



GEORGE E. PATAKI
GOVERNOR

STATE OF NEW YORK
DEPARTMENT OF CIVIL SERVICE
THE STATE CAMPUS
ALBANY, NEW YORK 12239
www.cs.state.ny.us

DANIEL E. WALL
COMMISSIONER

JOHN F. BARR
EXECUTIVE
DEPUTY COMMISSIONER

PA05-16

MEMORANDUM

TO: Participating Agency Health Benefits Administrators
FROM: Employee Benefits Division
SUBJECT: Medicare Part D Prescription Drug Coverage and NYSHIP
DATE: September 28, 2005

Second mailing to enrollees

In late September, the Employee Benefits Division will mail a second Medicare Part D letter and a Notice of Creditable Coverage to all NYSHIP enrollees (active and retired) age 64 and older as of mid-September or eligible for Medicare due to disability. The letter explains how Medicare Part D prescription drug coverage relates to their Empire Plan drug coverage under NYSHIP.

A copy of the letter and the Notice of Creditable Coverage are attached so you are aware of the information sent to enrollees and to keep you informed on this important issue. They also will be on NYS OnLine (www.cs.state.ny.us/ebd/) and ebd_online (www.cs.state.ny.us/ebdonline/).

Enrollees with questions about Medicare Part D prescription drug coverage should call Social Security, Medicare or The Empire Plan toll free number. If you have questions about NYSHIP benefits, please call your processor. If you have questions about this distribution, please call EBD Communications at 1-518-457-7577.

Creditable Coverage

Employers are required by Medicare to provide a Notice of Creditable Coverage to enrollees eligible to join a Medicare prescription drug plan. Creditable coverage means that the prescription drug benefit that retirees receive through their employer plan is, on average, at least as good as the coverage available under a Medicare Part D prescription drug plan. We will send Medicare-eligible enrollees and dependents notices of creditable coverage annually and upon certain events, such as initial eligibility for Medicare. The first annual NYSHIP Notice of Creditable Coverage will be enclosed with the Medicare Part D letter.

An enrollee who has creditable coverage may join Medicare Part D in the future without a penalty for late enrollment (in the form of a higher premium) as long as enrollment occurs within 62 days of termination of the creditable coverage.

Medicare Part D Low Income Subsidy and the No-Drug Empire Plan Option

As the attached letter to enrollees explains, most Empire Plan enrollees should not enroll in Medicare Part D since they will have better benefits under their Empire Plan coverage. However, Medicare will provide extra help with prescription drug costs under Medicare Part D to

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individuals with limited incomes and resources through the Low Income Subsidy. An enrollee who is approved for the Low Income Subsidy may have lower out of pocket costs for prescription drug benefits under Medicare Part D than under The Empire Plan. Therefore, these individuals should consider enrolling in Medicare Part D.

New York State retirees approved for the Low Income Subsidy will be offered enrollment in a no-drug option at a reduced premium. Or, those approved for the subsidy may elect to keep NYSHIP prescription drug coverage as secondary coverage. Participating Agencies may elect to adopt this policy as well. If your agency elects to do so, the following will apply:

- Your agency will be billed the lower premium for enrollees who are approved for the subsidy, enroll in Medicare Part D and elect to drop their Empire Plan drug coverage. The No-Drug Empire Plan rate will be available when 2006 rates are approved later this year.
- Your agency will be responsible for obtaining proof of Medicare approval from enrollees who are eligible for the subsidy and choose to drop their Empire Plan drug coverage.
- Your agency must provide a copy of the Low Income Subsidy approval to the Employee Benefits Division to have the enrollee placed in the No-Drug Empire Plan option.
- If an enrollee who qualifies for the Low Income Subsidy has family coverage, all covered dependents must be eligible for the subsidy in order to drop their Empire Plan prescription drug coverage.
- The Employee Benefits Division will periodically receive from Medicare a list of Empire Plan enrollees and dependents who have enrolled in Medicare Part D. Based on this information, we will provide you with a list of your agency's Medicare eligible enrollees and dependents who have enrolled in Part D so that you can contact them to determine if they have been approved for the subsidy.

Please note: *The No-Drug Empire Plan option will be available **only** for enrollees approved for the Medicare Part D Low Income Subsidy. This option will not be available to other Participating Agency enrollees.*

For information about the Low Income Subsidy including the eligibility requirements and application process, contact Social Security at **1-800-772-1213** or visit www.socialsecurity.gov. Individuals may apply either through the Social Security Administration or their local Medicaid office.

Medicare Part D Employer Subsidy

The Federal legislation that created Medicare Part D also provides for a subsidy to employers who continue to provide prescription drug coverage that is as good as or better than the standard Medicare Part D benefit. The Employee Benefits Division will administer the Employer Subsidy for NYSHIP Participating Agencies. Details will be provided to you and your agency Chief Executive Officer during October in a separate mailing. Since this topic also will be discussed at the PA Regional Meetings (scheduled for the first week of October), we encourage you to attend.