



**Health Net**<sup>®</sup>  
Medicare Programs

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## Medicare Part D Creditable Coverage Notification Agreement

Beginning January 1, 2006, the Centers for Medicare and Medicaid Services (CMS) will introduce a Medicare Prescription Drug Plan (*known as Medicare Part D*), offering prescription drug coverage to all Medicare eligible beneficiaries. As part of the new Medicare Part D benefit, employers are required to inform their Medicare eligible employees (and retirees in some cases) whether their prescription drug coverage is considered “creditable”. The creditable coverage notice must also be provided to spouses of active employees who are covered by an employer’s plan and Medicare. Members must receive this notification by November 15, 2005.

Creditable coverage notices are not required for Part D eligible members when the employer chooses the retiree waiver option or Health Net SmartChoice, since these members will be enrolled in a Medicare Part D plan which is, by definition, creditable.

Employers must also disclose to CMS whether their prescription drug coverage is creditable, however CMS has not yet released guidance on how employers are to comply with this requirement. Once guidance has been provided by CMS, it will be your responsibility as the employer and plan sponsor to comply with this notification requirement.

Coverage is defined as “creditable” when its actuarial value equals or exceeds the standard Part D prescription benefit. If the coverage does not equal or exceed the value of the standard Part D benefit, it is considered “non-creditable.”

At your request, Health Net will provide support to you in complying with the CMS requirement for creditable coverage notification to your employees. Health Net agrees to assist in the following manner:

- Health Net will mail the **initial** creditable/non-creditable coverage notifications at no additional charge.
  - Creditable coverage notices will be mailed to all Medicare eligible retirees (for employers that select the Retiree Drug Subsidy Option) and all active employees over 65.
- Health Net will provide (no later than November 1, 2005) a listing of all Medicare eligible retirees and active employees over 65 that were included in the mailing.

Health Net cannot guarantee the accuracy of identifying active members under 65 with Medicare so this population will not be included in Health Net’s support of notification

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mailing. Any Medicare-eligible member not identified by Health Net, including active employees or dependents under 65 receiving Medicare through disability, will be your responsibility as the employer and plan sponsor to provide the required notice of creditable coverage. Additionally, it will be your responsibility to notify members aging into Medicare in 2006, future annual mailings, and upon benefit changes (as defined by CMS).

By submitting a request to Health Net for assistance with the CMS requirement for creditable coverage notification, you acknowledge acceptance of all responsibilities associated with ensuring employees and retirees are appropriately notified.

Best Regards,  
Account Management  
Health Net of the Northeast, Inc.