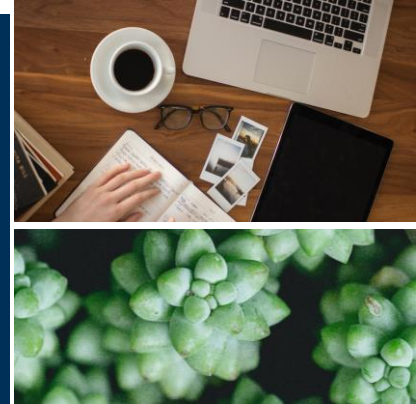


# Late Enrollment Penalty (LEP)

## Agent Job Aid -CPL-ISO-155



### **Late Enrollment Penalty (LEP)**

Misinformation and/or the lack of providing information about the LEP can be a source of member complaints. It's important to inform enrollees about the potential of this penalty so that if assessed by CMS, the member will not be surprised. Here are some important things to remember:

- ✓ Medicare beneficiaries who do not have creditable drug coverage may incur a late enrollment penalty (LEP) if there is a continuous period of 63 days or more at any time after the end of the individual's Part D initial enrollment period during which the individual was eligible to enroll, but was not enrolled in a Medicare Part D plan and was not covered under any creditable prescription drug coverage.
- ✓ Creditable prescription drug coverage' is defined as prescription drug coverage that is expected to pay at least as much as Medicare's standard prescription drug coverage.
- ✓ Examples of creditable plans include, but are not limited to: some employer-based prescription drug coverage, including the Federal Employees Health Benefits Program; qualified State Pharmaceutical Assistance Programs (SPAPs); military-related coverage (e.g., VA, TRICARE); and certain Medicare supplemental (Medigap) policies.
- ✓ LEP determinations and calculations of the LEP are determined by CMS.
- ✓ If a LEP is assessed, the beneficiary is billed the LEP as part of the premium payment, or the LEP is included when his/her premium is paid through Social Security deductions.
- ✓ Beneficiaries will be disenrolled for nonpayment of the late penalty in the same manner as for nonpayment of premiums.
- ✓ The late enrollment penalty is subject to change each year because it is calculated with the total number of uncovered months and the national base beneficiary premium for that year.

### **LEP Exception Scenarios**

There are specific cases outlined in Chapter 4, Section 10 of the Medicare Prescription Drug Manual in which Part D plan sponsors are advised not to proceed with the creditable coverage period determination. The following scenarios qualify for an LEP exception:

- ✓ In cases where a beneficiary submits a valid cancellation request to the Part D Plan Sponsor prior to his/her enrollment effective date the plan should not proceed with a creditable coverage period determination.



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- ✓ The Part D plan sponsor shall not initiate a determination or continue with a determination already in progress if the member dies before the plan has had an opportunity to report its determination to CMS.
  - ✓ Part D Plan Sponsors are not to make creditable coverage period determinations for any new enrollee who is LIS eligible at the time he/she makes the enrollment request or at the time the enrollment becomes effective.
  - ✓ Beneficiaries in the U.S. territories who are dually eligible (e.g., those in Puerto Rico who are eligible for Medicare and Puerto Rico's Medicaid plan known as Reforma) are exempt from the LEP in the same manner as those who are LIS-eligible in the States.