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Did You Know...

Beginning in 2006, a retiree drug subsidy is available to qualified plan sponsors?

Employer Risks and Exposures

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 has created a new prescription drug benefit beginning in 2006, called Medicare Part D, to individuals who are entitled to benefits under Medicare Part A or enrolled in Medicare Part B. To discourage employers from eliminating their retiree prescription drug plans, the regulation is offering a subsidy to those plan sponsors that provide retiree drug coverage to qualified covered retirees. Plan sponsors can include private and public sector employers, churches, and union health funds.

Certain criteria must be met in order for a plan sponsor to qualify for the subsidy. First of all, the plan's retiree drug coverage must be actuarially equal to, or better than, Medicare's Part D drug benefit. The subsidy is only available for eligible drug costs incurred by qualified covered retirees. A qualified covered retiree is an individual who is: 1) covered by a qualified retiree drug plan; 2) entitled to benefits under Medicare Part A or enrolled in Medicare Part B; and 3) *not* enrolled in Medicare Part D. Qualified plan sponsors must also provide a notice to Medicare eligible individuals under the plan by November 15, 2005, stating that the plan's prescription drug coverage is "creditable coverage."

In 2006, qualified plan sponsors will receive special tax-favored payments of 28% of each qualifying retiree's eligible prescription drug costs between \$250 and \$5,000. The subsidy is estimated to average \$668 per qualified retiree for 2006.

Electronic applications for the retiree drug subsidy are being accepted at www.rds.cms.hhs.gov between August 1st and September 30, 2005, for plan years ending in 2006. A 30-day extension can be requested. For each plan year thereafter, applications must be submitted 90 days prior to the start of the plan year.

Avoiding Disaster

If you offer retiree prescription drug coverage and you're interested in receiving the subsidy, submit your application by the September 30th deadline date or request the 30-day extension. Before you submit your application, you may need to hire a qualified actuary to determine whether your retiree drug plan is actuarially equivalent to Medicare Part D. If you qualify for the subsidy, provide notice of "creditable coverage" to Medicare eligible participants by November 15.

If you have questions or for more information about the retiree drug subsidy, contact **AMTEK's** Human Resource Hot Line at

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