

# 2025 Inflation Reduction Act

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## Changes in Creditable Coverage



# 2025 Creditable Coverage Changes Agenda

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# Inflation Reduction Act (IRA)

## Overview

A prescription drug law, signed into law on August 16, 2022. The law is comprised of different initiatives, launching on a specified timeline.

### Limit Out of Pocket Costs

Limit Insulin to \$35 per month - 2023

\$2000 TrOOP - 2025

Eliminate Gap - 2025

Limits BBP increase to 6% YOY - 2024

### Lower Prescription Costs

Certain Vaccines = No Cost - 2023

Negotiate Certain Drugs at Lower Cost - 2026

### Expand Financial Assistance

Raise Full Extra Help Income Limit to 150% of FPL - 2024

<https://www.cms.gov/inflation-reduction-act-and-medicare/part-d-improvements>  
[Fact Sheet: Final CY 2025 Part D Redesign Program Instructions \(PDF\)](#)  
[Final CY 2025 Part D Redesign Program Instructions \(PDF\)](#)



# What is Creditable Coverage?

“Creditable prescription drug coverage” is prescription drug coverage that equals or exceeds the actuarial<sup>123</sup> value of defined standard Part D prescription drug coverage; that is, **creditable coverage is coverage that is at least as good as Medicare’s prescription drug coverage.**

**Creditable Coverage = The Defined Standard Benefit Design or an Enhanced Alternative Benefit Design.**

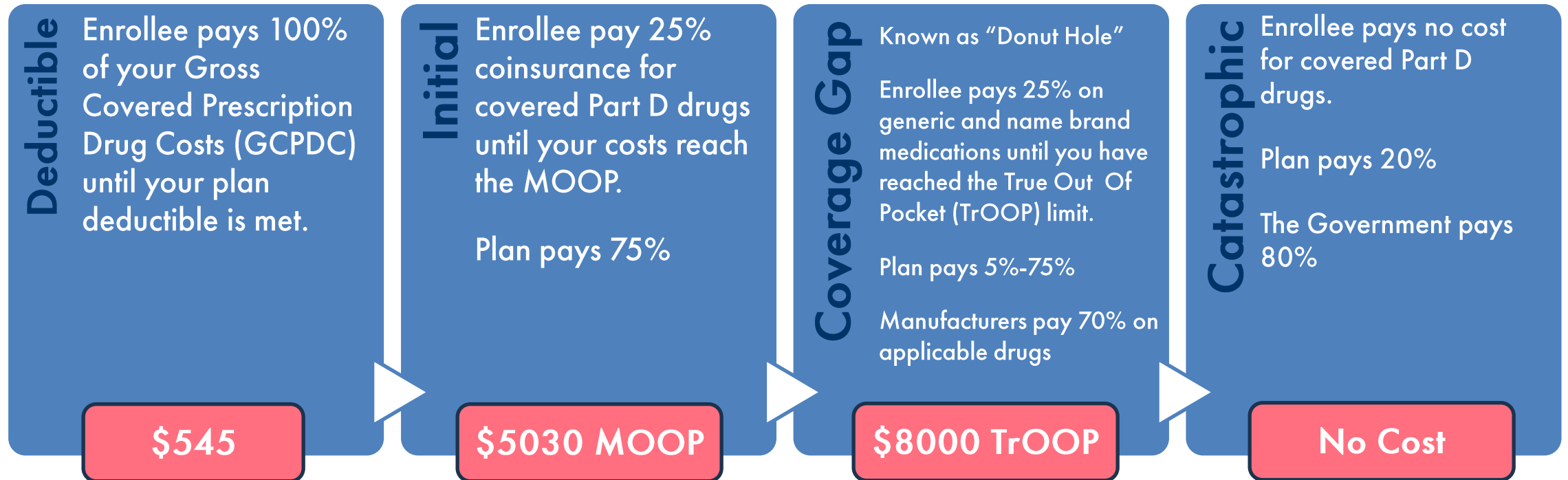
<sup>1</sup>Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.

<sup>2</sup>Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.

<sup>3</sup>Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.



