

Medicare Part D Notices and Your ICHRA:

What Applies to You

For employers offering a benefitbay premium-only Individual Coverage HRA (ICHRA), which CMS and the Small Business Administration now also call a CHOICE Arrangement.

AT A GLANCE

Your benefitbay ICHRA does not need a Part D notice. The notice requirement applies to plans that offer prescription drug coverage. Your ICHRA reimburses premiums only and never pays for prescriptions, so there is no ICHRA Part D notice or CMS filing for 2026 or 2027.

CMS has now confirmed this for every ICHRA. A final rule published in April 2026 removes all ICHRAs and other account-based plans from the Part D disclosure requirements, for coverage beginning January 1, 2027.

Group plans are unchanged. If you also sponsor a traditional medical plan with prescription drug coverage for any group of employees, that plan's notice is still due by **October 14, 2026**, and its CMS filing still applies.

Your Medicare-enrolled employees still need good information. Medigap policies do not cover prescriptions. Employees on Medicare need Part D, or another creditable source of drug coverage, to avoid a lifetime penalty. See section 6.

1. What the Part D notice is and why it exists

Federal law requires most entities that provide prescription drug coverage to tell Medicare-eligible people whether that coverage is "creditable," meaning it is expected to pay, on average, at least as much as standard Medicare Part D. The answer matters to the individual because anyone who goes 63 or more days in a row without creditable drug coverage after first becoming eligible for Part D can face a late enrollment penalty that is added to their Part D premium, generally for as long as they have Part D.

The penalty is 1% of the national base beneficiary premium for each full month without creditable coverage. CMS set that premium at \$41.33 for 2027, so a 14-month gap would add about \$5.80 to the person's monthly premium. For that reason, the notice is a consumer protection, and the most important thing you can do is make sure Medicare-eligible employees and family members get accurate information from the right source.

There are two separate obligations. The first is a written notice to Medicare-eligible individuals, due before October 15 each year, before a Medicare-eligible person's coverage begins, whenever creditable status changes, and on request. The second is an online disclosure filed with CMS within 60 days after the plan year begins, and within 30 days after drug coverage ends or its status changes.

2. How this applies to a premium-only ICHRA

Under federal rules, each entity that offers prescription drug coverage must tell Medicare-eligible people whether that coverage is creditable. Your benefitbay ICHRA reimburses the premiums your employees pay for coverage they choose themselves, either an individual health insurance policy or Medicare. It does not reimburse prescription drug costs or any other out-of-pocket expenses. Because it offers no drug coverage, it has nothing to disclose, and the drug coverage your employees have comes from the plan they buy.

Some ICHRAs from other vendors also reimburse out-of-pocket medical expenses, including prescriptions. Those arrangements were in scope under the old rules, which typically meant the employer sent a notice saying the ICHRA was not creditable while the employee's insurance carrier said the same person's coverage was. CMS found that confusing and hard to administer.

In the Contract Year 2027 Medicare Advantage and Part D final rule, published April 6, 2026, CMS removed all account-based plans from the disclosure requirement. The exemption covers ICHRAs, traditional HRAs, health FSAs, and HSAs, and applies to coverage beginning January 1, 2027. If you are moving to benefitbay from an ICHRA that reimbursed out-of-pocket expenses, ask your advisor whether anything was owed for that plan's 2026 plan year.

The drug coverage itself still carries its own disclosures. Individual health insurance carriers must tell their members whether the policy's drug coverage is creditable. Medicare Part D plans and Medicare Advantage plans with drug coverage are Medicare's own drug benefit, so they need no creditable coverage notice.

3. What you need to do, by situation

Find the row that matches your benefits structure. If more than one applies, follow each.

