

Medicare Part D Creditable Coverage



A nonprofit corporation and independent licensee
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What employers need to do

If you are an employer who will be offering prescription drug coverage to any Medicare Eligible individuals in 2006, you are required by the Centers for Medicare and Medicaid Services (CMS) to take the following actions.

1. You must determine if the prescription plan you offer meets the creditable coverage standard established by CMS.
2. By November 15, 2005, you must communicate if your plan's drug coverage is creditable or non-creditable to all the Medicare eligible beneficiaries covered by your prescription drug plan.
3. You will also be required to share the creditable coverage status of your plan with CMS. However, the guidelines for accomplishing this still need to be published by CMS.

As an option, if your drug plan is creditable, you can choose to pursue the 28% tax free Retiree Drug Subsidy. To do so, it will require additional testing of your drug plan beyond the creditability test and you must submit an application to CMS before October 31, 2005.

Why do employers need to send Creditable Coverage Notices?

The notice of creditable coverage is required so that Medicare-eligible beneficiaries will know if they should remain in their current group prescription drug program or if they need to enroll in a Medicare Part D plan.

If a group's coverage is not creditable, then the Medicare-eligible beneficiaries in that group will need to enroll in Medicare Part D when they become eligible or they will be charged the 1% of premium penalty for each month they choose not to partake in the Part D program.

If the group's coverage is creditable, then the Medicare-eligible beneficiaries do not have to sign up for Medicare Part D. The creditable coverage notices they receive from you will be accepted as evidence of coverage and CMS will waive the penalty if the beneficiary chooses to enroll in the Part D program at the end of your plan year.

Employers who do not comply with the creditable coverage determination and notification requirements established by CMS will face government penalties themselves.

Creditable Coverage explained

When and how do you send the Notices?

CMS defines "Creditable Coverage" to mean that the employer's drug plan is "as generous as, or more generous than" the standard coverage under the new Medicare Part D prescription drug benefit. In other words, the expected value of claims paid under your plan as much as the value of claims that would be paid under the standard Medicare Part D benefit.

At a minimum, disclosure to the employees must be made at the following times:

1. Before November 15 each year
2. Before an individual's Initial Enrollment Period (IEP) for Part D (as they age in)
3. Before the effective date of coverage for any Medicare-eligible individual that joins the plan
4. Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable
5. Upon a beneficiary's request

If the creditable coverage disclosure notice is provided to all plan participants, items 1 and 2 are met. In order to avoid ongoing mailings to members as they become eligible, it's a good idea to send the Notice of Creditable Coverage to those who will become eligible in the next 12 months along with those who are currently eligible and to any new employees who are Medicare eligible.

The Notice of Creditable Coverage does not need to be sent as a separate mailing. Here are some options:

- Include it with other plan materials such as enrollment materials or plan change letters. The notice must be referred to prominently – in at least a 14-point font in a separate box, bolded or as a reference to the section where the notice appears and offset on the first page of the information packaging.

Suggested wording: "If you have Medicare or will become eligible for Medicare in the next 12 months, a new federal law gives you more choices about your prescription drug coverage, starting in 2006. See page xx for details."

- Send as a stand-alone mailing using standard letter format. We have included in this mailing, copies of CMS's model notices for Creditable and Non-creditable coverage.

- E-mail conforming to these points:
 - A valid e-mail address and beneficiary consent must be provided to plan sponsor.
 - Before consent a beneficiary must be informed of the right to withdraw consent, how to update their address, and software requirements.
 - The beneficiary must indicate he or she has adequate access to e-mail.
 - The notice must also be posted on the employer's Web site.
 - Beneficiaries must be informed of their right to obtain a paper version.

How to make Creditable Coverage Determinations

There are several ways to determine if your plan is creditable. You can hire an actuary to make the determination, use CMS's simplified determination, or utilize the determinations we have secured for the standard BCBSM/BCN prescription drug plans later referenced in this mailing.

