



Dear Clients and Friends,

Most employers thought that the new Medicare Part D drug benefit was something that government and seniors had to grapple with. But, most employers are just now finding out that they have a role in things, too.

Most specifically, employers must determine if their drug plans are equivalent or better than Medicare Part D. Once they have determined this, then they have to provide a notice to their employees regarding their determination.

Some employers will be able to avoid this process if they have no employees or dependents that are eligible for Medicare. But, since employees may be working past age 65 or have family members who are covered under Medicare due to disability, most employers would be wise to go through the analysis and provide notices.

*Sincerely yours,
Jim Lill, President*

Medicare D Notices

Employers face a new notice requirement as a result of the new Medicare Part D drug benefit. Group health plans must provide notices to their active employees and their beneficiaries if any covered employee or beneficiary is Medicare eligible. This includes the "working aged"; people who continue to work past the age of 65. It can also include people who are covered under Medicare due to a disability.

The notices that must be provided are to advise workers and retirees whether the employer's prescription drug plan is creditable coverage or not. Notices must be provided by November 15, 2005.

Medicare Part D rules require that employer-provided coverage must have an actuarial value equal to or greater than standard Part D coverage to be creditable. Therefore, the Notice of Creditable Coverage advises whether the employer-sponsored drug plan is actuarially equivalent to Part D.

Employers can use the government's safe harbor to determine if their prescription drug plans qualify as creditable coverage. The plans must:

- Provide for brand-name and generic prescriptions
- Provide reasonable access to retail providers
- Pay, on average, 60% of a participant's drug expenses.

One of two thresholds would also have to be met. Either the plan must cover at least \$25,000 in claims a year or not impose an annual dollar limit on claims or the plan must have an actuarial expectation that the plan would pay at least \$2,000 per Medicare-eligible individual in 2006.

If a drug plan is integrated with a medical plan the annual deductible for the plan cannot exceed \$250 and an annual cap, if applicable, must be at least \$25,000. The lifetime benefit maximum must equal at least \$1 million.

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Mid American Group, Inc. *The Leading Edge*® 414 Plaza Drive, Suite 303, Westmont, IL 60559 Phone: **(630) 789-9508**
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