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PA 06-09

TO: Participating Agency Health Benefits Administrators

FROM: Employee Benefits Division

SUBJECT: Medicare Part D and the Employer Subsidy

DATE: March 30, 2006

The purpose of this memorandum is to provide Participating Agency Health Benefits Administrators with an update of Medicare Part D activities and the status of the Employer Subsidy.

Medicare Part D and Empire Plan Benefits

As indicated in the latest Quarterly Report, NYSHIP News Section, the Division continues to work with the Centers for Medicare and Medicaid Services (CMS) on issues and procedures related to the implementation of Medicare Part D. Based on reports we received from CMS, the Division is sending letters to all NYSHIP enrollees who have either enrolled or attempted to enroll in Medicare Part D. These enrollees are being reminded that NYSHIP is creditable coverage and it is in their best interest to enroll in Part D **ONLY** if they are eligible for the Low Income Subsidy. Please remember that your agency is not eligible for a subsidy for anyone who enrolls in Part D.

The letter instructs enrollees to contact his or her former employer if they have been approved for the Low Income Subsidy and wish to drop the Empire Plan prescription drug coverage. We will require these enrollees to send a copy of their Low Income Subsidy award letter to their former employer. If you receive any, please send us a copy to verify eligibility for the no-drug coverage.

Based on PA Memo 06-01, dated January 4, 2006, we urge you to carefully review the error reports included with the memo and to correct any errors in these records. This is necessary in order to maximize your subsidy payment.

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Medicare Part D Employer Subsidy

We have received updates from CMS with regard to their progress in implementing the retiree drug subsidy for employers. Since CMS is significantly behind schedule, they are projecting that they will be prepared to receive payment requests beginning July 1, 2006. The Employee Benefits Division is ready to submit prescription cost data and payment requests at the present time; however, there is not an operational system in place at CMS to receive this data. As you know, the original plan was for this process to begin in January.

Based on CMS's current projections, we expect that the first subsidy payment to Participating Agencies will not be made until the September billing. We are committed to relaying the subsidy to your agency as soon as possible, if a scheduled payment can be made earlier by CMS.

We will continue to keep you informed of any new developments with regard to Medicare Part D.