CMS Simplified Determination

CMS allows you to use a simplified method to determine creditable coverage status. If your plan design meets all four of the following criteria, it is deemed creditable:

1. Provides coverage for brand name and generic prescriptions
2. Provides reasonable access to retail pharmacies and optional mail order coverage
3. Is designed to pay on average at least 60 percent of the participant's prescription drug expenses
4. Satisfies at least one of the following:
 - a. The prescription drug coverage has no annual benefit maximum or has a maximum annual benefit payable by the plan of at least \$25,000.
 - b. It has an actuarial expectation that the plan will pay at least \$2,000 per Medicare-eligible person in 2006.
 - c. For those offering integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, no annual benefit maximum or have a maximum annual benefit of at least \$25,000 and no less than a \$1 million benefit maximum.

Creditable Coverage
Determinations for
Standard
BCBSM/BCN plans

In order to support you, BCBSM & BCN engaged an actuary, Milliman, Inc., to verify which of our standard prescription drug plans are creditable. You can use this information instead of hiring an actuary or making the determination yourself for the plans listed.

The charts starting on the next page list all of our standard prescription drug plans and identify the creditable coverage determination for each separate plan.

- If your plan is included in these charts, you offer a standard prescription drug plan and you can use the creditable coverage determination that is listed for your plan. You will not need to hire an actuary to make the creditable coverage determination for your plan nor will you need to use the simplified determination approach.
- If your plan is not included in the charts, you have several options to choose from:
 - You may choose to change your drug plan to be one of the standard plans on the list ,
 - You may choose to hire an actuary to perform the creditable coverage determination for your plan
 - You may choose to make the determination yourself by using CMS's simplified determination as described on the previous page.

In all cases, it is very important to understand that the information provided in these charts does not qualify any plan for the Retiree Drug Subsidy; it only provides the Creditable Coverage Determination for our standard prescription drug plans.

Additional
information and
support

The complete guidelines regarding creditable coverage determinations and creditable coverage notifications are available from CMS on their website, <http://www.cms.hhs.gov/medicarereform/CCguidances.asp>

If you have questions on the Creditable Coverage requirement or the Retiree Drug Subsidy process, please feel free to contact your agent or BCBSM marketing rep.

BCBSM & BCN hopes that this information will be beneficial to you as you make these decisions as required by CMS. BCBSM & BCN has created this document for informational purposes only and it does not constitute legal advice nor should it be relied upon as such. If you have specific questions regarding your obligations under Part D, you should consult with your legal and tax advisors who are familiar with your business needs.

Blue Care Network, Inc.

