



SPECIAL ALERT

Volume Fourteen, Issue Eight

August 2018

2019 MEDICARE PART D PARAMETERS

The Centers for Medicare and Medicaid Services (CMS) has released the 2019 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 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 prescription drug benefits are creditable coverage. Plans must also determine whether their coverage retains creditable status if they change 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; a



We welcome your comments and suggestions regarding this issue of our Special Alert. For more information, please contact your Account Manager or visit our website at www.mma-mi.com.

Continued on Page 2

portion of the full cost is applied to the coverage gap. The net result is beneficiaries will meet the true out-of-pocket cost limit sooner. It also means the actuarial value of the standard Medicare Part D plan has increased over time.

Pharmaceutical manufacturers and the government provide discounts in the coverage gap. For 2019, the total discounts on prescriptions filled in the coverage gap are as follows:

- 75% on brand-name drugs
- 63% on generic drugs

These discounts will increase annually until 2020.

At the same time the standard Part D actuarial value has increased, employers have been cutting prescription drug benefits in effort to control cost. Some employers have lost creditable status on their prescription drug plan as a result these changes.

To see how the standard Part D plan design for 2018 compares to the 2019 design, please see the table at the top of page 2.

Standard Part D Comparison	2018	2019
Deductible	\$405	\$415
Initial Coverage Limit	\$3,750	\$3,820
Out-of-Pocket Cost Threshold	\$5,000	\$5,100
True Out-of-Pocket Cost Limit	\$7,508.75	\$7,653.75
Copays for Generic and Brand Drugs after the True Out-of-Pocket Cost Limit is Met	\$3.35 for generic/\$8.35 for brand	\$3.40 for generic/\$8.50 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 2019 plan design qualifies for the 2019 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 2018 and 2019 parameters are as follows:

	<u>2018</u>	<u>2019</u>
Cost Threshold	\$405	\$415
Cost Limit	\$8,350	\$8,500

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 2019. Employers will need to notify their Medicare-eligible participants when they determine whether their 2019 drug plan is considered creditable coverage.

Please contact your MMA-MI Account Manager with any questions. [MMA](#)

Copyright Marsh & McLennan Agency LLC company. This document is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting or legal matters are based solely on our experience as consultants and are not to be relied upon as actuarial, accounting, tax or legal advice, for which you should consult your own professional advisors. Any modeling analytics or projections are subject to inherent uncertainty and the analysis could be materially affective if any underlying assumptions, conditions, information or factors are inaccurate or incomplete or should change.

Marsh & McLennan Agency LLC

Health & Benefits

3331 West Big Beaver Road, Suite 200
Troy, MI 48084
Telephone: 248-822-8000 Fax: 248-822-4131
www.mma-mi.com

Property & Casualty

15415 Middlebelt Road
Livonia, MI 48154
Telephone: 734-525-0927 Fax: 734-525-0612
www.mma-mi.com

