



# Allen SINCE 1960 Associates **Advisor**

EMPLOYEE BENEFIT PLANS

FINANCIAL SERVICES

## Always growing to meet your needs...

*Welcome to the Allen Associates Advisor newsletter.* The main goal of this publication is to help educate you about the trends and issues affecting your health insurance and financial planning services. We offer this information as yet another method of sharing our expertise with you, which is a cornerstone of our business.



Richard and Robert Allen

**Allen Associates** is well known for providing our clients with solid advice and a warm, personal touch that is unmatched by our competitors. You experience it every time you call our friendly and helpful staff, each of whom are dedicated to solving your problems quickly, so you can get on with your life.

We are currently growing to better meet your needs. We have two great recent additions: Larry Miller and Laura Lombardo — both consummate professionals and excellent additions to the **Allen Associates** family. We are happy to welcome them. *While our staff may grow, one thing that will never change is our dedication to our clients.*

Thank you for allowing us to serve you.

## The ABCs about Medicare Part D

For the first time, persons eligible for Medicare can choose optional prescription drug coverage in 2006. Employers who offer prescription drug benefits to persons eligible for Medicare must take steps to prepare for the new Medicare prescription drug benefit called "Part D."

### Description of Medicare drug benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 added Medicare Part D, with benefits available to anyone 65 years or older or who is eligible for Medicare because of disability. Enrollment for Part D coverage begins on November 15, 2005, with benefits becoming available January 1, 2006.

Eligible individuals who choose Part D will pay a monthly premium (estimated at \$37 per month in 2006), and are responsible for the first \$250 of their annual drug costs. After that, the amount paid by Part D varies based on three tiers that are determined by the total amount of drug costs incurred during the year.

**Tier 1:** After meeting a \$250 deductible, annual drug costs from \$250 to \$2,250 require a 25% co-pay

**Tier 2:** The "doughnut hole": Annual drug costs from \$2,250 to \$5,100 require the insured to pay 100%.

**Tier 3:** Annual drug costs over \$5,100: The participant pays a maximum annual out-of-pocket ("OOP") cost of \$3,600, and is eligible for catastrophic coverage under Part D. After the OOP limit is reached,

the participant is required to pay a co-pay for generic and brand name prescriptions or 5% of the cost of the prescription, whichever is greater.

### Late enrollment penalty

For eligible individuals who choose not to enroll immediately upon eligibility, the monthly premium is subject to a late enrollment penalty. The amount of the penalty is 1% for each month that the individual delays enrollment after first becoming eligible. For example, an individual who enrolls in Part D 20 months after initially becoming eligible will have premiums 20% higher than participants who enrolled timely.

An individual who has "creditable coverage" under a private health plan can choose not to enroll in Part D when first eligible without penalty, but that person must enroll less than 63 days after losing the private health coverage.

### Employer's obligation to provide Notice of Creditable Coverage

With late enrollment penalties looming, it is critical for Part D eligible individuals with private prescription drug benefits to know immediately if their private plan provides "creditable coverage."

It is the employer's responsibility to issue a **Notice of Creditable Coverage** to each plan participant who is eligible for Part D no later than November 15, 2005, with additional notices

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## Medicare Part D

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sent annually. This notice will disclose whether or not the plan's drug benefits are considered creditable coverage, and will provide other information about the participant's rights to benefits under Part D. Employers must also notify the Centers for Medicare and Medicaid Services (CMS) whether the coverage is creditable.

### Does your plan provide "Creditable Coverage"?

Employers are required to determine whether their health plan provides drug benefits that are "creditable coverage." To be creditable, the health plan's prescription drug coverage for Part D eligible individuals must be **at least equal in value on an actuarial basis** to the value of coverage that would be provided under Part D.

The CMS has provided simplified rules that label certain health plans to be creditable, provided they meet specific standards regarding:

- ▲ Types of prescription drugs covered
- ▲ Access to retail providers
- ▲ Limits on deductibles
- ▲ Benefit maximums
- ▲ Covering an average of at least 60% of participants' prescription drug expenses, which is determined by an actuary.

### Plan design options for employers

Employers have a number of options for coordinating drug coverage in their health plans with the new Part D including:

- ▲ Continuing the drug benefit currently contained in their health plans.
- ▲ Eliminating drug coverage in their health plans, or eliminating the coverage only for retirees.
- ▲ Eliminating drug coverage for retirees, and subsidizing or paying the premiums for coverage of eligible individuals under Part D.
- ▲ Providing health plan drug coverage for Part D eligible individuals that "wraps around" the Part D benefit.

How will Medicare Part D affect your company's benefits package? Consult with your current prescription card carrier.

### Expertise in financial planning

Planning on retirement? When you retire, we can help with your financial planning. You should call us.

## Allen Associates welcomes...

### G. Larry Miller Consultant



Larry joins Allen Associates with more than 40 years in the education field. As the long-time Superintendent of the Millville Public School District, Larry has a unique level of experience that will be invaluable to Allen Associates' school district clients.

"With Larry's long, distinguished career in education and public service he will further enable us to deliver unparalleled service to our public sector clients," said Richard Allen.

Larry has received numerous honors throughout his career including awards for the NJ Superintendent of the Year in 2004, Millville Administrator of the Year in 1988-89 and the Cumberland County Administrator of the Year in 1996-97.

### Laura Lombardo Account Manager



Laura comes to Allen Associates with nine years of experience in the health care industry, most recently as an Account Manager for Aetna, Inc. in the Philadelphia/New Jersey markets. Laura's specialty is group retention and helping large employers develop strategies for benefit offerings in both medical and ancillary coverages.

"With Laura's strong foundation in benefits development and her personal dedication to service, she will make an excellent addition to the Allen Associates family," said Robert Allen.

Laura holds life and health insurance licenses in both Pennsylvania and New Jersey and a Bachelor's degree in communications from the University of Delaware.

## Life changes require health choices

Life happens fast. Each time you make a major change it is wise to consider how your benefits package will be affected. Below are a few examples that should prompt you to take an inventory of your health coverage and to protect you and your loved ones from unnecessary exposure.

**Marriage:** Before you get married, collect the details on your spouse's plan, and be sure you understand how it works, including deductibles, co-pays and premiums, so you can choose the better plan for your needs. Under the Health Insurance Portability and Accountability Act (HIPAA), you may be entitled to add yourself, a new spouse and children to your employer's plan or to your spouse's employer's plan under a specific enrollment period.

**What you should do:** To qualify for enrollment you must notify the benefits administrator and request special enrollment within 30 days of your marriage. You should also submit your notice in writing and keep a copy for your records.

## ALLEN ASSOCIATES CALENDAR

Visit our booth  
at these upcoming shows

- ▲ **New Jersey School Boards Association Annual Workshop and Exhibition 2005**  
October 26-28 — Booth #504
- ▲ **New Jersey Education Association Convention 2005**  
November 10-11 — Booth #2227
- ▲ **New Jersey State League of Municipalities Conference**  
November 14-17 — Booth #541



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