Creditable Coverage Testing for Prescription Drug Plans

Calendar Year 2006

Number	Plan Name	Generic	Brand	Non Formulary ⁽¹⁾	50% max language? ⁽²⁾	Pass or Fail ⁽³⁾
1	\$0 copay	0	0	0	N	Pass
2	\$2 copay	2	2	2	N	Pass
3	\$3 copay	3	3	3	N	Pass
4	\$5 copay	5	5	5	N	Pass
5	\$7 copay	7	7	7	Y	Pass
6	\$10 copay	10	10	10	B	Pass
7	\$5/\$7 copay	5	7	NC	Y	Pass
8	\$5/\$10 copay, closed formulary	5	10	NC	B	Pass
9	\$5/\$10 copay, open formulary	5	10	10	Y	Pass
10	\$5/\$15 copay	5	15	NC	B	Pass
11	\$5/\$20 copay	5	20	NC	N	Pass
12	\$5/\$30 copay	5	30	NC	B	Pass
13	\$7/\$15 copay, closed formulary	7	15	NC	Y	Pass
14	\$7/\$15 copay, open formulary	7	15	15	Y	Pass
15	\$7/\$20 copay	7	20	NC	Y	Pass
16	\$10/\$20 copay	10	20	NC	B	Pass
17	\$10/\$40 copay	10	40	NC	B	Pass
18	\$15/\$25 copay	15	25	NC	B	Pass
19	\$15/\$30 copay	15	30	NC	B	Pass
20	\$15/\$35 copay	15	35	NC	B	Pass
21	\$15/\$50 copay	15	50	NC	B	Pass
22	\$5/\$10/\$15 copay	5	10	15	Y	Pass
23	\$5/\$10/\$30 copay	5	10	30	Y	Pass
24	\$5/\$15/\$25 copay	5	15	25	B	Pass
25	\$5/\$30/\$60 copay	5	30	60	B	Pass
26	\$10/\$20/\$40 copay	10	20	40	B	Pass
27	\$15/\$30/\$60 copay	15	30	60	B	Pass
28	\$5/\$35 copay	5	35	NC	N	Pass
29	\$5/\$40 copay	5	40	NC	N	Pass
30	\$5/\$50 copay	5	50	NC	N	Pass
31	\$3/\$12/\$25 copay	3	12	25	N	Pass
32	\$7/\$15/\$30 copay	7	15	30	N	Pass
33	\$7/\$20/\$35 copay	7	20	35	N	Pass
34	\$10/\$20/\$30 copay	10	20	30	N	Pass
35	\$5/\$10/20% copay	5	10	20%	N	Pass
36	\$5/\$30 (mail order @ \$30)	5	30	NC	N	Pass
37	20% copay (min \$5, max \$100)	20%	20%	20%	Y	Pass
38	30% copay (min \$5, max \$100)	30%	30%	30%	Y	Pass
39	50% copay (min \$5, max \$100)	50%	50%	50%	Y	Pass
40	50% copay (min \$5, max \$50)	50%	50%	50%	N	Pass
41	\$200/\$400 Deductible ⁽⁴⁾					Pass

Notes:

1. NC = Non-formulary drugs are not covered.
2. "N": Does not include the 50% or less max language. "Y": Does include the 50% or less max language.
"B": Rider exists with and without the 50% language.
3. All of these plans are creditable with Riders MOPD2C and MOPD2O attached.
4. Standard \$200/\$400 deductible, when combined with the \$10/\$20, \$10/\$40, \$5/30, or \$5/\$50 copay riders.

Blue Cross Blue Shield of Michigan

Creditable Coverage Testing for Prescription Drug Plans

Testing Results for Calendar Year 2006

Plan #	Plan Description		Ratio of Plan to Medicare	Gross Test
1	\$0 ded \$2 fixed copay Mail = 2*Retail	PD-CR2 MOPD2X	187%	Pass
2	\$0 ded \$3 fixed copay Mail = 2*Retail	PD-CR3 MOPD2X	185%	Pass
3	\$0 ded \$5 fixed copay Mail = 2*Retail	PD-CR5 MOPD2X	181%	Pass
4	\$0 ded \$10 fixed copay Mail = Retail	PD-CR10 MOPD	172%	Pass
5	\$0 ded \$10 fixed copay Mail = 2*Retail	PD-CR10 MOPD2X	170%	Pass
6	\$0 ded \$15 fixed copay Mail = 2*Retail	PD-CR15 MOPD2X	161%	Pass
7	\$0 ded \$20 fixed copay Mail = Retail	PD-CR20 MOPD	156%	Pass
8	\$0 ded \$20 fixed copay Mail = 2*Retail	PD-CR20 MOPD2X	153%	Pass
9	\$0 ded \$5/\$10 fixed copay Mail = 2*Retail	PD-CR\$5/\$10 MOPD2X	174%	Pass
10	\$0 ded \$10/\$20 fixed copay Mail = Retail	PD-CR\$10/\$20 MOPD	162%	Pass
11	\$0 ded \$10/\$20 fixed copay Mail = 2*Retail	PD-CR\$10/\$20 MOPD2X	158%	Pass
12	\$0 ded \$10/\$40 fixed copay Mail = 2*Retail	PD-CR\$10/\$40 MOPD2X	135%	Pass
13	\$0 ded \$10/\$60 fixed copay Mail = 2*Retail	PD-CR\$10/\$60 MOPD2X	115%	Pass
14	\$0 ded \$15/\$25 fixed copay Mail = 2*Retail	PD-CR\$15/\$25 MOPD2X	149%	Pass
15	\$0 ded \$15/\$30 fixed copay Mail = 2*Retail	PD-CR\$15/\$30 MOPD2X	143%	Pass

