CHECKLIST | Preparing for Medicare Part D Creditable Coverage Changes in 2027

Presented by Towne Benefits

The Inflation Reduction Act (IRA) of 2022 continues to reshape the Medicare Part D program, which will affect the creditable coverage status of employer-sponsored prescription drug coverage for 2027. **As a result, this may make it harder for certain plans to qualify as creditable coverage**. To navigate these changes and ensure compliance, employers must proactively review their health plans' prescription drug coverage status.

This checklist is designed to help employers understand the implications of the revised creditable coverage methodologies, assess their current plan's creditable coverage status and identify necessary adjustments to comply with federal requirements and support their Part D-eligible participants.

1. Analyze Part D Changes and Impact on Creditable Coverage

Impact on Creditable Coverage	Complete
• Review the IRA and the related Contract Year (CY) 2027 Part D Final Rule from the Centers for Medicare and Medicaid Services (CMS) to understand how the IRA substantially increased the actuarial value of the standard Medicare Part D benefit. • Key changes were previously implemented via CMS program instructions and are now codified for 2027 and beyond, including the elimination of the coverage gap phase, a reduced annual out-of-pocket threshold, and the removal of cost sharing for enrollees in the catastrophic phase.	☐

2. Determine Plan's Creditable Coverage Status

Employers should confirm the creditable status of their prescription drug plans as soon as possible to prepare to send the appropriate disclosure notices.

Creditable Coverage Status	Complete
Understand how creditable coverage is defined: • A group health plan's prescription drug coverage is considered creditable **if its actuarial value equals or exceeds the actuarial value of standard Medicare Part D prescription drug coverage**. • In general, this actuarial determination measures whether the expected amount of paid claims under the group health plan's prescription drug coverage is at least as much as the expected amount of paid claims under the Medicare Part D prescription drug benefit.	☐
Ask your carrier, third-party administrator, pharmacy benefit manager or other service provider whether they have assessed the plan's creditable coverage status.	☐

If your carrier, third-party administrator, pharmacy benefit manager or other service provider has not made a determination, **choose the appropriate methodology** to evaluate whether coverage is creditable. For 2027, two methods are available: 1. A **revised simplified determination method**. This method cannot be used by employers that are applying for the retiree drug subsidy (RDS); and 2. An **actuarial determination.** The prior simplified determination method is **no longer available** for 2027.	Revised simplified determination method	☐
	Actuarial determination	☐

Using the Revised Simplified Determination Method	Yes	No	N/A
Does the plan provide reasonable coverage for brand-name and generic prescription drugs and biological products?	☐	☐	☐
Does the plan provide reasonable access to pharmacies?	☐	☐	
Is the plan designed to pay, on average, **at least 73%** (increased from 72% for 2026) of participants' prescription drug expenses?	☐	☐	
If you answered "No" to any question above, coverage is not creditable under this method.			

Using an Actuarial Determination	Yes	No	N/A
If your plan does not meet the design requirements for the revised simplified determination method, or you are applying for the RDS, you must make an **actuarial determination:** • Have you hired a qualified actuary? *Note: Although attestation by a qualified actuary is not required unless the plan sponsor is electing the RDS, employers may still need to hire an actuary to ensure the accuracy of the creditable coverage determination.*	☐	☐	☐

3. Evaluate Each Benefit Option and Adjust Plan Design if Needed

Applying the Creditable Coverage Test	Complete	N/A
Identify all benefit options offered under the group health plan (e.g., PPO, HMO, HDHP). Note that for coverage beginning on or after **Jan. 1, 2027**, account-based plans such as HRAs, health FSAs and HSAs are **exempt** from creditable coverage disclosure requirements.	☐	☐

Apply the creditable coverage test **separately** for each benefit option.	☐	☐
If coverage is no longer creditable, coordinate with benefits consultants to determine whether plan design adjustments are necessary (e.g., lowering deductibles or other cost-sharing provisions).	☐	☐

4. Prepare and Distribute Required Disclosures

Disclosure Deadlines	Complete
Distribute Part D notices to all Medicare-eligible individuals at the following times: • Prior to the effective date of coverage for any Medicare-eligible individual who joins the plan (because employers may not always know which employees are Medicare-eligible, most plans meet this requirement by including the notice in annual **open enrollment materials** that are distributed to all plan participants); • Prior to the Medicare Part D Annual Coordinated Election Period that begins **Oct. 15**; • Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable; and • Upon a beneficiary's request (while there is no formal guidance as to how soon the notice must be provided after a request, it is a good idea to provide it as soon as possible). **Compliance Tip:** If a notice distributed prior to Oct. 15 indicates that a plan's coverage is creditable, but design changes effective on the first day of a new plan year render it non-creditable, a new notice would need to be provided.	☐
Submit the CMS online disclosure form within 60 days of the plan year start (**March 1, 2027**, for calendar year plans).	☐

5. Document and Monitor Compliance

Ongoing Regulatory Developments	Complete
Keep records of actuarial analyses and coverage determinations.	☐
Monitor ongoing regulatory updates from CMS, including final rules, rate announcements and any Part D Redesign Program Instructions CMS may issue, to identify changes relevant for CY 2027 and beyond.	☐

Use this checklist as a guide when reviewing your company's compliance with Medicare Part D's disclosure requirements for 2027. For assistance, contact Towne Benefits.