



Medicare Part D—Preparing for 2007

Low-Income Subsidy FACT SHEET

A Low Income Subsidy (LIS) can significantly reduce the cost of Medicare Prescription Drug Coverage (Part D) for eligible Medicare patients.

There are several levels of LIS, based on income, assets, and household size.

Subsidies at all levels achieve:

- Elimination of the gap in coverage (no “donut hole”)
- Reduction of co-payments
- Reduction or elimination of the annual deductible
- Reduction or elimination of monthly premiums

The LIS application process is simple:

- Applications can be completed online at www.ssa.gov
- No signature is required
- Applications can be completed by anyone who has the required beneficiary information
- No back-up documentation is required with the application
- There is no deadline to apply for the LIS
- A LIS can be applied to a Part D plan that the patient is already enrolled in, including patients enrolled in Medicare Advantage plans with Part D coverage.
- LIS denials in many cases can be successfully appealed.

Three groups of Medicare patients are affected in different ways by 2007 changes:

1. **Dual patients (those with both full Medi-Cal and Medicare) and patients with a Medicare Savings Programs – The “Deemed” population who automatically receive a full LIS.**
2. **Non-Duals who applied for and received a LIS in 2006.**
 - Those who applied and were approved before May 1, 2006
 - Those who applied and were approved after May 1, 2006
3. **Low-Income non-Duals who were denied or did not apply for the LIS in 2006.**

Group 1. Dual patients (those with both Medi-Cal and Medicare) and patients with Medicare Savings Programs – The “Deemed” population who automatically receive a full LIS.

Who will be “deemed” in 2007?

CMS determines who will automatically be “deemed” eligible for the full LIS in 2007. Eligibility is based on Dual status reported by Medi-Cal in the months of July-December 2006. During this 6 month period, CMS reviews Medi-Cal data files monthly.

Patients who continue to be Dual or are newly Dual for any period of time during the 6-month review period (July-December, 2006) will be deemed eligible for the LIS for all of 2007.

Patients who lose their Medi-Cal after July 2006 will still be deemed for 2007, and will receive the full LIS for the entire year.

Patients who were deemed eligible for the LIS in 2006 but do not have Dual status at any time during July-December 2006, will not automatically be deemed eligible for the LIS for 2007. In September CMS mailed letters to beneficiaries who will lose their LIS status in 2007, based on whether or not they were Dual in July 2006. The letters will include an LIS application and postage paid envelope. If Medi-Cal benefits are restored, the full LIS will once again be awarded for 2007.

Important Follow-Up Steps for Patients Losing Deemed Status:

- a. **Individuals who are no longer deemed should be encouraged and assisted in applying for the LIS through SSA. They may still be eligible for a subsidy even if their Dual status has changed, but they will need to apply in order to get it. (See LIS eligibility criteria at the end of this document).**
- b. All beneficiaries who lose their LIS in 2007 are allowed a Special Enrollment Period giving them a one-time opportunity to enroll, change or drop Part D coverage during January 1 – March 31, 2007.
- c. Individuals who are no longer eligible for full Medi-Cal may be eligible for one of the Medicare Savings Programs (QMB, SLMB or Q1). Beneficiaries found eligible for these programs will be deemed eligible for the full LIS.
- d. Individuals who are no longer eligible for full Medi-Cal may be eligible for Medi-Cal with a Share of Cost (SOC). This benefit is valuable even if the SOC is considered high. Regardless of the SOC level, Medi-Cal will pay the Medicare Part B premium (\$88.50 per month in 2006). If the SOC is met one time, for the remainder of the calendar year the beneficiary will be deemed eligible for the full LIS.

Group 2. Non-Dual Eligible Patients who Applied for and Received a LIS in 2006—The Redetermination Process

Social Security Administration (SSA) determines who will be eligible for a LIS in 2007. Rather than requiring new applications of everyone for 2007, SSA is conducting a “redetermination process”. The redetermination process applies to Medicare beneficiaries who applied to SSA and were found eligible for a LIS prior to May 1, 2006.

[Those who applied to SSA and were found eligible for an LIS during or after May, 2006 will not be subject to the redetermination process until August 2007. Until then, they will automatically maintain the same level of subsidy they were awarded in 2006.]

SSA sent letters to Medicare beneficiaries who are subject to the redetermination process to re-assess LIS eligibility for 2007. The SSA redetermination letter tells beneficiaries who received a LIS in 2006 to report any increases in income (excluding the SSA cost of living adjustment), assets or household size.

If the patient’s financial information has not changed, or if income and asset amounts are lower than indicated on the letter, they are not required to take any action. With no response to the letter, SSA will assume no change, and will cross-check government records to confirm that finances or household size have not changed. These patients with Medicare will continue to receive the same level of LIS in 2007; however, they *will not* receive a letter from SSA confirming their LIS eligibility in 2007.

If the patient’s financial resources have increased or household size has changed, two steps must be taken within specified time-periods:

- e. The patient must complete and return a form to SSA (SSA Form 1026-B) to request a redetermination statement. *The form must be returned within 15 days of the receipt of the letter.*
- f. All patients who request and receive a redetermination statement must complete and return the statement to SSA. *The statement must be returned to SSA within 30 days, even if the patient determines that their circumstances have not changed.* (There is a section on the form to indicate no change in income, assets or household size.) Extension of the 30 day period may be requested if additional time is needed to complete and return the statement. If the statement is not returned to SSA (SSA will send a reminder letter) LIS eligibility will end on December 31, 2006.
- g. Once the redetermination statement is received by SSA, the reported information will be confirmed by data match, and SSA will determine LIS eligibility for 2007.

Patients with Medicare who lose their LIS in 2007 have a one-time Special Enrollment Period (SEP) from January 1 – March 31, 2007. During this SEP individuals who lost their LIS may enroll, change or drop their Part D coverage.

Group 3. Low-Income Non-Dual patients who were denied or did not apply for the LIS in 2006: Screening for LIS Eligibility in 2007

All patients who need Medicare Prescription Drug Coverage should be screened for LIS eligibility. Those who are not “deemed” eligible for the full LIS (Duals and MSP members) must apply to SSA to receive a LIS. Applications may be completed online at www.ssa.gov.

Basic Income and Asset Limits for LIS Eligibility:

Individual:

Income limit = \$1,225/mo.*

Asset limit = \$11,500**

Married couple living together:

Income limit = \$1,650/mo.*

Asset limit = \$23,000**

**Higher incomes may be considered in cases of financial hardship or other circumstances.*

***The value of the home and one car are excluded.*

There is no deadline to apply for a LIS. Medicare beneficiaries who are awarded a LIS are entitled to a limited Special Enrollment Period which allows them a one-time enrollment opportunity to enroll in a Part D plan even after the Annual Open-Enrollment Period.