

MEDICARE PART D: Q & A FOR EMPLOYER GROUPS

What is Medicare Part D?

Medicare Part D is the new voluntary prescription drug benefit for Medicare beneficiaries, effective January 1, 2006.

Who is eligible for Medicare Part D?

Any Medicare beneficiary entitled to Medicare Part A (Hospital) and enrolled in Medicare Part B (Medical) is eligible to enroll in Medicare Part D.

What is the cost of Medicare Part D?

The initial premium has been set at \$37 per month, per person. Premium assistance may be available to certain low-income beneficiaries. Eligible participants who do not enroll on a timely basis may be charged an additional premium penalty.

What are the Medicare Part D benefits?

For most beneficiaries, Medicare Part D will pay 75% of drug costs after the \$250 calendar year deductible, up to \$2,250 in drugs dispensed. The member then pays the next \$2,850 in drug costs in full, and Medicare Part D will begin paying again when the total for drugs dispensed reaches \$5,100. At this point, Medicare Part D will pay 95% of the drug cost.

How does Medicare Part D affect employer-sponsored drug plans?

If an employer provides retiree drug coverage, there are several options available:

1. Continue the current benefit plan, which will coordinate benefits with Medicare.
2. Apply for the Medicare Part D drug subsidy. This application requires that the employer-sponsored drug plan be actuarially equivalent to Medicare Part D coverage. The subsidy will apply only to retirees who do NOT also enroll in Medicare Part D, and will pay 28% of the retiree's drug costs between \$250 and \$5,000 estimated to be worth an average of \$668 per beneficiary per year.
3. Alter the current retiree benefits to "wrap around" Medicare Part D. The employer may supplement the Part D benefits or contract with a prescription drug plan that offers Medicare Part D benefits.

What is the effect if the plan does not cover retirees?

If an employer does not provide retiree drug coverage, the employer-sponsored plan will be required to provide a notice to employees regarding whether or not the group drug coverage is considered creditable. This notice will assist employees in making an informed decision regarding Medicare Part D coverage should they become eligible.

Employees who are also Medicare beneficiaries or who become eligible will have 63 days to enroll in Medicare Part D when the employer's coverage terminates, and any late enrollment penalty will be waived if creditable coverage can be documented, and the enrollment is completed in a timely manner.

What is required for creditable coverage?

For an employer's group prescription drug coverage to be considered creditable, it must:

1. Provide coverage for both brand and generic prescriptions.
2. Provide reasonable access to retail providers (optional mail order).
3. Be designed to pay an average of 60% of the participant's prescription drug expenses.
4. Satisfy one of the following requirements:
 - a. The amount paid by the plan will be at least \$2,000 per participant in 2006, or
 - b. The plan has no annual maximum or the maximum is at least \$25,000.

What information must be included in the notice to retirees and employees?

Prior to the beginning of the open enrollment period, on November 15, 2005, employers must notify employees and retirees regarding whether or not the current plan qualifies as creditable coverage. Most employees would be helped by a clear explanation of the impact of Medicare D on their current benefits, and information about their current drug program options. If benefit changes are anticipated in 2006, this would also be a good time to communicate those changes.

Only one notice is required per household. In order to make sure that notification to a Medicare-qualified beneficiary is not missed, Activa Benefit Services recommends that all employees be provided with the same notice. We can assist in preparation of a special notification tailored to the appropriate benefit plan and distribution.

What are the deadlines to make decisions?

Provided below is a calendar of key dates for Medicare Part D:

Currently	Medicare beneficiaries and people approaching age 65 are receiving materials from various sources regarding the Medicare Part D options available in their residential areas.
Currently	Employers, union groups and plan sponsors should be reviewing their plan provisions, enrollment demographics and projected costs to determine which option is the best fit for their plans.
September 30, 2005	Employer applications for the 28% drug plan subsidy must be submitted, for calendar year plans.
November 15, 2005	Medicare Part D enrollment begins. Informational materials for retirees and employees with drug coverage need to have been distributed by this date.
January 1, 2006	Medicare Part D begins.
90 days before renewal	For plans with a renewal date after January 1, 2006, the drug subsidy application must be submitted at least 90 days prior to the renewal date.
May 16, 2006	The last day that qualified beneficiaries can enroll in Medicare Part D without a premium penalty for late enrollment.

The qualified staff of benefits professionals at Activa Benefit Services would be pleased to assist in any way to help our Plan Sponsors and Employers evaluate their current plan benefits, and to make the best decision on how to incorporate this new governmental mandate into their plan structure.

We will, of course, prepare the necessary plan amendments or revisions, as directed, to document the plan's choice of coverage options. We can also assist in obtaining historical data or providing summary information about the plan's history. Please let us know how we can help.

Additional questions regarding Medicare Part D can be directed to Kathleen Stahl, Compliance Administrator, at 616-787-7919 or kstahl@activa.cc

Requests for benefit changes, drug plan data or other administrative questions can be directed to either Shelley Mitrzyk or Beth Humphreys in the Marketing Department. Shelley can be reached at 616-787-4385 or smitrzyk@activa.cc and Beth can be reached at 616-787-4951 or bhumphreys@activa.cc

The information above is based in part on a review of current statutes, applicable regulations and the recommendations of Activa Benefits' network of industry consultants and experts. This document should be reviewed and approved by your legal counsel prior to reliance on any recommendations or information.

Since Activa Benefit Services, LLC does not practice law, the final form and intent of all legal instruments remains your responsibility and that of legal counsel of your choice.

ACTIVA BENEFIT SERVICES, LLC