Your situation	For your 2026 plan year	For 2027 and later
benefitbay premium-only ICHRA	No ICHRA Part D notice or CMS filing. An optional Medicare reminder to participants is recommended (see appendix).	Same. The CMS exemption confirms no ICHRA notice or filing.
ICHRA for one employee class and a group medical plan for another	Send your group plan's notice by October 14, 2026, and keep its CMS filing current. Nothing is required for the ICHRA.	Continue all notices and CMS filings for the group plan. Confirm its 2027 status with your carrier or administrator.
Ending a group medical plan and starting your ICHRA on January 1, 2027	Send the group plan's October notice. File the CMS disclosure within 30 days after the group plan's drug coverage ends. Brief Medicare-eligible employees early (section 6).	No ICHRA filing. Employees' drug coverage notices come from their individual carrier, or they enroll in Medicare drug coverage.

Your situation	For your 2026 plan year	For 2027 and later
Moving to benefitbay from an ICHRA that reimbursed out-of-pocket expenses	Ask your advisor whether the prior arrangement owed a notice or CMS filing for its 2026 plan year.	No ICHRA notice or filing.

4. Your checklist for this fall

These steps take only a few minutes for most employers. The most important one is making sure Medicare-enrolled employees understand where their drug coverage comes from.

- ☐ **Confirm your ICHRA is premium-only.** Your plan document should limit reimbursement to premiums. If it also reimburses out-of-pocket expenses, talk with your advisor before relying on this guide.
- ☐ **Send any group plan notice by October 14.** If you sponsor a traditional medical plan with drug coverage for any class of employees, get its creditable or non-creditable determination from your carrier or administrator and distribute the CMS model notice.
- ☐ **Send an optional Medicare reminder.** A short, plain-language reminder to ICHRA participants helps Medicare-eligible employees and family members avoid a drug coverage gap. We don't recommend sending a CMS non-creditable model notice for a premium-only ICHRA, because it can alarm people whose Medicare drug coverage is fine. Sample text is in the appendix.
- ☐ **Plan ahead for a group plan ending.** If you are replacing a group plan with your ICHRA, file the CMS disclosure within 30 days after the group plan's drug coverage ends, and give Medicare-eligible employees advance notice so they can line up Medicare coverage on time.
- ☐ **Keep records.** Retain copies of any notices or reminders, who received them, and when.

5. If you also sponsor a group health plan

The exemption applies only to account-based plans. A traditional medical plan with prescription drug coverage, whether fully insured, self-funded, or level-funded, must still be tested, disclosed to Medicare-eligible participants every year, and reported to CMS. Each benefit option is evaluated on its own.

The test also got harder in 2027. CMS retired the legacy simplified method and now requires plans using the simplified approach to be designed to pay, on average, at least 73% of participants' prescription drug costs. A plan that was creditable in prior years may not be creditable in 2027, so ask your carrier, TPA, or pharmacy benefit manager for the 2027 determination in writing and update your notice and CMS filing if the status changes.

6. Supporting Medicare-eligible employees

Removing a notice doesn't remove the employee's risk. Medicare-eligible employees and family members using your ICHRA should understand four things.

- **Medigap does not cover prescriptions.** Medicare Supplement (Medigap) policies sold today include no drug coverage, and Part D is Medicare's separate drug benefit, not a supplement. Someone on Medicare Parts A and B with only a Medigap policy has no creditable drug coverage, and after 63 days the Part D late enrollment penalty clock can start. The ICHRA can reimburse their Part D premium.
- **ICHRA eligibility requires Parts A and B, or Part C.** Part A alone does not qualify, and neither does Part D alone. Once a participant qualifies, the ICHRA can reimburse eligible Medicare premiums, including Part B, Part D, Medigap, and Medicare Advantage.
- **Leaving a group plan opens limited enrollment windows.** Employees who delayed Part B or Part D while covered by a creditable group plan through current employment generally get special enrollment periods when that coverage ends. The Part D window is short, generally two full months after the month coverage ends, so employees should act before the group plan ends.
- **Medicare decisions are personal.** Refer employees to Medicare.gov, 1-800-MEDICARE, their State Health Insurance Assistance Program (SHIP), or a licensed Medicare professional.

A note on Medicare Secondary Payer rules. If you have 20 or more employees, federal rules prohibit encouraging Medicare-eligible employees to decline group health coverage in favor of Medicare. ICHRA class rules also do not allow a separate class based on Medicare status, and every employee in a class must be offered the ICHRA on the same terms. When you communicate about Medicare, inform without steering.

