# Medicare Planning Meets Corporate Finance:

# 3 Strategic Insights for Managing Risk and Protecting Margins

Corporate finance leaders face an increasingly complex healthcare landscape. If you're a CFO, treasurer, or FP&A professional, you already know that healthcare benefits are among your largest operational expenses. What you might not realize is how Medicare rules intersect with your corporate risk profile — and how proactive Medicare planning can protect your bottom line.

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# The Stakes Have Never Been Higher

The Inflation Reduction Act has introduced sweeping changes to Medicare drug pricing that will ripple through employer plans for years. Add in evolving primary-versus-secondary payer rules and heightened regulatory scrutiny of creditable coverage notices, and it's clear:

> **Medicare is no longer just an HR issue. It's a finance issue.**

Here are three strategic insights to help you manage Medicare-related financial risk and improve your organization's health plan performance.

**Insight 1**

Understand the Financial Impact of the Inflation Reduction Act on Your Health Plans

**Insight 2**

Know Your Employer Size Threshold — and the Primary Payer Rules That Come With It

**Insight 3**

Manage Creditable Coverage Compliance — Before It Becomes a Liability

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# Insight 1: Understand the Financial Impact of the Inflation Reduction Act on Your Health Plans

The **Inflation Reduction Act** has fundamentally restructured Medicare Part D. While the law's consumer protections — such as the annual out-of-pocket cap — are designed to help beneficiaries, they also shift financial liability throughout the Medicare ecosystem.

### What Changed

Starting in 2025, the Part D benefit was redesigned to include:

- A new Manufacturer Discount Program
- Reduced government reinsurance
- Changes to how supplemental benefits count toward beneficiaries' out-of-pocket thresholds

### Why It Matters for Finance Leaders

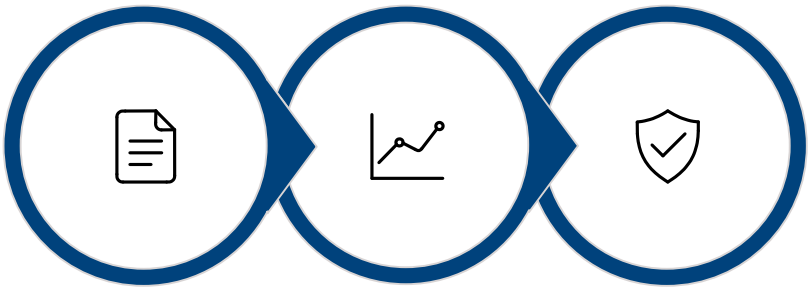
If your organization sponsors a drug plan, you're likely facing:

- **Higher premiums** as plans adjust to new cost structures
- **Fewer plan options** as some carriers exit or consolidate

# IRA: Pricing Volatility and the Path Forward

The first negotiated Medicare drug prices took effect in 2026, with additional drugs entering negotiations each year. While this may eventually lower costs for certain high-cost medications, the transition period introduces **pricing volatility and strategic uncertainty.**

**Action Step:** Review your current retiree and Medicare-eligible employee benefits. Work with your benefits consultants to model the financial impact of IRA provisions on your plan's costs and design. If you haven't already, consider whether your organization's drug coverage qualifies as "creditable" under Medicare Part D standards and whether maintaining that status is the most cost-effective path forward.




Taking these steps now positions your organization to respond proactively rather than reactively as the regulatory landscape continues to shift.

# Insight 2: Know Your Employer Size Threshold — and the Primary Payer Rules That Come With It

Medicare's "secondary payer" rules determine whether Medicare or your group health plan pays first when an employee is eligible for both. These rules hinge on a single, clear threshold: **20 employees.**

| Employer Size | Primary Payer | Secondary Payer |
|---|---|---|
| Fewer than 20 employees | Medicare | Group Health Plan |
| 20 or more employees | Group Health Plan | Medicare |
| Multi-employer (at least one employer with 20+) | Group Health Plan (MSP rules apply) | Medicare (unless Small Employer Exception granted) |

According to CMS, if your organization has fewer than 20 full- and part-time employees and sponsors a single-employer group health plan, Medicare is the primary payer for employees age 65 or older. Your group plan is secondary. If your organization has 20 or more employees, your group health plan remains primary, and Medicare is secondary.

