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CREDITABLE COVERAGE DETERMINATION METHOD COMPARISON CHART

Starting in 2027, plan sponsors will no longer be permitted to use the original simplified determination method to determine whether their coverage is creditable. Only the revised simplified determination method or an actuarial determination will remain available. For 2026 only, plan sponsors may still choose between the original and revised simplified methods (or an actuarial determination), but should begin preparing now for the 2027 transition. Employers applying for the retiree drug subsidy are not eligible to use either simplified method and must instead use an actuarial determination. The chart below compares the original and revised simplified determination methods, including the criteria that plans must meet under each.

CRITERIA	ORIGINAL SIMPLIFIED METHOD	REVISED SIMPLIFIED METHOD
Minimum drug expense	Plans must be designed to pay, on average, **at least 60%** of participants' drug expenses	Plans must be designed to pay, on average, **at least 72%** of participants' drug expenses for 2026 and **at least 73%** of participants' drug expenses for 2027
Brand-name drug coverage	Reasonable coverage required	Reasonable coverage required (retained)
Generic drug coverage	Reasonable coverage required	Reasonable coverage required (retained)
Biological products	Not addressed	Explicitly included in the criteria
Retail pharmacies	Reasonable access required	Reasonable access required (retained)
Annual/lifetime limits	Minimum limit standards required, though largely prohibited under the Affordable Care Act	Eliminated as an outdated criterion
Annual deductible	Specific deductible-related standards applied	Removed (reflects that most employer plans integrate medical and drug coverage)
Effect on high deductible health plans (HDHPs)	Deductible rules could make qualification harder	While higher-deductible plans (including HDHPs) may seem less likely to meet the higher drug expense threshold, the risk can be mitigated by other plan design features (e.g., not applying a deductible to preventive medications, a reasonable and supportable allocation of the deductible attributable to prescription drug expenses, or offering lower cost sharing

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KEY COMPLIANCE REMINDERS

- **Separate testing**: For plans with multiple benefit options (e.g., PPO, HMO, and HDHP), the creditable coverage test must be applied separately for each option.
- **Notice deadlines:** Employers must provide notices to Medicare-eligible individuals before Oct. 15 each year.
- **CMS reporting:** The online disclosure form must be submitted to the Centers for Medicare and Medicaid Services (CMS) within 60 days of the start of the plan year (e.g., March 1 for calendar year plans).
- **Account-based plans:** HRAs, HSAs, and FSAs are exempt from the creditable coverage disclosure requirements for coverage beginning on or after Jan. 1, 2027.