

Creditable Drug Coverage and Medicare Part D

Creditable coverage is non-Medicare Part D prescription drug coverage that is at least as good as (i.e., pays, on average, as much as or more than) standard Medicare Part D prescription drug coverage.

When a person becomes eligible for Medicare Part D he/she must maintain creditable drug coverage, and not have a break in coverage for 63 or more days. If this is not the case, he/she will face a significant late enrollment penalty.

Groups must determine if the drug coverage they offer is creditable and:

- Disclose this information to the Centers for Medicare and Medicaid Services (CMS) annually or when there is any change that affects whether the coverage is creditable.
- Send the required notice of creditable coverage to Medicare-eligible beneficiaries who are covered by, or who apply for, prescription drug coverage.

For more information including the standard model notice visit

<http://www.cms.gov/CreditableCoverage/>

Late Enrollment Penalty

Individuals eligible for Medicare Part D (entitled to Medicare Part A and/or enrolled in Part B) who do not maintain Part D or creditable drug coverage may have to pay a penalty for every month they were eligible to join a Medicare Part D plan and were not enrolled in one. This penalty is in addition to the monthly premium and must be paid for as long as the beneficiary is enrolled in a Medicare Part D plan.

The late enrollment penalty is at least 1 percent of the Part D national average premium (\$31.08 in 2011; subject to change annually) for each full uncovered month that a beneficiary was eligible to join a Medicare Part D plan and did not.

If a Medicare-eligible beneficiary has creditable coverage and has not had a break in coverage for 63 or more days, he or she may avoid paying a late enrollment penalty if he or she enrolls later in a Medicare Part D plan.



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