# Primary Payer Rules: A Cost-Allocation Issue

For multi-employer plans, the rules are more nuanced. If at least one participating employer has 20 or more employees, the working-age Medicare Secondary Payer (MSP) rules apply to all covered individuals — including those associated with smaller employers — unless the plan requests and receives a Small Employer Exception from CMS.

### Why This Matters

This isn't just a compliance issue. It's a **cost-allocation issue.** When Medicare is the primary payer, your organization's financial exposure for that employee's healthcare claims drops significantly. When your plan is primary, you bear the lion's share of costs.

### Growing Companies: Watch These Thresholds

For smaller employers crossing the **20-employee threshold** — or for growing mid-sized companies approaching the **100-employee mark** (which triggers similar rules for employees with disabilities) — understanding these dynamics is essential for accurate forecasting and budgeting.

**Action Step:** Audit your current employee count and group health plan structure. If you're near a threshold, model the financial impact of Medicare primary- versus secondary-payer scenarios. For multi-employer arrangements, consult legal and benefits counsel to determine whether a Small Employer Exception is appropriate. If you're a larger employer, ensure your benefits administration team correctly applies MSP rules to avoid overpayment or compliance risk.

# Insight 3: Manage Creditable Coverage Compliance — Before It Becomes a Liability

If your organization provides prescription drug coverage to Medicare-eligible employees or retirees, you must meet **two mandatory disclosure requirements** under the Medicare Modernization Act:

| 1 | 2 |
| --- | --- |
| **Annual Notice to Beneficiaries**<br>You must provide a written disclosure notice to all Medicare-eligible individuals covered by your prescription drug plan **before October 15 each year.**<br>This notice must state whether your coverage is "creditable" — meaning it's expected to pay, on average, as much as standard Medicare Part D coverage. Employees also need this notice when they first join your plan. | **Disclosure to CMS**<br>You must complete CMS's online Disclosure to CMS Form to report your plan's creditable coverage status.<br>This disclosure is due:<br>• No later than **60 days** after the start of your plan year<br>• Within **30 days** after plan termination<br>• Within **30 days** of any change in creditable coverage status |

# The Risk of Non-Compliance with Creditable Coverage

Failure to provide these notices can trigger CMS audits, beneficiary penalties, and retroactive liability. If an employee doesn't receive a creditable coverage notice and later enrolls in Medicare Part D, they may face a late enrollment penalty and seek recourse from your organization.

> From a risk management perspective, non-compliance exposes your company to **regulatory scrutiny and potential reputational harm.**

### Document Your Process

Confirm that your benefits team has a documented process for issuing annual creditable coverage notices before the **October 15 deadline.**

### Submit Timely to CMS

Verify that your organization has submitted, and will continue to submit, timely disclosures to CMS.

### Conduct a Formal Determination

If you're unsure whether your plan qualifies as creditable, work with your plan administrator or actuary to conduct a formal determination.

This is a relatively straightforward compliance lift — but the consequences of missing it are not.

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# Bringing It All Together: Medicare as a Strategic Finance Function

Medicare planning is no longer a siloed HR responsibility. It sits at the intersection of healthcare cost management, regulatory compliance, enterprise risk, and corporate finance strategy.

As a finance leader, your role is to ensure your organization approaches Medicare with the same rigor you apply to treasury operations, tax planning, and capital allocation. That means:

- → Evaluating the financial impact of regulatory changes like the Inflation Reduction Act on your health plan financials
- → Understanding primary payer rules and how employer size thresholds affect cost allocation
- → Ensuring compliance with creditable coverage disclosure requirements to avoid penalties and liability

The healthcare landscape will continue to evolve. Payor margins are under pressure, regulatory complexity is increasing, and your employees are aging into Medicare eligibility every day.

> With the right information, planning tools, and partnerships, you can turn Medicare from a cost center into a strategic advantage.

# Ready to Reduce Healthcare Spend and Eliminate Administrative Burden?

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