Medicare Prescription Drug Creditable Coverage Analysis

County of Lee

2021 Plan Year

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Preparation of This Actuarial Report

County of Lee

This report has been prepared to present our analysis of the prescription drug coverage provided by County of Lee (LCG). The purpose of this analysis is to demonstrate that County of Lee's programs meet the creditable coverage requirements of Part D of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Medicare Modernization Act") for the plan year beginning January 1, 2021. The use of this report for purposes other than those expressed here may not be appropriate.

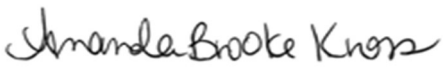
In conducting the analysis, we have relied on personnel, plan design, and prescription drug cost information supplied by County of Lee and by its pharmacy benefits manager (PBM).

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of the Medicare Modernization Act, the Patient Protection and Affordable Care Act (the "Affordable Care Act"), The Health Care and Education Reconciliation Act (the "Reconciliation Act"), and related regulations and guidance.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. In our opinion, the assumptions used represent reasonable expectations of anticipated plan experience.

The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Aon Consulting, Inc.



Actuary
Associate of the Society of Actuaries
Member of the American Academy of Actuaries (AAA Membership #37995)

September 2020

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Background and Summary of Findings

Background

The Medicare drug program was enacted as part of the Medicare Modernization Act and generally became effective on January 1, 2006.

Due to a change under the Affordable Care Act, all employers who sponsor a group health plan that provides prescription drug coverage will need to notify participants **prior to** October 15, 2020, whether their coverage under the 2021 plan is creditable coverage. **This means that the notices must be mailed at least a week before October 15, 2020.**

Creditable Coverage

Creditable coverage generally means prescription drug coverage received through an employer group health plan that has a value actuarially equivalent to or greater than the standard prescription drug coverage under Part D.[1] This is measured by looking at the plan design of such other coverage and comparing it with the plan design of standard prescription drug coverage under Part D. This test does not take into account the financing of the coverage; rather, it considers whether the expected amount of paid claims (or plan payout) under the other coverage is at least equal to the expected amount of paid claims under the standard Medicare Part D benefit.

In addition, prescription drug coverage under a Medicare Part D Prescription Drug Plan (PDP) or Medicare Advantage Prescription Drug (MA-PD) plan also is considered creditable. However, the notice provisions that apply to other types of employer-sponsored prescription drug plans that require testing do not apply, since the coverage actually is “Part D.”

Creditable Coverage and Part D Late Enrollment Penalty

Upon becoming eligible for Part D, an individual must decide whether to enroll in Part D or delay enrollment and face a possible late penalty upon future enrollment. If an individual delays enrollment because he or she has coverage under another prescription drug plan (and such coverage is “creditable”), the financial penalty will not apply if the individual later loses that coverage and decides to enroll in Part D.

[1] While the value of the standard Part D benefit will increase as a result of health care reform legislation, Section 1101(b)(4) of the Reconciliation Act specifically indicated that for actuarial equivalence purposes, plans do **not** need to take into account the value of any discount or coverage provided during the Medicare Part D coverage gap (i.e., donut hole) in prescription drug coverage that occurs between the initial coverage limit and out-of-pocket threshold. In addition, CMS confirmed that creditable coverage is determined without considering the “closing” of the donut hole. See 42 CFR 423.56, as amended.

If an individual has a lapse in creditable coverage for a continuous period of 63 days or longer, then an enrollment penalty (or higher premium) will apply. The 63-day period will begin the day following the end of the beneficiary's initial enrollment period (or, if later, the day following the beneficiary's last day of creditable coverage under another plan). The beneficiary's premium that would otherwise apply is increased by at least 1% of the base beneficiary premium (set by CMS each year) for each month without creditable coverage (and the penalty will be recalculated each year, because the base beneficiary premium changes annually). The penalty may be higher if CMS determines that a greater amount is actuarially justified.

Creditable Coverage Notice Requirements

Any employer providing prescription drug coverage that is not Part D coverage, such as a PDP or an MA-PD, is required to notify all Part D-eligible individuals enrolled or seeking to enroll in the employer's prescription drug plan whether or not the coverage is creditable. CMS most recently issued updated model notices for use on or after April 1, 2011. In addition, CMS most recently issued guidance on disclosure to CMS on June 29, 2009. Employers should ensure that they are using the most up-to-date notices (and requirements).

The notice must be provided to Part D eligibles enrolled or seeking to enroll in an employer's prescription drug plan coverage:

1. Prior to the Part D annual coordinated election period, which begins on October 15 of each year.

2. Prior to the individual's initial enrollment in Part D.

3. Prior to the effective date of coverage for any Medicare-eligible individual who joins the employer's prescription drug plan.

4. Whenever the employer no longer offers prescription drug coverage (arguably, including discontinuing a particular option) or the option's creditable status changes.

