Harvard Pilgrim Health Care

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Medicare Part D Creditable Coverage

The Medicare Modernization Act (MMA) requires entities (Employers and Union groups) who offer prescription drug coverage to **Medicare Part D eligible** individuals to disclose to both CMS and members whether the drug coverage provided is "creditable prescription drug coverage." ***Creditable coverage*** means the non Medicare Part D prescription coverage is expected to pay, on average, as much as the standard Medicare prescription drug coverage for a given year.

How is Creditable Coverage determined?

Part D creditable coverage tests the Actuarial Value (i.e., the amount paid by the health plan divided by total allowed cost) for Commercial pharmacy plans compared to Medicare Part D. Commercial pharmacy plans that have a higher AV than Part D pass, and plans with a lower AV than Part D fail.

What is an employer's responsibility?

- Employer and union groups that provide pharmacy coverage to their Medicare-eligible population must provide **a written disclosure notice at a minimum** before October 15th* of **each year** to all individuals covered under its prescription drug plan informing them if the plan provided is "creditable" or "non-creditable."
- Coverage Disclosure Notices can be found at
  - **2026 Medicare Part D Information | Harvard Pilgrim Health Care** or
  - **CMS Creditable-Coverage notice letters**.
- In addition to a written notice, Employers and groups must complete the **Online Disclosure to CMS Form** to report their creditable coverage status to CMS.
- Employers or unions can determine that its prescription drug plan's coverage is creditable by visiting **harvardpilgrim.org/employer/employer-news/2026-medicare-part-d-information**. This site is updated by October 1st annually with results for the upcoming calendar year.

Does a Health Reimbursement Account affect creditable coverage?

An HRA accompanying these plans may change the failed status of Medicare Creditable Coverage. Specific changes to the status may depend on HRA amounts, and the employer would need to perform a separate creditable coverage analysis to see if the plan would pass.

Who is Medicare eligible?

Medicare eligibility applies to active, COBRA, former employees, disabled individuals, and retired Individuals entitled to Medicare Part A and/or enrolled in Part B.

What do Medicare eligible members need to know?

- If a plan is considered creditable, members **will not** be subject to a higher premium (i.e., a penalty) when joining a Medicare drug plan.
- Members should keep a copy of the letter issued annually by their employer as evidence of creditable coverage.
- If a plan is non-creditable, members must enroll in a creditable prescription drug plan or a Medicare Part D plan to avoid paying a late enrollment penalty on their Part D premiums.
  - Late enrollment penalties are assessed if a Medicare eligible beneficiary goes without creditable coverage for more than 63 days. The late enrollment penalty, which changes each year, is added to the person's monthly Part D premium for as long as he or she has Medicare prescription drug coverage.
- An employee can keep their current coverage; however, because their coverage is non-creditable, they need to decide about Medicare prescription drug coverage that may affect how much they pay for coverage, depending on when they join a drug plan. They should compare current coverage, including what drugs are covered, with the coverage and cost of the plans offering Medicare prescription drug coverage in their area. Enrolling in a Medicare drug plan (whether keeping or dropping the employer coverage) will allow the member to avoid a late enrollment penalty when they join Medicare Part D in the future.
- Employees can join a Medicare drug plan when they first become eligible for Medicare and each year from October 15 to December 7, or at other special election periods when qualified
- Employees can learn more about Medicare Creditable Coverage by visiting **Medicare.gov** or using the resources found in their letter.

› For additional guidance regarding creditable coverage please visit **cms.gov/CreditableCoverage**

* Notification content and timing requirements. The disclosure notification to Part-D eligible individuals required in § 423.56(c) and (d) must be provided in a form and manner prescribed by CMS. Notices must be provided, at minimum, at the following times:

(1) Prior to an individual's initial enrollment period for Part D, as described under § 423.38(a);

(2) Prior to the effective date of enrollment in the prescription drug coverage and upon any change that affects whether the coverage is creditable prescription drug coverage;

(3) Prior to the commencement of the Annual Coordinated Election Period as defined in § 423.38(b); and

(4) Upon request by the individual.