

CMS Exempts HRAs From Medicare Part D Creditable Coverage Disclosures, Announces 2027 Part D Benefit Parameters

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Final Rule: Medicare Program; Contract Year 2027 and Certain Contract Year 2026 Policy and Technical Changes to the Medicare Advantage Program, Medicare Prescription Drug Benefit Program, and Medicare Cost Plan Program, 42 CFR Parts 422 and 423, 91 Fed. Reg. 17384 (Apr. 6, 2026); Announcement of Calendar Year (CY) 2027 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies (Apr. 6, 2026)

Final Rule

Parameters

CMS has issued final regulations relieving account-based plans, including health reimbursement arrangements (HRAs) and individual coverage HRAs (ICHRAs), of the obligation to provide notices of creditable coverage to Medicare Part D eligible individuals and to CMS. The agency has also released the 2027 parameters for the defined standard Medicare Part D prescription drug benefit. As background, most group health plan sponsors offering prescription drug coverage to Part D eligible individuals (including active or disabled employees, retirees, COBRA participants, and beneficiaries) must disclose to those individuals and to CMS whether the plan coverage is creditable or non-creditable. For coverage to be creditable, its actuarial value must equal or exceed the actuarial value of the defined standard Medicare Part D coverage.

In late 2025, CMS issued proposed regulations that would relieve account-based plans of this disclosure obligation. The agency reasoned that since account-based plans are designed to provide cost savings through pre-tax reimbursements and to supplement other coverage, applying creditable coverage concepts is inapplicable and burdensome. The final regulations, which are applicable to coverage beginning in 2027, adopt this proposal without modification, formally excluding all account-based plans from the Part D creditable coverage disclosure requirements. The final regulations also update the simplified method that group health plans not receiving a retiree drug subsidy may use to demonstrate creditable coverage. For plan years beginning in 2027, a non-retiree drug subsidy plan's prescription drug coverage will be deemed creditable if it (1) provides reasonable coverage for brand name and generic prescription drugs and biologicals; (2) provides reasonable access to retail pharmacies; and (3) is designed to pay on average at least 73% (adjusted annually) of participants' prescription drug expenses.

Separately, CMS has announced the 2027 standard benefit parameters, which continue to reflect the Inflation Reduction Act's changes to the structure of the Part D benefit. Key 2027 parameters include an annual deductible of \$700 (up from \$615 in 2026) and an annual out-of-pocket threshold of \$2,400 (up from \$2,100 in 2026). Other 2027 parameters include the cost-sharing amounts for certain low-income subsidy-eligible individuals and the cost threshold and limit for the retiree drug subsidy program.

EBIA Comment: Sponsors of HRAs and other account-based plans, which are typically offered alongside major medical plans, will welcome the relief from providing burdensome and potentially confusing Part D creditable coverage notices. Sponsors of plans that remain subject to the disclosure requirements should use the 2027 parameters when determining whether their plans' prescription drug coverage is creditable for that year. For more information, see EBIA's Group Health Plan Mandates manual at Sections XXV.A ("What Are the Creditable Coverage Disclosure Requirements for Medicare Part D and Who Must Comply?"), XXV.C ("Overview of Medicare Part D"), and XXV.D ("What Is Creditable Coverage for Purposes of the Part D Disclosures?"). See also EBIA's Consumer-Driven Health Care manual at Section XXV.E ("HRAs and Medicare Part D").

Contributing Editors: EBIA Staff.