

# *Benefits* BULLETIN



## Medicare Part D Notice of Creditable (or Non-Creditable) Coverage

● September 2025 ●

The Medicare Modernization Act (MMA) of 2003 requires group health plan sponsors that offer prescription drug coverage to annually notify Medicare-eligible individuals whether coverage is creditable (expected to pay as much as standard Medicare Part D) or non-creditable. This notice helps individuals make informed decisions about enrolling in Part D and can protect them from late enrollment penalties.

### Recent Changes to Medicare Part D

The Inflation Reduction Act (IRA) significantly changed Medicare Part D beginning in 2025. The IRA capped the Medicare Part D annual out-of-pocket costs at \$2,000 for individuals (down from \$8,000 in 2024). The IRA also removed what is known as the Medicare Part D “donut hole” - a coverage gap for enrollees when their Medicare Part D prescription drug plans reach the limits on what the plan will cover for drugs.

Because of these changes, some prescription drug plans that were previously creditable may no longer meet the standard. Traditional plans will likely remain creditable, while HDHPs or less common designs will not. **There is no requirement that an employer offer prescription drug coverage that is creditable.**

### Determining Whether a Prescription Drug Plan is Creditable

A plan is creditable if its value equals or exceeds standard Part D coverage. Plans may use the design-based **simplified determination method** or obtain an **actuarial determination**. Importantly, CMS has confirmed that the simplified determination method will change beginning in 2027. This means some plan designs deemed creditable under this method in the past may no longer qualify going forward.

## Notice Requirements

**Who must provide the notice?** All group health plan sponsors offering prescription drug coverage (fully insured or self-insured) must provide the notice. There are no exceptions for government or church plans.

**Who is entitled to receive the notice?** Plan sponsors are required to issue notices to all individuals who are eligible for Medicare Part D, including active employees (and their dependents), COBRA beneficiaries, and retirees. **Employer-sponsors may provide the notice to all employees to simplify compliance.**

### When are the notices required to be issued?

- Before an individual's initial enrollment period for Part D;
- Before the effective date of coverage for any Medicare Part D-eligible individual who joins an employer plan; and
- Annually before October 15<sup>th</sup> each year for all Medicare Part D-eligible individuals covered under the prescription drug plan.

**Plan sponsors can satisfy these three requirements by regularly including the notice in its initial, special, and annual open enrollment materials that are provided to all plan participants.**

Additionally, notices must be issued whenever prescription drug coverage ends or creditable coverage status changes, and upon request.

**How can the notices be delivered?** The notices can be provided by paper delivery by hand or first-class mail, or electronically for participants who utilize a computer as an essential part of their work duties.

Plan sponsors may issue a standalone notice, or include the notice in open enrollment or other plan materials so long as the notice is prominent and conspicuous. CMS provides **model language** to use to satisfy this “prominent and conspicuous” requirement.

**What information must be included in the notice?** CMS makes available model notices to use for disclosing whether coverage is creditable or non-creditable (**Model Creditable Coverage Disclosure Notice or Model Non-Creditable Coverage Disclosure Notice**).

## CMS Reporting

In addition to the individual notices, plan sponsors are required to electronically disclose the prescription drug plan’s creditable or non-creditable status to CMS. This disclosure is required:

- **Annually** within 60 days after the beginning of each plan year (March 1 for calendar-year plans); and
- Within 30 days following the termination of the prescription drug plan or a creditable coverage status change that occurs after the annual disclosure has been made.

Plan sponsors can satisfy this requirement by completing an **online disclosure form**. Plans receiving the Retiree Drug Subsidy (RDS) satisfy this requirement during the RDS process and do not need to file separately.

## Penalty for Noncompliance

There is no penalty for plan sponsors who fail to issue these notices to individuals or to disclose the plan's creditable status to CMS. However, this failure could adversely impact Medicare-eligible plan participants resulting in missed enrollment periods and late enrollment penalties.

## Action Items

- (1) Determine Creditable Status:** Plan sponsors should annually coordinate with insurance carriers, TPAs, or trusted advisors to confirm whether their prescription drug coverage is creditable or non-creditable.
- (2) Select a Distribution Method:** Plan sponsors might consider regularly including the notice with plan enrollment materials that are made available to all participants on an annual basis, as this can streamline and consolidate distribution efforts.
- (3) Be Mindful of Mid-Year Changes:** Notices to both individuals and CMS are required upon the occurrence of any mid-year plan change that affects the plan's creditable status. Providing timely and accurate notices protects Medicare-eligible individuals from late enrollment penalties.

## ADDITIONAL RESOURCES

**Entities Required to Provide Disclosure**  
*Centers for Medicare & Medicaid Services*

**Procedures to Determine and Document  
Creditable Status of Prescription Drug Coverage**  
*42 CFR § 423.56*

**Final Part D Redesign Program Instructions**  
*Centers for Medicare & Medicaid Services*