HUB

Risk & Insurance | Employee Benefits | Retirement & Private Wealth

Medicare Part D Creditable Coverage

September 2025

Cory Jorbin

National Director of Compliance Consulting, Employee Benefits

HUB International

Kirsten Bot

National Director, Actuarial & Financial Consulting

HUB International

Compliance Updates

Medicare Part D

Part D = Prescription drug piece of Medicare

- Individuals who are eligible for Part D must have creditable coverage or pay late enrollment penalties
- Employers do not have to offer creditable coverage, just provide notice to employees and spouses

Creditable coverage = coverage at least as good as Part D

- Out of Pocket Maximum (OOPM) added for first time in 2025
- 2026 OOPM of $2,100 potentially makes Medicare more attractive than group plans for certain Medicare eligible individuals
- Greater focus on creditable coverage by employers than in prior years

Creditable Coverage Notices

- Distribute by **October 15th** to all Part D eligible individuals enrolled or seeking to enroll
- Recommend distributing to all eligible employees rather than just employees over a certain age
- ERISA electronic distribution safe harbor applies
- Notice should reflect upcoming renewal creditability for calendar year plans (if available)
- If plan design has not been finalized for renewal, notice applies to current plan in effect – updated notice needs to be provided if creditability changes

Medicare Part D

- $2,100 OOPM may or may not impact whether employer plans are creditable or not

Two options to determine creditability:

  - Simplified Method
  - Actuarial Analysis

- Simplified method does not consider the $2,100 OOPM, while actuarial analysis does
- Many, but not all, employers can use the simplified method
- "New" simplified method announced for 2026 – **new or prior method allowed for 2026 only**

Medicare Part D – Prior Simplified Method

Integrated Plans

- A combined plan year deductible for all benefits under the plan;
- A combined annual benefit maximum for all benefits under the plan;
- A combined lifetime benefit maximum for all benefits under the plan;
- A deductible of no more than $250 per year;
- No annual benefit maximum or a maximum annual benefit of at least $25,000; and
- No less than a $1,000,000 lifetime combined benefit maximum.

Non-Integrated Plans (Most Common)

- Provide coverage for brand-name and generic prescriptions;
- Provide reasonable access to retail providers;
- Be designed to pay on average at least 60% of participants' prescription drug expenses; and
- Satisfy **one** of the following standards:
  - The prescription drug coverage has no annual benefit maximum or a maximum annual benefit payable by the plan of at least $25,000; or
  - The prescription drug coverage has an expectation that the amount payable by the plan will be at least $2,000 annually per Medicare eligible individual.

Medicare Part D – Simplified Method

Prior Simplified Method (non-integrated)

- Provide coverage for brand-name and generic prescriptions;
- Provide reasonable access to retail providers;
- Be designed to pay on average **at least 60%** of participants' prescription drug expenses; and
- Satisfy **one** of the following standards:
  - The prescription drug coverage has no annual benefit maximum or a maximum annual benefit payable by the plan of at least $25,000; or
  - The prescription drug coverage has an expectation that the amount payable by the plan will be at least $2,000 annually per Medicare eligible individual.

New Simplified Method

- Provide coverage for brand-name and generic prescriptions and biological products;
- Provide reasonable access to retail pharmacies;
- Be designed to pay on average **at least 72%** of participants' prescription drug expenses; and

CMS estimated the actuarial value of the defined standard Part D benefit in 2026 using 2023 Part D claims experience adjusted to the projected 2026 benefit levels to determine the actuarial value standard of 72%, an increase from the current 60% standard. CMS also added coverage of biological products to the coverage requirements and removed references to the annual and lifetime benefit maximums and annual deductible amounts. Notably, CMS does not propose specific criteria to determine "reasonable coverage" or "reasonable access."

Medicare Reminders

- The **Medicare Secondary Payer Rules** prevent employers with more than 20 employees from taking Medicare into account with regard to group benefits
  - Cannot require or incentivize employees or spouses to move to Medicare
  - Cannot limit plan options for employees or spouses who are Medicare eligible
- **Opt-Out payments** (a/k/a cash in lieu of benefits) cannot be offered to those who are enrolled in Medicare unless they also have group coverage
- **ICHRAs** can be offered to those who are enrolled in Medicare, but must comply with applicable classification rules and minimum class sizes – Medicare eligible individuals is not an allowable class

Testing and Next Steps

How to Determine if Coverage is Creditable

Rely on information provided by your insurance carrier, third party administrator (TPA) or prescription benefits manager (PBM)

Make a determination using the CMS Simplified Method or the Actuarial Analysis Method

Next Steps for Employers

Understand the importance of Creditable Coverage

Make a determination for each plan

Provide Creditable / Non-Creditable Coverage notification to all employees by October 15, 2025

Thank you