

Explaining the Medicare Part D Late Enrollment Penalty (LEP)

A guide to leveraging key LEP information to boost your enrollment and retention opportunities.



Did you know approximately 80% of members who filed a Sales-related complaint disenrolled from their plan?

(Source: 2024 member complaint data)

A recent trend reveals member complaints around the Late Enrollment Penalty (LEP). You can boost your enrollments and member retention by using this guide when speaking with members about how the LEP works and how they can avoid a penalty.

Conversation Tips to Help Members Avoid the LEP

For the most productive outcome in helping your member avoid the LEP, we recommend bringing up the topic during the needs assessment while speaking with your member about their prescription drug needs.

NEW MEMBERS

“Did you have prescription drug coverage through an employer, VA, or other source?”

- If they did, please inform them they will receive an attestation form from the plan about 7 days after enrollment. It is important that the member complete and return the form to the plan within 30 days.
- If they do not complete and return the form, a reminder is sent by the plan to the member after 2 weeks.
- Emphasize that sending the attestation form is important because it informs the plan if the member had prior creditable drug coverage.

“Are you currently paying a Late Enrollment Penalty?”

- If they are, inform the member that the LEP will follow them to the new plan. No one likes an unexpected fee. This helps them know what to expect.

“Do you receive Low Income Subsidy, also known as Extra Help?”

- LIS/Extra Help is the federal program that helps beneficiaries lower their prescription drug costs. If they receive this, the LEP will be waived—good news to your member!
- It is best practice to help your members apply for LIS/Extra Help. Financial situations can change over time, and your member may be eligible without realizing it. For help on maximizing your enrollment opportunities through the LIS, see the LIS Extra Help guide.

EXISTING MEMBERS

Inform your member that they should not drop or have a gap in prescription drug coverage for more than 63 days. If they do, they may have an LEP.

Frequently Asked Questions

What is the LEP?

A person enrolled in Medicare Part D (prescription drug plan) may owe a late enrollment penalty **if they are without Part D or creditable prescription drug coverage for any continuous period of 63 days or more** after the end of their Initial Enrollment Period for Part D coverage.

How long does the LEP last?

The late enrollment penalty is added to the person's monthly Part D premium **for as long as they have Medicare prescription drug coverage**, even if the person changes their Medicare drug plan. **Those with Low Income Subsidy (LIS)/Extra Help are not subject to LEP.**

How is the LEP calculated?

Medicare, not the plan, calculates the LEP. After 63 days, the LEP amount typically is **1% of the national base beneficiary premium for each full, uncovered month** that the person did not have Part D or creditable coverage. The LEP amount changes each year as it is a percentage.

What is creditable prescription drug coverage?

It is what the prescription drug plan is expected to pay, on average, at least as much as Medicare's standard prescription drug coverage. Advise members to verify if their coverage is creditable. Most plans send members an annual notice including how it compares to Medicare prescription drug coverage, and if it is creditable. This may also be included in the plan benefit handbook. They can also contact their plan for the information.