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September 17, 2024

Subject: Medicare Part D Prescription Drug Creditable Coverage Analysis for 2025

Dear Ali:

This letter summarizes our analysis and results in determining whether the prescription drug benefit plans offered to Oregon Public Employees' Benefit Board (PEBB) employees and retirees qualify as creditable prescription drug coverage. The results of the analysis enable PEBB to disclose to participants and to the Centers for Medicare & Medicaid Services (CMS) whether or not coverage is creditable as required by CMS provisions listed in regulation 42 CFR §423.56(e). The analysis required for this determination is a gross value test of PEBB's prescription drug benefit plans to determine if the plans meet or exceed the actuarial value of the benefit provided by standard Medicare Part D coverage.

Our analysis determined that PEBB's Moda, Providence Choice, and Providence Statewide full-time and part-time health plans pass the gross value test and qualify as providing creditable prescription drug coverage in 2025.

## Background

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) was enacted on December 8, 2003. Among many changes, the MMA introduced outpatient prescription drug coverage (Part D) beginning January 1, 2006.

Similar to Part B, Medicare-eligible beneficiaries who delay Part D enrollment will be required to pay late enrollment fees. For Part D, the fee is 1% of the national base premium for every month of delay. Late enrollment fees will be waived if the beneficiary had participated continuously (i.e., without a gap of 63 days or longer) in an employer plan that provided Creditable Coverage since first eligible for Part D enrollment. An employer plan is considered to be creditable if it passes the gross value test (i.e., if its benefits, before considering participant contributions, are of actuarial value that equals or exceeds that of standard Part D benefits).

All employers are required annually to provide their participants who are enrolled in (or seeking to enroll in prescription drug benefits<sup>1</sup>), and are eligible for Medicare Part D, with Creditable Coverage Notices or Non-Creditable Coverage Notices, whichever applies. Participants eligible for Medicare Part D include the following, if enrolled in Medicare Part A or Part B:

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<sup>1</sup> Employers are not required to provide Creditable Coverage notices to participants in employer-sponsored Prescription Drug Plans (PDPs) certified by CMS and Medicare Advantage plans (Medicare HMOs and PPOs) since these plans will provide the participants' Creditable Coverage notices.

- Retirees/COBRA qualified beneficiaries age 65 and older; age 65 and older dependents of retirees/COBRA qualified beneficiaries
- Active employees age 65 and older; age 65 and older dependents of active employees
- Medicare-eligible disabled current or former employees; Medicare-eligible disabled dependents of current or former employees

For employer plans that do not provide prescription drug benefits, there are no requirements to provide Creditable/Non-Creditable Coverage Notices.

## Methodology and Assumptions

The creditable coverage test is applied to specific “benefit options.” The regulations define a benefit option as “a particular benefit design, category of benefits, or cost-sharing arrangement offered within a group health plan.” Based on this information, we evaluated benefit options described in Appendix A.

The calculations of expected plan costs for the Standard Part D Plan and PEBB's benefit options for the gross value test use a proprietary model developed by Mercer Health & Benefits (Mercer). We performed sensitivity analyses to test a range of key assumptions that represent likely cost levels and utilization patterns of eligible populations.

Each benefit value was compared to the prescription Rx coverage for the 2025 Standard Part D plan used for testing creditable coverage as follows:

Standard Part D Plan for testing purposes <sup>2</sup>	
Deductible	\$590
Initial Plan Coverage Coinsurance (Does not include the value of manufacturer discounts)	65% Brand, 75% Generic
Retiree Out of Pocket (OOP) Threshold	\$2,000
Plan Coverage After OOP is Met (Does not include the value of manufacturer discounts)	80% Brand, 60% Generic

## Results

We evaluated the prescription drug coverage for the 2025 PEBB health plans using PEBB specific plan designs. The expected eligible charges were derived from normative data for a Medicare-eligible individual. Our testing has

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<sup>2</sup> Note that the 2025 Standard Plan is the plan design set out in the Inflation Reduction Act of 2022, which made several amendments and additions to the Social Security Act (“the Act”) that affect the structure of the defined standard Part D drug benefit. The tested plan continues to exclude the value of manufacturer discounts as part of the standard Part D design as clarified in Section 90 of the final 2025 Part D redesign instructions published by CMS.

indicated that the 2025 Moda, Moda Part-Time, Providence Choice, Providence Choice Part-Time, Providence Statewide, and Providence Statewide Part-Time plans provide creditable coverage.

