



# SPECIAL ALERT

## 2018 MEDICARE PART D PARAMETERS

The federal government has released the 2018 indexed provisions of the standard Medicare Part D plan. Insurance carriers offering Medicare Part D plans can structure their benefit plans in any way they choose. The carrier's standard prescription drug plan must be the actuarial equivalent of the standard Medicare Part D benefit plan.

Medicare Part D affects employers in two ways:

1. **Creditable Coverage:** At least once a year, group health plans (for active employees and retirees) that cover Medicare-eligible participants must determine whether the plan has creditable coverage. Plans must also determine whether they still have creditable coverage if they alter their prescription drug benefits. Employers must notify Medicare-eligible plan participants that the plan has creditable coverage every year. If the coverage is not creditable, the employer must notify eligible plan participants as well.
2. **Retiree Drug Subsidy:** Employers can apply for a federal subsidy if their post-

65 retiree health care plan includes outpatient prescription drug coverage. The employer's plan must be as good as or better than the standard Medicare Part D benefits to be eligible for the subsidy.

Medicare Part D open enrollment runs from October 15 to December 7 annually. Coverage begins on January 1 of the following calendar year. The most recent government model notice wording can be found at <http://www.cms.gov/Medicare/Prescription-Drug-Coverage/CreditableCoverage/Model-Notice-Letters.html>.

While the government sets the standard benefit plan design, health care reform did change the way prescriptions are handled during the coverage gap (the gap between the initial coverage limit and the true out-of-pocket cost limit). Before health care reform, the beneficiary was responsible for 100 percent of the drug cost in the coverage gap. However, health care reform now requires discounts on drugs during the coverage gap. Beneficiaries pay the discounted amount; the full cost is applied to the coverage gap. The net result is beneficiaries will meet the true out-of-pocket cost limit sooner.

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Two factors have affected the creditable coverage status of employer-sponsored prescription drug plans in recent years. First, employers have been increasing member cost-sharing to meet budget targets. Second, the Affordable Care Act (ACA) has reduced the potential out-of-pocket costs for Medicare beneficiaries. These changes have increased the actuarial value of the standard Medicare Part D plan. It is critical that employers check their creditable coverage status annually.

To see how the standard Part D plan design for 2017 compares to the 2018 design, please see the table at the top of the page.

Pharmaceutical manufacturers and the government provide discounts in the coverage gap. For 2018, the total discounts on prescriptions filled in the coverage gap are as follows:

- 65% on brand-name drugs
- 56% on generic drugs

These discounts will increase annually until 2020.

	2017	2018
Deductible	\$400	\$405
Initial Coverage Limit	\$3,700	\$3,750
Out-of-Pocket Cost Threshold	\$4,950	\$5,000
True Out-of-Pocket Cost Limit	\$7,425	\$7,508.75
Copays for Generic and Brand Drugs after the True Out-of-Pocket Cost Limit is Met	\$3.30 for generic/ \$8.25 for brand	\$3.35 for generic/ \$8.35 for brand

### RETIREE DRUG SUBSIDY

Medicare will partially reimburse employers' drug costs for Medicare-eligible retirees as long as an actuary certifies that the employer's plan is as good as or better than the Medicare Part D standard plan. The actuary must certify that the 2018 plan design qualifies for the 2018 retiree drug subsidy.

Any drugs the standard Medicare Part D plan covers that fall between the cost threshold and the cost limit qualify for the subsidy. The cost threshold and cost limit are indexed every year. The 2017 and 2018 parameters are as follows:

	<u>2017</u>	<u>2018</u>
Cost Threshold	\$400	\$405
Cost Limit	\$8,250	\$8,350

Retiree drug subsidy funds are taxable unless the organization is not required to pay taxes. Therefore, employers that will be taxed on the subsidy may want to consider less expensive ways to provide drug coverage for post-65 retirees.

### CONCLUDING THOUGHTS

All employers offering prescription drug coverage need to be aware of the Medicare Part D standard benefit changes for 2018. Employers will need to notify their Medicare-eligible participants when they determine whether their 2018 drug plan is considered creditable coverage.

Please contact your MMA-MI Account Manager with any questions.  
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