



SHIP

State Health Insurance
Assistance Program

Navigating Medicare

ASK SHIP

YOUR MONTHLY MEDICARE Q&A

September, 2024

Q: I'm nearly 65 but still working full time. I have health insurance through my employer, including prescription drug coverage. I heard some changes are being made to Medicare Prescription Drug coverage in 2025. Do I need to sign up for Part D drug coverage to avoid a penalty?

A: Some job-based insurance plans offer creditable drug coverage. If you are eligible for Medicare and enrolled in creditable coverage from your current employer, you can delay Part D enrollment without incurring a late enrollment penalty (LEP). When you decide to enroll in Part D, you will have a two-month Special Enrollment Period (SEP).

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 or a maximum annual benefit payable by the plan of at least \$25,000, or
- b) The prescription drug coverage has an expectation that the amount payable by the plan will be at least \$2,000 annually per Medicare individual.
- c) For entities that have integrated health coverage, the integrated health plan has no more than a \$250 deductible per year, has no annual benefit maximum or a maximum annual benefit payable by the plan of at least \$25,000 and has no less than a \$1,000,000 lifetime combined benefit maximum.

The Centers for Medicare and Medicaid Services (CMS) has announced that in 2025, all people enrolled in Part D will have their annual out-of-pocket prescription drug costs capped at \$2,000 per year. Additionally, the Medicare Prescription Payment Plan, which will be

offered by all Part D plans starting next year, will allow people with Medicare Part D coverage the option to spread the costs of their prescription drugs over the calendar year.

Now that Part D has a \$2,000 maximum out of pocket limit, it's possible their employer coverage would not be credible. However, CMS has recently determined that any employer drug plan that was creditable in 2024 will still be creditable in 2025 and no changes will be made until 2026.

You should receive a letter from your employer before October 15 stating whether or not your employer's drug coverage is creditable or contact your employer's benefits administrator to learn more about Prescription Drug insurance before making Part D enrollment decisions.

If you or someone you know have questions about Medicare or any other Medicare related topic, contact SHIP at (800) 452-4800, or online at www.medicare.in.gov. You can also find us on Facebook, Twitter, LinkedIn, and YouTube.