

CRC BENEFITS

Inflation Reduction Act: Medicare + Medicare Part D Required Disclosures



The Inflation Reduction Act was signed into law on August 16, 2022, with implementation beginning in 2023.

CHANGES THAT AFFECT MEDICARE PART D PLANS, WHICH BEGAN IN 2023 AND 2024 WERE:

- Medicare would receive inflation rebates from pharmaceutical manufacturers.
- Insulin would have a \$35 cost cap and vaccines would be provided at no charge.
- Low-income subsidies expanded to 150% of the Federal Poverty Level.

UPCOMING CHANGES:

- \$2,000 annual out-of-pocket maximum (indexed to inflation) – 2025
- Catastrophic Tier cost-shifting from Medicare to the Part D plans – 2025
- Allows beneficiaries to make installment payments over a year for high cost drugs (M3P program) – 2025
- Medicare negotiated prices for certain prescription drugs, with new pricing will be taking effect – 2026



It is important to understand that group plans are not required to match the Medicare Part D benefits; however they must meet certain guidelines to qualify as Medicare creditable. Most plans that are creditable in 2024, will remain creditable in 2025 including Health Savings Account qualified plans and other consumer-driven plans. There are expected changes for 2026; however those rules have not been finalized.

WHAT ENTITIES ARE REQUIRED TO PROVIDE DISCLOSURE TO MEDICARE-ELIGIBLE INDIVIDUALS?

- Group health plans of all sizes and funding types (fully insured, level-/self-funded)
- Individual policy health insurance carriers
- State Sponsored Plans
- Indian Health Services, Tribe or Tribal
- Medicare Supplements/Medigap Insurers
- Other entities that offer prescription drug coverage

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WHAT DO EMPLOYERS NEED TO DO?

- Reach out to the insurance carrier or third-party administrator to determine if the plans offered meet the creditable threshold as of their 2025 plan year.
- If the carrier or third-party administrator does not provide assistance, then the employer may seek an actuary to determine the status, or the employer may use the [Simplified Determination Safe Harbor](#).
- Once determined if the plans offered meet the creditable threshold, the employer should distribute the [model notices](#) as they apply to the coverage by October 15, if not already distributed at the start of the plan year in 2024:
 - Both English and Spanish versions are available at the link above.
 - Creditable and non-creditable notices are both available at the link above.
- Make the [Disclosure to CMS online](#) regarding the plans and whether they are creditable or non-creditable no later than 60 days from the beginning of the plan year or within 30 days of a change in creditable status or plan termination.
- Similar to certain ACA determinations, such as affordability, the Part D status runs on the Plan Year.
- If the group plan meets the creditable threshold, employees should simply keep the copy of the creditable coverage model notice in their personal files (similar to a file for annual tax filings).
- If the group plan does not meet the Creditable threshold, then the employee must consider whether enrolling in Part A (if not already enrolled) and Part D makes sense for their particular situation.
- If Medicare-eligible and Part D is not creditable, employees and/or spouses/dependents that delay enrollment in Part D coverage may incur a lifetime penalty of 1% of the Medicare Part D premium per month not enrolled. **For example, if Part D enrollment is delayed by 16 months, then the Part D premiums would have a 16% surcharge each month for the lifetime of the Medicare beneficiary once enrolled.**