for 2015. Employers will need to notify their Medicare-eligible participants when they determine whether their drug plan for 2015 has creditable coverage.

Please contact your McGraw Wentworth Account Manager with any questions. **MW**

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