

## Important Changes to Creditable Coverage Coming in 2025

As a result of the Inflation Reduction Act of 2022, significant changes are being made to Medicare Prescription Drug (Part D) Coverage, effective 2025. These enhancements will make health care more affordable for millions of Medicare-eligible retirees, but they have a consequence of impacting the creditable coverage status for 2025 employer-based coverage.

Changes to Part D include the reduction of the current \$8,000 annual out-of-pocket maximum in 2024 to \$2,000 annual out-of-pocket maximum in 2025. This means some employer-sponsored benefit plans that are creditable in 2024, may no longer be creditable in 2025.

Medicare-eligible members, who remain in a plan deemed non-creditable, can face a lifetime penalty of 1% per month, for each month they were not enrolled in a plan considered creditable.

### **Plan designs that may be at risk include, but are not limited to:**

- **Some High Deductible Health Plans (HDHPs)** where prescription coverage is also subject to the deductible, commonly known as HSA-Qualified HDHPs.
- **Plans that include prescription drug coverage** where the member pays a coinsurance for their prescriptions vs. a set copay amount.

Independent Health will not know which Commercial plans for 2025 will be considered creditable until mid to late September. Please note, **Self-Funded employers** should contact their pharmacy benefit manager for assistance to determine which plans are or are not creditable. Self-funded plans who use Pharmacy Benefit Dimensions as their pharmacy benefit manager will receive communication regarding creditability and options.

Reminder: Employers are still required to disclose to CMS whether their prescription drug coverage is creditable or non-creditable and are also required to send Creditable Coverage Notices to all Medicare-eligible employees, retirees, COBRA participants and their Medicare-eligible dependents annually by October 15.

**Independent Health Account Managers will be sharing more information with you regarding the creditability of our plans as it becomes available.**

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## What Is Creditable Coverage?

Since January 1, 2006, Medicare beneficiaries have been provided the opportunity to receive subsidized prescription drug coverage through the Medicare Part D program.

When eligible beneficiaries choose other sources of drug coverage — through a current or former employer or union, for example — that coverage is considered creditable if it is at least as good as the Medicare drug benefit. Specifically, coverage is creditable if the actuarial value of the coverage equals or exceeds the actuarial value of standard prescription drug coverage under Medicare Part D.

## Why Is Creditable Coverage Important?

Creditable coverage is important because it helps to protect quality and affordability for those who enter the individual Medicare market when they are ready. Anyone age 65 or older without creditable coverage may have a lifetime penalty attached to their Medicare premium by the Federal Government.

Medicare calculates the Part D penalty by multiplying 1% of the “national base beneficiary premium” (\$34.70 in 2024) times the number of full, uncovered months the member didn’t have Part D or creditable coverage. The final amount is rounded to the nearest \$.10 and added to the monthly Part D premium.

**Note:** The national base beneficiary premium may change each year, so an individual’s penalty amount may also change each year.

While employers are not required to offer coverage that is creditable, many do as a benefit to their Medicare-eligible employees.

## Why Is Creditable Coverage a Hot Topic Now?

Since the inception of creditable coverage benchmarks, the majority of employer-sponsored plans have more easily met the credibility standard. But, the dramatic increase in cost and utilization of prescription drugs have made benefits unaffordable for many Medicare beneficiaries. Beginning in 2025, the federal government is seeking to make Medicare coverage more affordable by lowering the out-of-pocket maximum. These changes may therefore impact the creditability of plans employers offer to their employees.