16	\$0 ded \$15/\$50 fixed copay Mail = 2*Retail	PD-CR\$15/\$50 MOPD2X	122%	Pass
17	\$0 ded \$20/\$40 fixed copay Mail = 2*Retail	PD-CR\$20/\$40 MOPD2X	130%	Pass
18	\$0 ded \$15 / \$30 / \$60 Mail = 2*Retail	PD-TTC\$15/\$30/\$60 MOPD2X	139%	Pass
19	\$250 ded \$10/\$20 fixed copay Mail = Retail	PD-DR250/500 PD-CR\$10/\$20 MOPD	149%	Pass
20	\$250 ded \$10/\$40 fixed copay Mail = 2*Retail	PD-DR250/500 PD-CR\$10/\$40 MOPD2X	127%	Pass
21	\$250 ded \$10/\$60 fixed copay Mail = 2*Retail	PD-DR250/500 PD-CR\$10/\$60 MOPD2X	108%	Pass
22	\$250 ded \$15/\$30 fixed copay Mail = 2*Retail	PD-DR250/500 PD-CR\$15/\$30 MOPD2X	135%	Pass
23	\$250 ded \$15/\$50 fixed copay Mail = 2*Retail	PD-DR250/500 PD-CR\$15/\$50 MOPD2X	115%	Pass
24	\$0 ded Coins 20% Min \$5 (Mail \$10) Max \$25 (Mail \$50)	PD-CR20%/\$5/\$25 MOPD2X	162%	Pass
25	\$0 ded Coins 30% Min \$10 (Mail \$10) Max \$100 (Mail \$100)	PD-CR30%/\$10/\$100 MOPD	137%	Pass
26	\$0 ded Coins 30% Min \$10 (Mail \$20) Max \$100 (Mail \$200)	PD-CR30%/\$10/\$100 MOPD2X	128%	Pass
27	\$0 ded Coins 50% Min \$10 (Mail \$20) Max \$100 (Mail \$200)	PD-CR50%/\$10/\$100 MOPD2X	107%	Pass

Notes:

- 1 Some of the benefit options listed above are a combination of a base plan and a rider that affects the cost sharing (e.g. the MOPD-2x rider sets the mail order copay at 2 times the retail copay).
- 2 The introduction of the following riders to any of the above plans would not change the results of the test. They would still pass in 2006.
 - PD-XED or PD_ED 50% - these riders exclude or limit coverage for elective drugs.
 - Riders CI, PCD, and PD-CM, a group of contraceptive riders.
 - Rider RXP requires preauthorization.

Important Notice from [Insert Name of Entity] About Your Prescription Drug Coverage and Medicare

Please read this notice carefully and keep it where you can find it. This notice has information about your current prescription drug coverage with [Insert Name of Entity] and new prescription drug coverage available January 1, 2006 for people with Medicare. It also tells you where to find more information to help you make decisions about your prescription drug coverage.

- 1. Starting January 1, 2006, new Medicare prescription drug coverage will be available to everyone with Medicare.**
- 2. [Insert Name of Entity] has determined that the prescription drug coverage offered by the [Insert Name of Plan] is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay.**
- 3. Read this notice carefully - it explains the options you have under Medicare prescription drug coverage, and can help you decide whether or not you want to enroll.**

You may have heard about Medicare's new prescription drug coverage, and wondered how it would affect you. [Insert Name of Entity] has determined that your prescription drug coverage with [Insert Name of Entity] is, on average for all plan participants, expected to pay out as much as the standard Medicare prescription drug coverage will pay.

Starting January 1, 2006, prescription drug coverage will be available to everyone with Medicare through Medicare prescription drug plans. All Medicare prescription drug plans will provide at least a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium.

