



CMS Medicare Part D Creditable Coverage Changes for 2027

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On April 2, 2026, the Centers for Medicare and Medicaid Services (CMS) issued final rules on calendar year 2027 Medicare Part D Program. CMS updated the rules for employer plans to determine whether their prescription drug coverage is creditable and finally provided an exemption for account-based plans. These rules take effect for plan years beginning on or after January 1, 2027.

■ Background

Medicare Part D includes a late enrollment penalty (LEP) for individuals who go without “creditable” prescription drug coverage for 63 days or longer after becoming Part D eligible. Creditable coverage is designed to ensure that individuals maintain drug coverage that is at least as good as Medicare’s standard Part D benefit.

An employer’s prescription drug coverage is considered creditable only if its actuarial value equals or exceeds the actuarial value of standard Part D prescription drug coverage for the applicable year. Employers are required to provide notice to Medicare-eligible individuals as to whether their prescription drug coverage is creditable or not. This notice must be provided annually by October 15 so that individuals can enroll in Medicare Part D coverage within the enrollment window and avoid the LEP.

CMS has generally allowed non retiree drug subsidy (RDS) employers to choose one of two methods to determine creditable coverage:

1. Actuarial equivalence testing, using generally accepted actuarial principles; or
2. The simplified determination methodology

For many employers, the simplified methodology is the preferred method because it avoids full actuarial testing. However, RDS plans must use the actuarial equivalency test.

CMS made major changes to the Medicare Part D benefit beginning in 2025 which substantially increased the actuarial value of standard Part D coverage and older benchmarks such as the 60% threshold in the 2009 simplified methodology no longer reflected the value of the updated Part D benefit. As a result, CMS revised the simplified determination methodology.

Under the 2009 simplified methodology, a plan was considered creditable if it:

- Covered both brand and generic drugs,
- Provided reasonable access to retail pharmacies,
- Paid, on average, at least 60% of participants' prescription drug costs, and
- Met certain deductible or annual/lifetime benefit maximum requirements.

■ Updated Simplified Determination Methodology

For 2026, CMS adopted a revised simplified determination methodology:

- Coverage of brand name drugs, generic drugs, and biological products,
- Reasonable access to retail pharmacies, and
- Paid, on average, at least 72% of participants' prescription drug costs

To ease transition, CMS allows non-RDS employers to use either the 2009 methodology or 2026 methodology.

■ 2027 and Beyond

Beginning in 2027, CMS will:

- Sunset the 2009 simplified determination methodology, and
- Require plans to determine creditable coverage using either:
 - Actuarial equivalence testing, or
 - The revised simplified methodology.

For 2027, CMS finalized a 73% actuarial value requirement and indicated that this percentage is expected to rise in future years (projected to reach approximately 75% by 2030).

■ Creditable Coverage Determination for High-Deductible Health Plans

Since HDHPs are designed to shift more plan costs to participants, these plans may find it more difficult to meet creditable coverage status. CMS acknowledged this in its guidance and stated that HDHPs are not automatically non creditable, but higher deductibles can make it harder to meet the required actuarial value unless mitigated by plan design features.

Examples in the final rule include:

- Carving out maintenance or preventive medications from the deductible

- Allocating a reasonable portion of the deductible to prescription drugs for actuarial testing
- Offering lower post deductible cost sharing than standard Part D

■ Relief for Account-Based Plans

CMS also removed the requirement for employers to calculate creditable coverage and provide creditable coverage notices for health reimbursement arrangements (HRA), including Individual Coverage HRAs (ICHRAs) and similar account-based plans. CMS determined that comparing an HRA against a prescription drug plan is not an “apples to apples” comparison because account-based plans are fundamentally different from prescription drug plans.

■ Employer Action

To prepare for the new creditable coverage rules, employers should consider the following:

- Coordinate with carriers, TPAs, or actuaries to confirm whether your prescription drug benefits meet the applicable actuarial value thresholds.
- Pay special attention to integrated medical and drug plans and high deductible health plan structures.
- Ensure annual Medicare Part D creditable coverage notices accurately reflect the plan’s status.
- Maintain records supporting their CMS creditable coverage determination, including actuarial analyses or simplified methodology documentation.