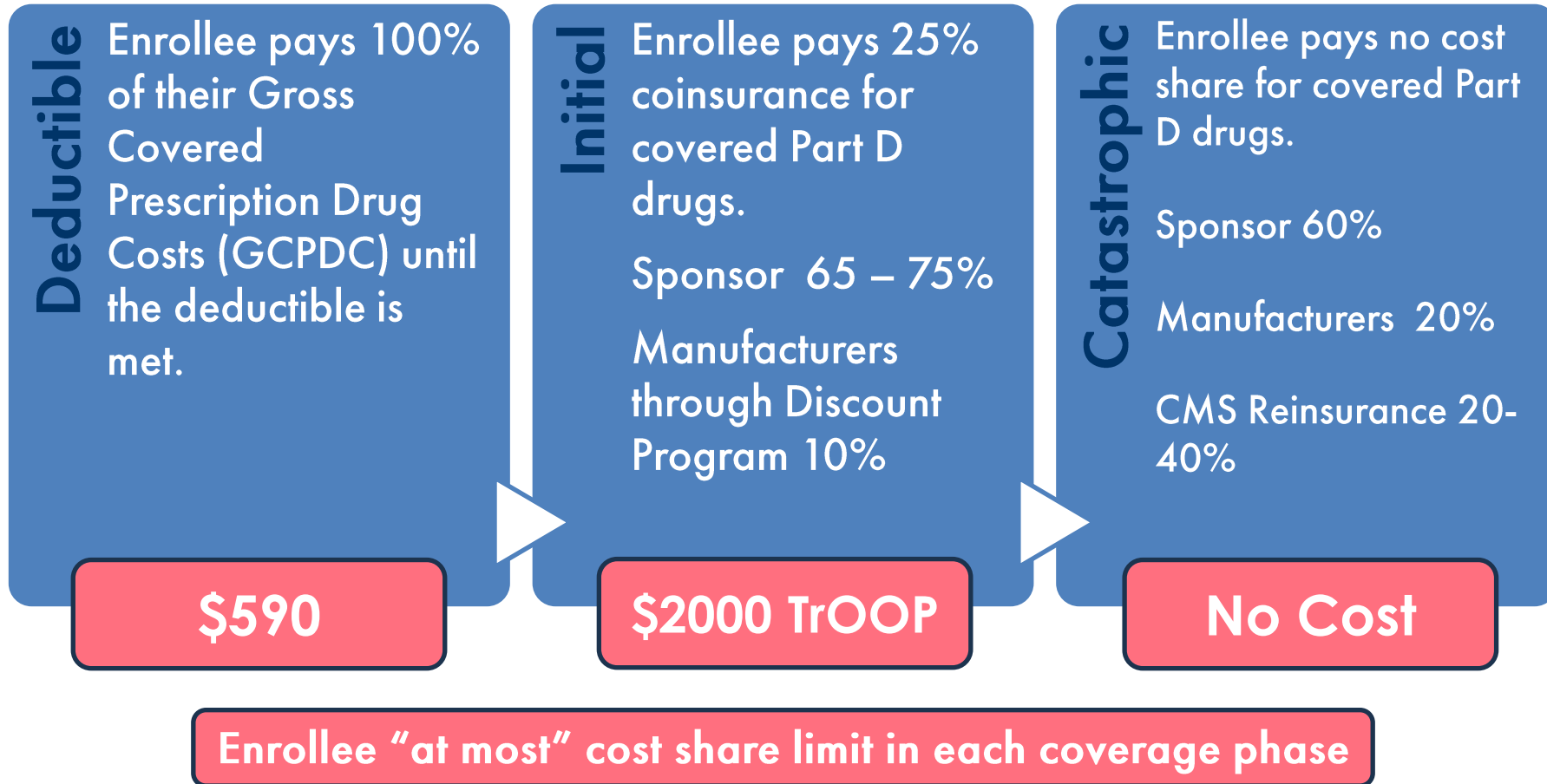
# CURRENT CMS STANDARD (DS) BENEFIT DESIGN



