What is Creditable Coverage?

Coverage is considered creditable, if its actuarial value, equals or exceeds, the actuarial value of standard prescription drug coverage, under the Medicare prescription drug benefit. In general, this actuarial equivalence test measures whether the expected amount of paid claims under the plan sponsor’s prescription drug coverage is at least equal to the expected amount of paid claims under standard prescription drug coverage under Medicare. Or more simply put, creditable coverage is Health Insurance that meets or exceeds the Centers of Medicare and Medicaid Services Standards for Prescription Drug Coverage.