5. Upon a beneficiary's request (personalized notice must be provided).

If the notice of creditable/noncreditable coverage is provided to **all** plan participants, CMS will consider Items 1 and 2 to be met. In addition, "prior to" means that the participant must have been provided notice within the past 12 months.

Note: *If an employer decides not to comply with the above "safe harbor," it must, at a minimum, mail the notice to any individual who is or will become Part D eligible within the upcoming plan year, including active employees. This provision applies to* ***all*** *of the employer's prescription drug plans, not just those for which the employer is applying for the retiree drug subsidy.*[1]

[1] The notice requirements do not apply to Part D plans, including PDPs and MA-PDs that contract with CMS to offer Part D. While an employer technically is not required to provide a notice with respect to its MA-PD participants (to be contrasted with a Medicare Advantage plan that offers prescription drug coverage that is not Part D), it may be prudent to send a notice explaining that the plan offers "Part D" coverage so the notice does not apply.

Employers may include the notice with other mailings, including annual enrollment materials and summary plan descriptions provided certain requirements are met. However, if employers include the notice with other mailings, the notice must be prominent and conspicuous (i.e., on the front page of the materials being provided to the plan participant a box must reference the notice in at least 14-point font).

Disclosure to CMS

All employers must disclose to CMS the creditable status of their prescription drug plans for which they are not obtaining the retiree drug subsidy, but have Part D-eligible enrollees. For 2021, this disclosure must occur 60 days after the beginning date of the plan year for which the entity is providing notice to CMS. So, for example, a calendar-year 2021 plan should complete this disclosure by March 1, 2021.

Summary of Findings

All of County of Lee's plans provide creditable coverage for purposes of Medicare Part D.

Creditable Coverage Demonstration

The table below lists the plans tested and for each plan shows the following:

- **Plan Value—**The Plan Value is the estimated annual cost per Medicare-eligible participant of the prescription drug benefits provided by the County of Lee plan.
- **Part D Value—**The Part D Value is the estimated annual cost per Medicare-eligible participant of the prescription drug benefit that would be provided by the standard Medicare Part D program if the retiree enrolled in Medicare Part D instead of the County of Lee plan.
- **Ratio—**The Ratio shown is the Plan Value divided by the Part D Value. The greater this ratio the greater the margin by which the plan satisfies the creditable coverage requirements.
- **Result—**The plan passes the creditable coverage test if the Plan Value is greater than or equal to the Part D Value. The plan fails the creditable coverage test if the Plan Value is less than the Part D Value.

The plan values and Part D values below are for the purposes of creditable coverage only.

All of the County of Lee plans satisfy the creditable coverage requirement.

		Aetna Select	Choice POS II
(1)	**Development of (Gross) Employer Value**	**$3,790**	**$3,790**
(2)	**Development of (Gross) Medicare Part D Value**	**$2,441**	**$2,441**
(3)	**Gross Value Test: Is (1) greater than (2)?**	**Pass**	**Pass**
	— Gross Test Passing Margin	**55%**	**55%**

Plan Provisions

County of Lee Health Care Plans

Prescription Drug Plan Design

Participants pay a portion of prescription drug costs as follows:

	Aetna Select	**Choice POS II**
Deductible	None	None
Out-of-Pocket Maximum	$1,500	$1,500
Benefit Maximum	None	None
Retail		
▪ Generic	$10	$10
▪ Preferred	$20	$20
▪ Nonpreferred	$35	$35
▪ Specialty	$0	$0
Mail Order		
▪ Generic	$0	$0
▪ Preferred	$40	$40
▪ Nonpreferred	$70	$70
▪ Specialty	$70	$70

Standard Medicare Part D Plan

Prescription Drug Plan Design

Under the standard Part D plan design, participants pay a portion of prescription drug costs as follows. For purposes of creditable coverage determination, CMS permits a comparison to a Part D plan with 100% participant paid coinsurance in the coverage gap (the design that existed before changes introduced in the Affordable Care Act).

	Participant Pays
Deductible	$435
Coinsurance and Coverage Limits	▪ 25% to initial coverage limit of $4,020 ▪ 100% between $4,020 and $9,038.75 (the donut hole) ▪ 5% for charges above $9,038.75 (Subject to minimum $3.60 generic or preferred multi-source drug/$8.95 brand copayment per prescription.)

Actuarial Assumptions and Methods

Value of Medicare Part D Benefits

The value of the employer's plans and the standard Medicare Part D benefits were estimated using the claims distribution in the Aon actuarial pricing model. The values were calculated by applying the deductible, copay, and coinsurance provisions of the employer's plans and the standard Medicare Part D benefits to produce the estimated cost of all plans. In performing this analysis, we have assumed that differences in plan design cost sharing do not produce materially different utilization patterns.

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