DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CMS/
CENTERS for MEDICARE & MEDICAID SERVICES

Date: June 30, 2006

To: All Medicare Contractors Offering Prescription Drug Coverage

From: Cynthia E. Moreno, Director
            Plan Oversight and Accountability Group

Subject: Announcement regarding Late Enrollment Penalties for Plan Year 2006

In April, CMS issued Call Letters to Medicare Advantage Prescription Drug Plans (MA-PDs) and Stand-Alone Prescription Drug Plans (PDPs), with operational updates related to creditable coverage and the late enrollment penalty (LEP). According to the Medicare Modernization Act statute and regulations (Chapter 42 of the Code of Federal Regulations, Part 423.46), an LEP will be assessed by CMS for each full calendar month following a beneficiary's Initial Enrollment Period (IEP), that falls during any continuous period of 63 days or longer in which a beneficiary:

- was eligible to enroll in a Part D plan,
- was not enrolled in a Part D plan, and
- was not covered under any other creditable prescription drug coverage.

The first beneficiaries potentially eligible for an LEP in 2006 are those who submit enrollment forms to Medicare Part D plans between July 1, 2006 and November 30, 2006 and are entitled to a special election period (SEP).

On June 14, 2006, CMS announced a demonstration program allowing certain Medicare beneficiaries to enroll in a Medicare prescription drug plan with no penalty through December 31, 2006. The program is available for beneficiaries who qualify for extra help for their Medicare prescription drug coverage, or who live in an area affected by Hurricane Katrina. CMS anticipates that these two groups represent the majority of Medicare beneficiaries eligible for a SEP in 2006.

Specific guidance on Plans' role in reviewing and reporting creditable coverage information for remaining beneficiaries is forthcoming.

For general questions about operations related to creditable coverage and the late enrollment penalty, please contact Tamara Jackson-Douglas at Tamara.Jackson-Douglas@cms.hhs.gov.