

March 4, 2025

**Re: Building Zone Industries – Medicare Part D Creditable Coverage Determination**

Gallagher Benefit Services has completed the creditable coverage determination of the Building Zone Industries (“Company”) prescription drug coverage. This analysis is used to determine if the Company’s prescription drug coverage can be considered “creditable prescription drug coverage” with respect to the Medicare Part D Disclosure Notice for the 2025 plan year.

Based on our analysis, the Company’s prescription drug coverage does provide creditable coverage for all plans under CMS guidelines to the Medicare Part D benefit and is, thus, **considered creditable**. This report provides the results and assumptions used in this analysis. Specific documentation of the assumptions used to determine actuarial equivalence is provided in the assumptions section.

**Background**

CMS requires employers to disclose whether their prescription drug coverage offered to a Medicare Part D eligible individual is creditable or non-creditable. The disclosure must be made to CMS on an annual basis, and upon any change that affects whether the coverage is creditable. More information is available at the following web address:  
(<http://www.cms.hhs.gov/creditablecoverage>).

Coverage is creditable if the actuarial value of the coverage equals or exceeds the actuarial value of standard Medicare prescription drug coverage, as demonstrated through the use of generally accepted actuarial principles and in accordance with CMS actuarial guidelines. In general, this actuarial determination measures whether the expected amount of paid claims under the Company’s prescription drug coverage is at least as much as the expected amount of paid claims under the standard Medicare prescription drug benefit.

This determination is identical to the first prong of the actuarial equivalence test (gross test) that is applied when an employer applies for the retiree drug subsidy. It does not take into account whether or to what degree the coverage is financed by the individual or by the Company.

A Disclosure Notice must be provided to all Medicare Part D eligible employees who are covered under, or apply for, the Company’s prescription drug coverage. The Disclosure Notice requirement applies with respect to Medicare beneficiaries who are active employees, disabled, on COBRA, and are retired, as well as Medicare beneficiaries who are covered as

spouses or dependents (including spouses or dependents that may be disabled or on COBRA) under active employee coverage and retiree coverage.

Disclosure of whether prescription drug coverage is creditable provides Medicare beneficiaries with important information relating to their Medicare Part D enrollment. Beneficiaries who are not covered under creditable prescription drug coverage and who choose not to enroll before the end of their initial enrollment period for Part D may pay a higher premium on a permanent basis if they subsequently enroll in a Part D drug plan.

### Summary of Results

A plan sponsor's prescription drug plan is considered Creditable if the gross benefits offered are at least as valuable as the gross benefit of the Medicare Part D prescription drug benefit. The Company's prescription drug benefits are more generous than Medicare and therefore the plan provides Creditable coverage. A notice of creditable coverage must be provided to all Medicare eligible individuals, including active workers and retirees, no later than October 15<sup>th</sup> for the next plan year. The results of the analysis can be found below:

Gross Test (PMPM)	HDHP
1. Gross Medicare Plan Cost	\$408.45
2. Employer Plan Cost	\$465.41
3. Net difference	\$56.96
<b>Gross Test Result</b>	<b>PASS</b>

### Next Steps

Creditable coverage disclosure notices must be provided to all plan participants annually, prior to October 15<sup>th</sup> of each year. In addition, creditable coverage disclosures must be provided prior to the effective date of coverage for any Medicare eligible individual joining the plan, or whenever the Company terminates prescription drug coverage or modifies the prescription drug coverage so that the creditable coverage status is changed. Sample disclosure notice language may be found on the CMS website [here](#).

The Company must provide disclosure to CMS on an annual basis, within 60 days after the beginning of the Plan Year for which the Company is disclosing. Disclosure to CMS for the January plan year is due **March 1**. The Disclosure to CMS Form is available online [here](#).



## Key Plan Provisions and Assumptions

### Plan Year Covered

January 1, 2024 through December 31, 2024 &  
January 1, 2025 through December 31, 2025

### Key Employer Plan Provisions

Company provides two health plans with a prescription drug benefit to employees. A summary of the plans is provided in the table below.

Prescription Drug Benefit	HSA
Integrated Deductible (Single)	\$4000
Plan Coinsurance	80%
Out-of-Pocket Maximum (Single)	\$4000
Prescription Drug	
Generic	100% after deductible
Preferred Brand	100% after deductible
Non Preferred Brand	100% after deductible
Specialty	100% after deductible

### Use of Experience Data

The volume of claim data available for the Company Medicare eligible population is not sufficient to produce a cost per member per year that is even partially credible; therefore, normative data from the Gallagher database was used for actuarial equivalence testing.

### Medicare Part D Plan Design (2025)

Participant Phase	Coinsurance Percentage		
	Plan	Beneficiary	Reinsurance
Deductible Phase: \$0-\$590	0%	100%	0%
Coinurance Phase: \$590-\$2,000	75%*	25%	0%
Catastrophic Phase \$2,000+	60%	0%	40%**

\* For applicable drugs, manufacturer pays 10%, plan pays 65%.

\*\*For applicable drugs, Government reinsurance is 20%, manufacturers pay 20%.