Enrollee "at most" cost share limit in each coverage phase

# 2025 Part D Changes

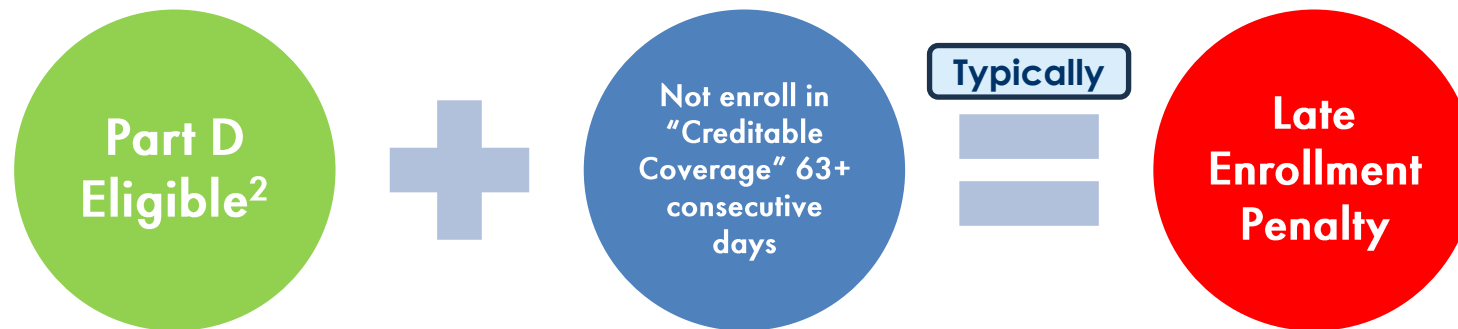
## New Defined Standard (DS) Benefit Design



# Part D – Key Insights

## Creditable Coverage

If a Part D eligible beneficiary is coverage under a **group health plan**, including the Federal employee health benefits program and qualified retiree prescription drug plans<sup>1</sup> as defined in section 1860D-22(a)(2) of the Act, coverage must be deemed creditable to avoid a Late Enrollment Penalty.



<sup>1</sup>CMS is required to pay a subsidy to sponsors of qualified retiree prescription drug plans that provide equivalent or better coverage than the actuarial value of standard prescription drug coverage, if they apply for an qualify

<sup>2</sup>Beneficiary is enrolled in Medicare Part A and/or B

# 2025 Part D Changes

## Changes in Creditable Coverage Determination

### Creditable Coverage Simplified Determination

Qualifying Group Health Plans can still use the simplified determination.

- To qualify plans cannot receive, or be applying for, the Retiree Drug Subsidy.

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Changes in Creditable coverage have stronger implication factors for employer groups with **greater than 20 employees**.

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Employer groups with less than 20 employees can require Medicare eligible employees to select a Medicare plan option.





# Part D – Key Insights

## Simplified Determination Creditable Coverage

A prescription drug plan is deemed to be creditable if it:

- 1) Provides coverage for brand and generic prescriptions;
- 2) Provides reasonable access to retail providers;
- 3) The plan is designed to pay on average at least 60% of participants' prescription drug expenses and
- 4) Satisfies at least one of the following:
  - a) The prescription drug coverage has no annual benefit maximum benefit or a maximum annual benefit payable by the plan of at least \$25,000, or
  - b) The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare eligible individual.
  - c) For entities that have **integrated health coverage**<sup>1</sup>, the integrated health plan has no more than a \$250 deductible per year, has no annual benefit maximum or a maximum annual benefit paid by the plan of at least \$25,000 and has no less than a \$1,000,000 lifetime combined benefit maximum.

<sup>1</sup>Any plan of benefits offered to a Medicare eligible in where the prescription drug benefit is combined with other coverage offered by the entity (i.e., medical dental, vision, etc.) and the plan has all the following plan provisions: 1) a combined plan year deductible for all benefits under the plan, 2) a combined annual benefit maximum for all benefits under the plan, and 3) a combined lifetime benefit maximum for all benefits under the plan.



# Great News For 2025

If an Employer qualified for Simplified Determination in 2024 and their coverage was deemed **Creditable**, they will likely remain **Creditable in 2025**.

In 2026, CMS will reevaluate whether they will continue Simplified Determination of Creditable Coverage in its current form.