Because your existing coverage is on average at least as good as standard Medicare prescription drug coverage, you can keep this coverage and not pay extra if you later decide to enroll in Medicare coverage.

People with Medicare can enroll in a Medicare prescription drug plan from November 15, 2005 through May 15, 2006. However, because you have existing prescription drug coverage that, on average, is as good as Medicare coverage, you can choose to join a Medicare prescription drug plan later. Each year after that, you will have the opportunity to enroll in a Medicare prescription drug plan between November 15th through December 31st.

If you do decide to enroll in a Medicare prescription drug plan and drop your [Insert Name of Entity] prescription drug coverage, be aware that you may not be able to get this coverage back.

**MODEL BENEFICIARY CREDITABLE COVERAGE DISCLOSURE NOTICE LANGUAGE
FOR USE PRIOR TO 11/15/05. THIS MODEL LANGUAGE NOT TO BE USED BY MEDIGAP INSURERS**

If you drop your coverage with [Insert Name of Entity] and enroll in a Medicare prescription drug plan, you may not be able to get this coverage back later. You should compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

[CMS recommends that the entity providing this notice insert of an explanation of the prescription drug coverage option(s) that beneficiaries will have available to them when the Medicare Part D benefit becomes available] In addition, your current coverage pays for other health expenses, in addition to prescription drugs, and you will [or will not] still be eligible to receive all of you current health and prescription drug benefits if you choose to enroll in a Medicare prescription drug plan.

You should also know that if you drop or lose your coverage with [Insert Name of Entity] and don't enroll in Medicare prescription drug coverage after your current coverage ends, you may pay more to enroll in Medicare prescription drug coverage later. If after May 15, 2006, you go 63 days or longer without prescription drug coverage that's at least as good as Medicare's prescription drug coverage; your monthly premium will go up at least 1% per month for every month after May 15, 2006 that you did not have that coverage. For example, if you go nineteen months without coverage, your premium will always be at least 19% higher than what most other people pay. You'll have to pay this higher premium as long as you have Medicare coverage. In addition, you may have to wait until next November to enroll.

**For more information about this notice or
your current prescription drug coverage...**

Contact our office for further information [or call [Insert Alternative Contact] at [(XXX) XXX-XXXX]. NOTE: You may receive this notice at other times in the future such as before the next period you can enroll in Medicare prescription drug coverage, and if this coverage changes. You also may request a copy.

**For more information about your options under
Medicare prescription drug coverage...**

More detailed information about Medicare plans that offer prescription drug coverage will be available in October 2005 in the "Medicare & You 2006" handbook. You'll get a copy of the handbook in the mail from Medicare. You may also be contacted directly by Medicare prescription drug plans. You can also get more information about Medicare prescription drug plans from these places:

- Visit www.medicare.gov for personalized help,
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for their telephone number)
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit SSA online at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

MODEL BENEFICIARY **CREDITABLE** COVERAGE DISCLOSURE NOTICE LANGUAGE
FOR USE PRIOR TO 11/15/05. THIS MODEL LANGUAGE NOT TO BE USED BY MEDIGAP INSURERS

Remember: Keep this notice. If you enroll in one of the new plans approved by Medicare which offer prescription drug coverage after May 15, 2006, you may need to give a copy of this notice when you join to show that you are not required to pay a higher premium amount.

Date: [Insert MM/DD/YY]
Name of Entity/Sender: [Insert Name of Entity]
Contact--Position/Office: [Insert Position/Office]
Address: [Insert Street Address, City, State & Zip Code of Entity]
Phone Number: [Insert Entity Phone Number]

Important Notice From [Insert Name of Entity] About Your Prescription Drug Coverage and Medicare

Please read this notice carefully, and keep it where you can find it. This notice has information about your current prescription drug coverage with [Insert Name of Entity] and new prescription drug coverage available soon for people with Medicare. It also tells you where to find more information to help you make decisions about your prescription drug coverage.

