



## WHAT'S THE DIFFERENCE?

A comparison of the Medicare Prescription Drug Plan and Retiree Drug Subsidy.

There's a lot to consider when choosing a prescription drug program for your retirees. Do you choose a Prescription Drug Plan (PDP) or Retiree Drug Subsidy (RDS) prescription program? Before selecting a plan, consider the pros and cons.

PDP	RDS
<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Up-front federal dollars indirectly lower final costs.</li> <li>• PDP federal subsidy is more predictable than RDS returns.</li> <li>• Less administrative burden for employers.</li> <li>• Catastrophic benefit included in all plans.</li> <li>• No creditable coverage notice required.</li> <li>• No employer contributions necessary.</li> <li>• Reduces FASB (Financial Accounting Standards Board) or GASB (Governmental Accounting Standards Board) liabilities due to lower plan premiums.</li> <li>• Opportunity to adjust cost-sharing levels.</li> <li>• No additional actuarial expense and annual attestation.</li> </ul>	<p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• No change to current (creditable) benefit plan.</li> <li>• Able to keep coverage consistent if retiree (creditable) prescription plan same as active.</li> <li>• FASB or GASB reduction for fully-insured plans.</li> <li>• Opportunity to adjust cost-sharing levels.</li> <li>• Twenty-eight percent federal direct tax-free subsidy.</li> <li>• Tax deduction for benefit costs.</li> <li>• Easy front-end eligibility process.</li> <li>• Online application.</li> <li>• RDS Web site provides easy access to information.</li> </ul>
<p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• May change existing benefit plan, funding and formulary.</li> <li>• Different benefits for Medicare and non-Medicare eligible retirees.</li> <li>• No tax benefit from federal direct subsidy.</li> <li>• Lower tax deduction for benefit costs due to lower premiums.</li> <li>• No enrollment support for retirees.</li> <li>• Opt-out language may be confusing to retirees.</li> <li>• Retirees who change from one PDP to another may also accidentally cancel medical coverage.</li> <li>• Restrictive formulary.</li> <li>• Susceptible to yearly CMS (Centers for Medicare and Medicaid Services) benefit changes.</li> <li>• Possible complications with low-income assistance or late enrollment penalties.</li> </ul>	<p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Yearly application and attestation which includes actuarial expense to request data and perform testing.</li> <li>• Meaningful employer contributions necessary to meet attestation requirements.</li> <li>• Must manage eligibility, claim and rebate data.</li> <li>• Required to send creditable coverage notice to members and CMS.</li> <li>• Cannot apply RDS payments to retiree health liabilities.</li> <li>• Possibility of expense and business disruption for federal audit.</li> <li>• Risk of adjusted subsidy payments at reconciliation.</li> </ul>

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## GROUP BENEFITS



### The right plan can make all the difference.

Consider the pros and cons of each plan before making your decision. Then choose the one that best meets your needs.

To learn more call TAGCO Associates, LP at (800) 866-8056.

### Need more facts?

Just call TAGCO Associates, LP or visit our website at [tagcoassociates.com](http://tagcoassociates.com). It's how smart benefit decisions begin.



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