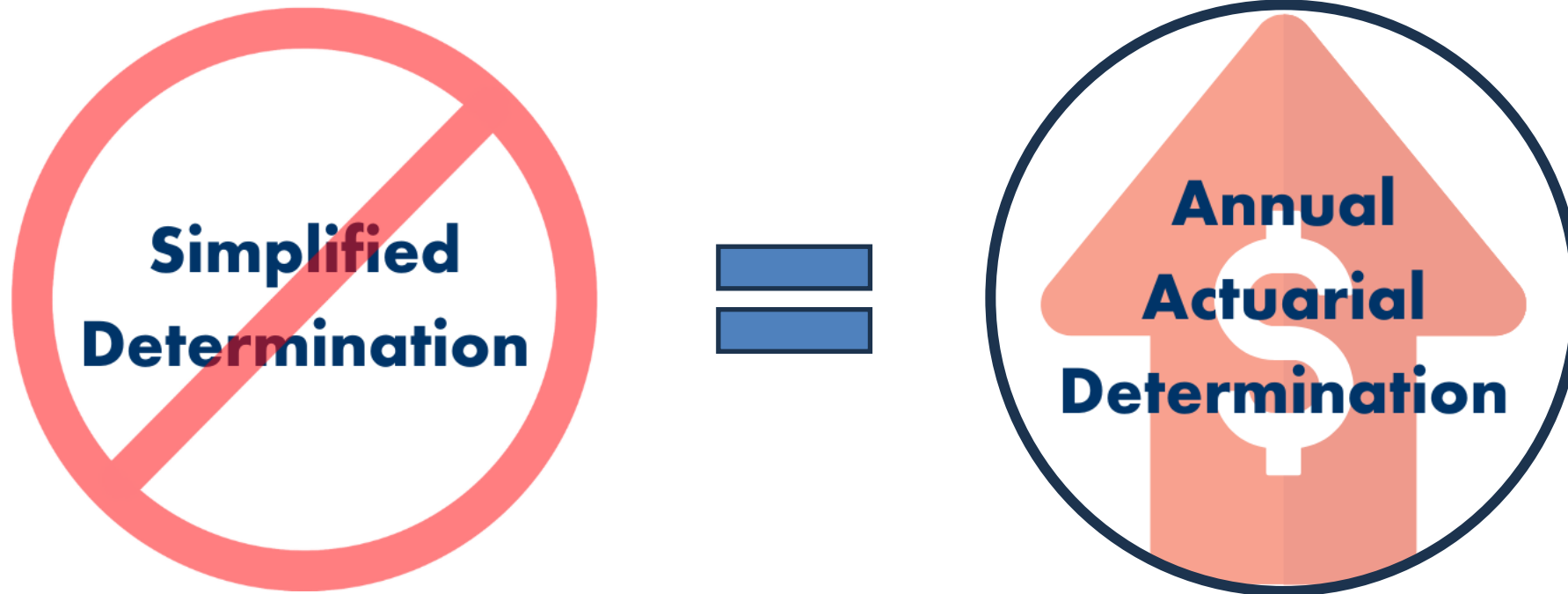
<https://www.cms.gov/files/document/fact-sheet-final-cy-2025-part-d-redesign-program-instructions.pdf>



# 2025 Part D Changes

## Changes in Creditable Coverage Determination

Employer Groups / Part D Sponsors that do not qualify for Simplified Determination, will be required to complete an annual actuarial review, which adds costs and time to determining Creditable Coverage.



# Creditable Coverage

## Notice of Creditable Coverage (NOCC)

### What it must include:

Employer Groups / Part D Sponsors are required to:

- Notify CMS on an annual basis and/or upon any change that affects (credibility) whether the coverage is creditable.
- Notify Beneficiaries enrolled in or seeking coverage in the plan, that the plan is Creditable Coverage or is **NOT** Creditable Coverage
  - If **NOT** Creditable – Plans must:
    - (1) The fact that the coverage is not creditable prescription drug coverage, as provided by CMS;
    - (2) That there are limitations on the periods in a year in which the individual may enroll in Part D plans; and
    - (3) That the individual may be **subject to a late enrollment penalty**, as described under [§ 423.46](#).

<sup>1</sup>Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.

<sup>2</sup>Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.

<sup>3</sup>Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.



# Creditable Coverage

## Notice of Creditable Coverage (NOCC)

### When Notification Must Provided:

Employer Groups / Part D Sponsors are required to notify beneficiaries

- (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

<sup>1</sup>Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.

<sup>2</sup>Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.

<sup>3</sup>Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.



# 2025 Part D Changes

## Getting Ahead of the Curve

It is the employer's and/or plan sponsor's responsibility to communicate whether the provided drug coverage is deemed "Creditable Coverage" via an annual Notice of Creditable Coverage (NOCC) to Medicare eligible individual who are covered under or who apply for the employer's prescription drug plan.

**DON'T WAIT for the NOCC**

Employer's / Part D Sponsors must notify beneficiaries if the plan is "Creditable Coverage" upon request.

Employers **can and should** confirm with their Part D Sponsor now, that the Prescription Drug coverage provided via their employee benefits is "Creditable Coverage" for 2025.



# Questions?



Not for public distribution.

Thank you!

