

Medicare Creditable Coverage Compliance

Frequently Asked Questions

1. What are the Medicare creditable coverage compliance requirements for employers?

Employers that offer prescription drug (Rx) coverage are required to:

- determine annually whether that coverage is *creditable* or *non-creditable*;
- provide an annual notification to Medicare-eligible individuals who have been offered the employer-sponsored Rx coverage explaining the plan's creditability status, and
- report on their plan's creditability status to the Centers for Medicare and Medicaid Services (CMS).

2. What does it mean to be “creditable”?

Creditable coverage is prescription drug coverage that is expected to cover, on average, at least as much as the standard Medicare Part D prescription drug plan, whereas *non-creditable coverage* would be expected to fall below this threshold.

3. How does an employer figure out if their coverage is creditable or non-creditable?

There are three methods available for calculating whether a plan is creditable or non-creditable in calendar year 2025: a simplified determination method (2009), a revised simplified determination method (2025), or an actuarial analysis. Each option analyzes whether a plan is creditable under slightly different lens.

Under both simplified determination methods, the plan design is analyzed to determine if it's intended to cover a certain percentage of prescription drug expenses compared to the average Medicare Part D plan. A detailed comparison of the original and revised simplified determination methods is available in our [Calculation Comparison Chart](#).

In the actuarial method, actuarial principles are applied to establish whether the expected amount of paid claims under the plan are at least as much as those expected under a standard Part D plan. Employers are only required to utilize this method if they are seeking the retiree drug subsidy offered by CMS.

4. What methodology does Lumelight use?

We have designed our creditable coverage calculator to apply either the simplified determination method (2009) or the revised simplified determination method (2025). We give clients the choice on a plan-option basis which method they'd like us to use as part of our data collection process.

5. Does my plan need to be creditable?

No. Employers are not required to offer creditable coverage, and there is no employer penalty for offering non-creditable coverage to plan participants.

Medicare-eligible individuals, however, do need to make sure they're enrolled in creditable Rx coverage, whether that be through employer-sponsored benefits or a Medicare Part D plan. Inaccurate or untimely creditability determinations can lead to lifelong Medicare penalties for these individuals.

6. What are the notice and CMS reporting deadlines?

Plans must provide creditability notices to participants by October 14th. Though notices technically only need to be provided to Medicare-eligible individuals, we encourage employers to distribute the notices to all employees each year to avoid inadvertently excluding a required recipient.

Employers must report their plan's creditable/non-creditable status to CMS using their [Creditable Coverage Disclosure Form](#) no more than 60 days after the beginning of each plan year.

7. How should notices be sent?

Notices may be mailed to employees or delivered electronically if certain conditions are met. When an employee has a Medicare-eligible spouse or dependent, providing a notice to the employee is satisfactory unless the employer has specific knowledge that the Medicare-eligible spouse/dependent lives at a different address than the employee.

8. What should employers that have more than one prescription drug plan offering do?

Employers offering more than one Rx coverage should to complete a creditability calculation for every Rx plan offered and then distribute the applicable notice(s) accordingly.

9. What will Lumelight do?

We will collect applicable data to determine if the prescription drug coverage offered is creditable or non-creditable. We will then provide you with:

- A summary report based on our calculation;
- The applicable notice for you to distribute to employees and eligible individuals;
- Directions for disclosing your plan's status to CMS; and
- Any additional compliance obligations you may have to complete.

[Click here](#) to get started today!

For questions or more information, please email our dedicated service team at creditablecalc@lumelight.com.