7. Key dates

Date	What happens
April 6, 2026	CMS publishes the final rule exempting account-based plans.
October 14, 2026	Annual Part D notice deadline for group medical plans with drug coverage. Not required for a premium-only ICHRA.
October 15 to December 7, 2026	Medicare annual enrollment period for 2027 coverage.
November 1, 2026 to January 15, 2027	Individual market open enrollment in most states. Enroll by December 15 for January 1 coverage.
January 1, 2027	CMS exemption applies to all ICHRAs and other account-based plans.
Within 30 days of a group plan ending	CMS disclosure for a terminated group plan's drug coverage.

8. Frequently asked questions

Does the CHOICE Arrangement name change anything here?

No. CMS and the SBA began using "CHOICE Arrangement" as a public name for ICHRAs in September 2026. The regulations, plan documents, and this Part D analysis are unchanged.

Is our ICHRA creditable coverage?

Neither label applies. A premium-only ICHRA doesn't provide drug coverage, so it isn't tested against Part D. Whether an employee has creditable drug coverage depends on the plan they buy: their individual carrier makes that determination, and Medicare Part D plans and Medicare Advantage plans with drug coverage are Medicare's own drug benefit.

Our previous ICHRA administrator sent a Part D notice every year. Why don't we?

Some administrators sent one for every ICHRA as a precaution, or because their ICHRA also reimbursed out-of-pocket expenses. A premium-only ICHRA offers no drug coverage, so there is nothing to disclose, and from 2027 CMS exempts all ICHRAs. A plain-language Medicare reminder does more to protect employees.

Do we need to file anything with CMS for our ICHRA?

No, not for the ICHRA. A CMS filing is still required for any traditional group medical plan with drug coverage that you sponsor, including within 30 days after such a plan ends.

An employee is turning 65. What should we tell them?

Let them know when their Medicare initial enrollment period begins, that the ICHRA can reimburse eligible Medicare premiums once they have Parts A and B or Part C, and that Medigap doesn't include drug coverage. Then refer them to Medicare.gov, SHIP, or a licensed Medicare professional for a personal decision. Avoid recommending whether they should enroll in a particular part of Medicare.

Appendix: suggested Medicare reminder for ICHRA participants

This is an optional educational message, not a required Part D notice. Adapt it for your organization and have your advisor review it before use.

SUGGESTED LANGUAGE

Our ICHRA reimburses premiums for health coverage you choose. It does not pay for prescriptions itself, so your drug coverage comes from the plan you enroll in.

If you or a covered family member has Medicare or will become eligible in the next 12 months, please make sure you have Medicare drug coverage (Part D, or a Medicare Advantage plan that includes drugs) or other creditable drug coverage. Medicare Supplement (Medigap) policies do not cover prescriptions. Going without creditable drug coverage for 63 days or more can mean a permanent late enrollment penalty. Eligible Medicare premiums, including Part D, can be reimbursed through the ICHRA under the plan's terms.

If you have an individual health insurance policy, your insurance company will tell you whether its drug coverage is creditable. For help with Medicare choices, contact 1-800-MEDICARE, visit Medicare.gov, or reach your State Health Insurance Assistance Program.

Sources

CMS, Contract Year 2027 Medicare Advantage and Part D Final Rule, Federal Register, April 6, 2026 (FR Doc. 2026-06600); 42 CFR 423.56 (including the disclosure duty for entities that offer prescription drug coverage); CMS Creditable Coverage guidance and model notices (cms.gov/medicare/employers-plan-sponsors/creditable-coverage); CMS, Medicare Part D 2027 bid information fact sheet, July 28, 2026; Medicare.gov late enrollment penalty guidance.

Important: This guide is general information as of October 7, 2026, and is not legal or tax advice. benefitbay is not your plan administrator for Part D purposes; as plan sponsor, your organization is responsible for these notices and filings. Please consult your benefits advisor or legal counsel about your specific plan.