



Medicare Creditable Coverage Determination

Employer Plan Sponsor Considerations

The Inflation Reduction Act of 2022 (IRA) includes several cost-reduction provisions affecting Medicare Part D plans. One such provision increases the actuarial value of the standard Medicare Part D benefit. The Centers for Medicare & Medicaid Services (CMS) has released [guidance](#) clarifying how the IRA may impact the creditable coverage status of employer-sponsored prescription drug coverage beginning in 2025.

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Employer Notice & Disclosure Requirements Relating to Creditable Coverage:

Employers that provide prescription drug coverage to individuals who are eligible for Medicare Part D must inform these individuals and CMS whether their prescription drug coverage is creditable.

- **October 14 – Medicare Part D Notices to Employees:** CMS requires plan sponsors that provide prescription drug coverage to furnish Part D-eligible individuals with a notice disclosing the creditable status of their coverage by October 14. As long as the recipient has been provided the disclosure notice within the prior 12 months, this annual distribution requirement is deemed satisfied, so some employers may prefer to include with annual enrollment materials.
- **March 1 – Medicare Part D Coverage Disclosure to CMS (Calendar Year Plans):** Employers whose group health plans provide prescription drug coverage must report to CMS within 60 days after the beginning of the plan year whether the benefits are creditable with respect to Medicare Part D coverage.

While there is no employer plan sponsor penalty if a plan is not creditable, Medicare-eligible individuals can only delay Part D enrollment without penalty if they have creditable coverage. If they go without creditable coverage for 63 days or more, they will be limited as to when they can enroll in Part D (i.e., they must wait until the annual Medicare open enrollment period starting October 15) and will receive a premium penalty based on the number of months that they did not have creditable coverage.

Creditable Coverage Determination:

Prescription drug coverage is considered creditable if its actuarial value equals or exceeds the actuarial value of standard Medicare Part D prescription drug coverage. Actuarial determination measures whether the expected amount of paid claims under the group health plan's prescription drug coverage is at least as much as the expected amount of paid claims under the Medicare Part D prescription drug benefit. The IRA has changed the standards for creditable coverage beginning in 2025, increasing the actuarial value of standard Medicare Part D.

Since 2009, CMS has allowed many group health plans to use a "simplified determination" to test whether the plan will be considered creditable in lieu of an actuarial determination. [The CMS standards for simplified determination](#) are relatively straightforward and easy for plan sponsors to meet. CMS will continue to permit the use of the simplified determination, without modification, for calendar year 2025 for those group health plan sponsors who qualify.

For plans using the simplified determination, creditable coverage status should not change as of January 1, 2025 (assuming all other elements of prescription drug coverage remain the same). As of January 1, 2026, plan sponsors may no longer have the benefit of the simplified determination, and many plans that were creditable may no longer meet the criteria using the adjusted actuarial standards.

It is important to note that for plans that have multiple benefit options (i.e., PPO, HDHP, HMO), the creditable coverage test must be applied separately for each benefit option.

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Historically, most HDHP plans have been unable to use the simplified determination; therefore, we expect most HDHP plans to be tested using the new standards for actuarial determination. In addition, any plans applying for the retiree drug subsidy are not allowed to take advantage of the simplified determination.

We have prepared a [flowchart](#) to help you determine at a glance whether your plan can use the simplified determination.

Generally, a carrier will make the determination of whether a fully insured plan's prescription drug coverage is creditable, and a TPA/PBM will make the determination for self-funded groups. However, there are some instances where self-funded groups must seek out this determination proactively.

Again, if the plan is allowed to use the simplified determination, plans will not have any changes to the method of determining creditable coverage in 2025. However, for plans unable to use the simplified determination:

- *Fully insured groups:* Plan sponsors should confirm that the carrier will be making the creditable/non-creditable coverage determination. **We strongly encourage groups to confirm that the carriers will be using the adjusted standard Medicare Part D actuarial value when determining if the plan is creditable for all plans going forward.**

- *Self-funded groups:* Most TPAs/PBMs will provide creditable/non-creditable coverage determination. However, if that is not the case, plan sponsors will need to determine if prescription drug benefits are creditable/non-creditable. Again, we encourage groups to confirm that whoever is making the determination will use the adjusted standard Medicare Part D actuarial value.

Please reach out to your McGriff Benefits Consultant if you need assistance. The McGriff Actuarial & Underwriting Team can help make this determination if the TPA is unable or unwilling to assist.

We expect many HDHP plans to lose creditable status in 2025. Because of this expectation, employers should make a good faith effort to provide employees with notice as early as possible in advance of the October 15 Medicare Part D annual open enrollment period to allow employees time to make informed decisions.

This information is subject to change. It is possible that CMS will remove the 2025 simplified determination methodology extension, extend it into 2026, or issue a revised simplified determination. McGriff will continue to monitor developments.



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