

SpecialAlert

Volume Fifteen, Issue One

May 2019

2020 MEDICARE PART D PARAMETERS

The Centers for Medicare and Medicaid Services (CMS) has released the 2020 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:

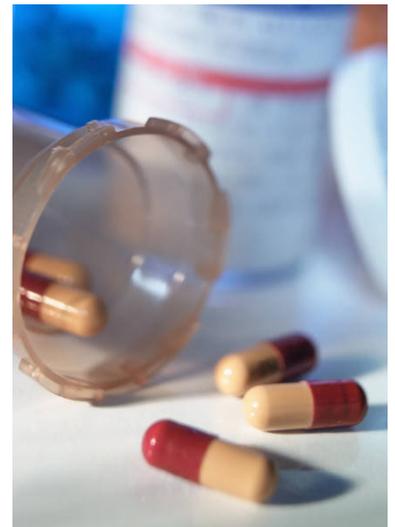
1. **Creditable Coverage:** At least once a year, group health plans (for active employees and retirees) that cover Medicare-eligible participants must determine whether the prescription drug benefits are creditable coverage. Plans must also determine whether their coverage is still creditable if they have changed their prescription drug benefits. Every year employers must notify Medicare-eligible plan participants whether the plan still has creditable coverage.
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 and 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/Creditable-Coverage/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. Now health care reform requires discounts on drugs during the coverage gap. Beneficiaries pay the discounted

Continued on Page 2



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.

Standard Part D Comparison	2019	2020
Deductible	\$415	\$435
Initial Coverage Limit	\$3,820	\$4,020
Out-of-Pocket Cost Limit	\$5,100	\$6,350
True Out-of-Pocket Cost Limit	\$7,653.75	\$9,038.75
Copays for Generic and Brand Drugs after the True Out-of-Pocket Cost Limit is Met	\$3.40 for generic/\$8.50 for brand	\$3.60 for generic/\$8.95 for brand

amount; a 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 on drugs during the coverage gap. For 2020, the total discount on prescriptions filled in the coverage gap will be 75 percent for both brand-name and generic drugs. These discounts will continue unless the rules change.

While the standard Part D actuarial value has increased, employers have been cutting prescription drug benefits to control costs. Some employers have lost creditable status on their prescription drug plan because of these changes.

To see how the standard Part D plan design for 2019 compares to the 2020 design, please see the table at the top of page 2.

RETIREE DRUG SUBSIDY

Medicare will partially reimburse employers’ drug costs for Medicare-eligible retirees so 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 2020 plan design qualifies for the 2020 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 2019 and 2020 limits are as follows:

	<u>2019</u>	<u>2020</u>
Cost Threshold	\$415	\$435
Cost Limit	\$8,500	\$8,950

Retiree drug subsidy funds are taxable unless the organization is not required to pay taxes. To avoid paying tax on the subsidy, employers 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 2020. Employers will need to notify their Medicare-eligible participants whether their 2020 drug plan is still considered creditable coverage.

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



HEALTH & BENEFITS

3331 W. Big Beaver Road
Suite 200
Troy, MI 48084
248.822.8000 (Phone)
248.822.4131 (Fax)
www.mma-mi.com

PROPERTY & CASUALTY

15415 Middlebelt Road
Livonia, MI 48154
734.525.0927 (Phone)
734.525.0612 (Fax)
www.mma-mi.com

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.

