



TO: Our Valued Clients and Brokers
FROM: Health Plans, Inc.
DATE: August 21, 2024
RE: Medicare Part D Creditable Coverage – Update on 2025 Changes and Annual Determination/Notice Process

Health Plans, Inc. (HPI) is issuing this Compliance *eBlast* to update clients and brokers about changes to be aware of going into 2025 that may affect a plan’s Medicare Part D creditable coverage status, and to advise that our creditability determination and notice process for this year will remain consistent with prior years.

As a reminder, group health plan prescription drug coverage is considered “non-creditable” when it does not provide, on average, as much coverage as Medicare's standard Part D plan. Employers who offer prescription drug coverage must distribute a notice of creditable coverage status to Medicare-eligible individuals before October 15, coinciding with the Medicare Part D open enrollment period which generally runs from October 15 to December 7 each year. The purpose of this notice is to ensure that Medicare-eligible individuals who delay enrollment in Medicare Part D are aware that they may incur late enrollment penalties unless they enroll in other creditable coverage.

The Inflation Reduction Act made several changes impacting the structure of the Part D program beginning in calendar year 2025. The key change is the substantial reduction to the annual out-of-pocket cap on prescription drug costs – from \$8,000 in 2024 to \$2,000 in 2025. As a result of this change, group health plans offering prescription drug benefits that have met Part D creditable coverage requirements in prior years may no longer meet them in 2025. For example, the new \$2,000 out-of-pocket cap will likely preclude High Deductible Health Plans from being deemed creditable.

The Centers for Medicare and Medicaid Services confirmed that the simplified determination methodology can still be used for 2025 instead of the more burdensome actuarial determination method to determine creditable coverage status. However, further changes to Medicare Part D are expected for 2026, which may include the elimination of the simplified determination methodology option. HPI will be reevaluating the Medicare Part D creditable coverage determination service we provide clients as more federal guidance is issued.

For this year, HPI will continue to use the simplified determination methodology and send our annual Medicare Part D *eBlast* to brokers and clients to inform them of their obligations and our creditability determination. HPI will also continue to mail the determination letters to Medicare-eligible individuals upon request as provided in the annual notice.

Please be on the lookout for our annual Medicare Part D *eBlast* in the coming weeks.

If you have further questions, please contact your HPI Account Service Team directly.

Regards,

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Director, Regulatory Affairs

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The information in this Compliance *eBlast* is intended to provide a summary of our understanding of recent regulatory developments which may affect our clients’ plans. It should not be construed as specific legal advice or legal opinion.