- 1. Starting January 1, 2006, new Medicare prescription drug coverage will be available to everyone with Medicare.**
- 2. [Insert Name of Entity] has determined that the prescription drug coverage offered in the [Insert Name of Plan] is, on average for all plan participants, NOT expected to pay out as much as the standard Medicare prescription drug coverage will pay. This is important, because for most people, enrolling in Medicare prescription drug coverage before May 15, 2006 means you will get more assistance with drug costs.**
- 3. You have decisions to make about Medicare prescription drug coverage that may affect how much you pay for that coverage, depending on if and when you enroll. Read this notice carefully - it explains your options.**

You may have heard about Medicare's new prescription drug coverage, and wondered how it would affect you. Starting January 1, 2006, prescription drug coverage will be available to everyone with Medicare through Medicare prescription drug plans. All Medicare prescription drug coverage will provide at least a standard level of coverage set by Medicare. Some plans might also offer more coverage for a higher monthly premium.

You might want to consider enrolling in Medicare prescription drug coverage.

Because the coverage you have with [Insert Name of Plan] is on average for all plan participants, NOT expected to pay out as much as the standard Medicare prescription drug coverage will pay, you might want to consider enrolling in a Medicare prescription drug plan. You can first join between November 15, 2005 and May 15, 2006. **This is important, because if you do not get Medicare prescription drug coverage (or equivalent coverage) before May 15, 2006, you may have to pay a higher premium if you join later. You will pay that higher premium as long as you have Medicare prescription drug coverage.**

If you don't enroll in Medicare prescription drug coverage by May 15, 2006 and change your mind later, you may pay more.

If you wait until after May 15, 2006, to enroll, your monthly premium for a Medicare prescription drug plan could be much higher than it would have been if you had enrolled by May 15. If, after May 15, 2006, you go 63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage, your premium will go up at least 1% per month for every month after May 15, 2006 that you did not have that coverage. You will have to pay this higher premium as long as you have Medicare prescription drug coverage. For example, if you go nineteen months without coverage, your premium will always be at least 19% higher than what most other people pay.

If you don't enroll in a Medicare prescription drug plan by May 15, 2006, you may also have to wait to enroll.

Generally, after May 15, 2006, you can only join a Medicare prescription drug plan between November 15 and December 31 of any year. This may mean the number of months you have to wait for coverage will be longer, which could make your premium higher.

[CMS recommends that the entity providing this notice insert of an explanation of the prescription drug coverage option(s) that beneficiaries will have available to them when the Medicare Part D benefit becomes available] In addition, your current coverage pays for other health expenses, in addition to prescription drugs. You will [or will not] still be eligible to receive all of you current health and prescription drug benefits if you choose to enroll in a Medicare prescription drug plan.

You need to make a decision. For more information about this notice or your current prescription drug coverage...

When you make your decision, you should also compare your current coverage, including which drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in your area.

Contact our office for further information [or call [Insert Alternative Contact] at [(XXX) XXX-XXXX].
NOTE: You may receive this notice at other times in the future such before the next period you can enroll in Medicare prescription drug coverage, and if this coverage changes. You also may request a copy.

For more information about your options under Medicare prescription drug coverage...

More detailed information about Medicare plans that offer prescription drug coverage will be available in October 2005 through the "Medicare & You 2006" handbook from Medicare. You may also be contacted directly by Medicare-approved prescription drug plans.. You'll get a copy of the handbook in the mail. You can also get more information about Medicare prescription drug plans from these places:

- Visit www.medicare.gov for personalized help,
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You handbook for their telephone number)
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.

For people with limited income and resources, extra help paying for a Medicare prescription drug plan is available. Information about this extra help is available from the Social Security Administration (SSA). For more information about this extra help, visit SSA online at www.socialsecurity.gov, or call them at 1-800-772-1213 (TTY 1-800-325-0778).

Date: [Insert MM/DD/YY]
Name of Entity/Sender: [Insert Name of Entity]
Contact--Position/Office: [Insert Position/Office]
Address: [Insert Street Address, City, State & Zip Code of Entity]
Phone Number: [Insert Entity Phone Number]