

**Tip Sheet for Employer & Union Plan Sponsors:  
BENEFICIARIES WHO WILL BE AUTOMATICALLY ENROLLED IN A MEDICARE DRUG  
PLAN AND HOW THEIR RETIREE COVERAGE WILL BE AFFECTED**

**HOW EMPLOYERS, UNIONS AND OTHER PLAN SPONSORS ARE RESPONDING TO THE  
MEDICARE MODERNIZATION ACT**

On January 1, 2006, the new Medicare prescription drug benefit goes into effect. Some employer and union retiree drug plans are designed to take the place of Medicare drug coverage, while other plans are designed to supplement Medicare drug coverage. Many employer/union retiree drug plans designed to take the place of Medicare drug coverage do not provide coverage to retirees that enroll in a Medicare drug plan. If a retiree covered by one of these plans signs up for a Medicare drug plan, they may lose their retiree prescription drug coverage, they may also lose their retiree medical coverage, and their spouse and dependents may lose their retiree medical and drug coverage.

**BENEFICIARIES WHO ARE ELIGIBLE FOR MEDICARE'S LOW INCOME SUBSIDY FACE  
DIFFERENT CHOICES**

For most retirees, choosing between continuing employer/union drug coverage and enrolling in a Medicare drug plan is not difficult to make because their current retiree coverage is more generous than Medicare drug coverage. However, retirees who are eligible for Medicare's low income subsidy benefit - which provides drug coverage with significantly reduced cost-sharing - will often receive substantially better drug coverage from Medicare than their retiree plan.

**SOME RETIREES WILL BE AUTOMATICALLY ENROLLED IN A MEDICARE DRUG PLAN,  
WHICH COULD ADVERSELY AFFECT THEIR EMPLOYER/UNION COVERAGE**

**Who are the Medicare drug plan auto-enrollees?** Prior to January 1, 2006, about 6 million Medicare beneficiaries received their medical and prescription drug coverage through their State Medicaid programs. The Medicare Modernization Act requires that these beneficiaries be automatically enrolled in a Medicare drug plan effective January 1, 2006, unless they elect to opt out and disenroll. These beneficiaries received letters from Medicare explaining which Medicare drug plan they would be auto-enrolled in. Many of these beneficiaries may be incapable of performing their activities of daily living, so nursing home administrators, state pharmacy assistance programs or other persons or entities may act as their representative.

**Who are the Medicare drug plan facilitated enrollees?** For the first five months of 2006, beneficiaries who are eligible for the Low Income Subsidy benefits provided by Medicare will be assisted to enroll in a Part D plan. These beneficiaries are "facilitated enrollees" and their Medicare drug coverage will be effective June 1, 2006 or later unless they elect to opt out and disenroll.

**Some of these auto-enrollees and facilitated enrollees are also retirees receiving prescription drug coverage from an employer or union that does not provide drug coverage to retirees that enroll in a Medicare drug plan.** These retirees can opt out of Medicare drug coverage, in order to keep their employer/union coverage, by simply calling 1-800-Medicare or by contacting the Medicare drug plan in which they were enrolled. Be aware that retirees who find themselves in this situation may be confused and worried about losing retiree and/or Medicare coverage, and may need help and extra time to decide which plan is best for them.

#### **WHY PLAN SPONSORS SHOULD BE ESPECIALLY CONCERNED ABOUT AUTO-ENROLLEES AND FACILITATED ENROLLEES**

The auto-enrollment and facilitated enrollment of these beneficiaries in Medicare drug plans can affect retiree plans in several ways. Some employers/unions have advised retirees that if they enroll in a Medicare drug plan they will lose their employer/union prescription drug coverage, and in some cases retiree medical coverage as well. If a plan has retirees who have also been auto- or facilitated-enrolled, some of those retirees may wish to opt out of Medicare drug coverage to keep their retiree coverage but experience difficulty doing so in a timely manner.

In addition, some auto-enrolled and facilitated enrolled retirees will face difficult personal decisions. When retirees have to choose between retiree drug coverage and Medicare drug coverage, determining which provides the best drug coverage is not their only consideration. They need to consider whether signing up for a Medicare drug plan will cause them or a family member to lose retiree drug coverage and possibly medical coverage that they can not afford to lose. If they or a covered family member is in a nursing home and Medicaid pays for part of all of the nursing home expenses, they need to consider whether enrolling in a Medicare drug plan is a requirement for Medicaid to continue paying for the nursing home care.

#### **WHAT CAN EMPLOYER & UNION RETIREE PLAN SPONSORS DO TO HELP?**

Employer and union plan sponsors can take one or more of the following steps to reduce or eliminate the risks and adverse consequences facing retirees and their families.

***Flexible transition/correction period:*** Many plan sponsors realize that retirees who wish to opt out of Medicare drug coverage in order to retain their employer coverage may not be able to do so in a timely manner. In recognition of this fact, they are:

- Deferring any permanent changes in retirees' plan eligibility, enrollment or covered benefits for a period of time to allow extra time for retirees to opt out of their autoenrolled Medicare drug plan;
- Providing a special enrollment period for retirees to re-enroll in the employer/union plan; and/or
- Coordinating benefits with Medicare drug plans for a period of time until retirees can opt out of the Medicare drug coverage.

***Split retiree/family enrollment:*** Many plan sponsors are allowing spouses and dependents to continue receiving coverage from the employer/union plan even when the retiree enrolls in a Medicare drug plan.

***Adding a supplemental coverage option:*** Although they did not initially intend to provide a supplemental coverage option to retirees, a number of employer and union plan sponsors have added one in order to address these types of situations.

***Assisting retirees to opt out of a Medicare drug plan if that is what they choose to do:*** Plan sponsors are an important source of information, and many have provided educational materials to retirees that explain how to disenroll from a Medicare drug plan by calling 1-800-Medicare or by contacting the Medicare drug plan in which they are enrolled.

**If You Need More Information....**

Visit the CMS website at <http://www.cms.hhs.gov> or contact the Employer Policy and Operations Group's Division of Outreach.