	Moda	Moda Part-Time	Providence Statewide	Providence Statewide Part-Time	Providence Choice	Providence Choice Part-Time
<b>Expected 2025 Eligible Charges</b>	100%	100%	100%	100%	100%	100%
<b>Gross Benefit Test</b>						
<b>A. Gross Rx Plan Cost</b>	96.3%	96.1%	96.3%	96.3%	96.3%	96.1%
<b>B. Gross Part D Cost</b>	73.4%	73.4%	73.4%	73.4%	73.4%	73.4%
<b>C. Creditable Coverage Margin (A. – B.)</b>	22.9%	22.7%	22.9%	22.9%	22.9%	22.7%
<b>Pass/Fail Creditable Coverage (PASS if A. &gt; B.)</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>	<b>PASS</b>

Because PEBB's expected paid cost as a percentage of total cost exceeds the corresponding Standard Part D plan paid cost percentage, these benefit options pass the gross value test and provide creditable coverage. Kaiser will conduct Medicare Part D testing for the health maintenance organization (HMO) and Deductible plans and to confirm that PEBB's plans pass the gross value test and qualify as providing creditable prescription drug coverage in 2025.

## Required Steps

The following are required steps by PEBB:

1. Distribute creditable coverage/non-creditable coverage notices to individuals before October 15, 2024.
2. Notify CMS of the creditable coverage status of the plan on the CMS website by March 1, 2025 (within 60 days after the beginning date of the plan year).
3. If there are any changes to a plan design, the plan should be reviewed to determine if it still passes the Creditable Coverage Test.

## Important Caveats and Limitations of Mercer's Analysis

In preparing this report, we have employed Mercer's proprietary creditable coverage software and tools. Mercer has prepared this letter exclusively for PEBB, regarding whether your 2025 plans qualify as providing creditable prescription drug coverage in 2025. We have relied on experts who developed this model, which we have

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customized for purposes of this engagement. This determination applies to PEBB's medical plans for the 2025 plan year. It does not predict a plan's ability to meet these requirements in the future. These determinations may not be used or relied upon by any other party or for any other purpose. Mercer is not responsible for the consequences of any unauthorized use.

In conducting our analysis, we have relied on information supplied by PEBB. PEBB is solely responsible for the validity, accuracy, and comprehensiveness of this information. If the data supplied is not accurate and complete, this determination may need to be either revised or withdrawn as no longer valid.

All of our analyses, including estimates/determinations, are based on the information and data available at a point in time and the projections are not a guarantee of any financial or other results that might be achieved. Any projections are subject to unforeseen and random events and so must be interpreted as having a potentially wide range of variability from the estimates/determinations.

## **Actuarial Certification**

The actuarial determinations in this letter are in accordance with the Actuarial Standards of Practice (ASOPs) established by the Actuarial Standards Board (ASB) and with our understanding of the applicable laws and regulations.

I am available to answer any questions on the material contained in this letter, or to provide explanations or further details as may be appropriate. I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained in this letter.

Sincerely,

Emery Chen, ASA, MAAA  
Principal

Copy: Andrew Hofheimer, Maggie King-Cate, Emily Fuller

*It is important to note that while our consultants are very familiar with the design, administration and operation of employee benefit plans and the law applicable to those activities, Mercer is not a law firm. Therefore, our recommendations should not be construed as, nor are they intended to be, legal advice.*

