



CMA Weekly Alert – AUGUST 24, 2006

WITHHOLDING OF PART D PREMIUMS FROM SOCIAL SECURITY CHECKS: A BIGGER PROBLEM THAN CMS ADMITS

Introduction

The Associated Press (AP) reported that the Centers for Medicare & Medicaid Services (CMS) inappropriately sent 230,000 Medicare beneficiaries refunds of Medicare Part D premiums with a letter indicating that Social Security would no longer withhold their Part D premiums from their monthly check. The AP report fails to say that some people are getting reimbursements to which they are entitled after months of having premiums withheld that should not have been withheld. The latest snafu is only one in a series of problems that Medicare beneficiaries continue to experience in paying for Part D. This Weekly Alert will address a variety of Part D premium problems.

Social Security Letter Concerning Premium Deductions

Some, but not all, beneficiaries who have gotten refunds report that they also received a letter from Social Security about the refund, confirming that premiums will no longer be deducted from their monthly check. The letter is confusing and does not provide all of the information a beneficiary may need.

- The letter begins, “We will no longer deduct money for your health plan premium(s) from your monthly benefit.” It does not name the health plan or indicate that the health plan is a Part D plan.
- The letter states the amount of refund the beneficiary will receive and the time period through which it is due (Example: “This is the money you are due through July 2006.”) It may be difficult to calculate the actual months for which the premiums are being refunded and whether any additional amounts are due to the plan.
- The letter advises the beneficiary to “contact your health plan(s)” for questions about health plan premiums. It does not remind people that they have to pay Part D premiums if they are not eligible for the full Low Income Subsidy (LIS). Further, it does not provide contact information for the individual’s plan.
- The letter advises individuals with questions to call Social Security’s hot-line number. Social Security’s hot-line may not have information about Part D premiums.

Inappropriate Premium Refunds

CMS sent a letter of apology to beneficiaries who may have received an erroneous premium refund. A Spanish version of the letter was sent to those beneficiaries who are identified as Spanish-speaking.

The letter indicates that a computer problem caused a check or direct deposit payment refunding Medicare drug plan premiums to be sent to some individuals who did not ask to stop having premiums withheld from their Social Security check. The letter further advises beneficiaries that:

- They still have their drug coverage, since Social Security has already paid the premium;
- They should set aside the extra premium refund payment;
- The extra payment must be returned, and that CMS will advise beneficiaries of the process to return the payment shortly;
- Social Security cannot begin the premium withholding process again until October for those for whom the process was stopped erroneously.

Potential Problems Arising From the Erroneous Premium Refunds:

In addition to the possibility of CMS recouping premium refunds from beneficiaries who have a legitimate right to the refund they receive, other potential problems may arise.

Some beneficiaries who received the erroneous payment may not be aware that the money does not belong to them. They may spend the money before they get the letter from CMS, or they may not understand the letter. In some cases beneficiaries and their advocates may need to request a waiver of a Medicare overpayment under the federal regulatory waiver provisions that apply to Medicare claims.

The CMS letter indicates that premium withholding will begin again with the October premium. The letter does not indicate that beneficiaries still are obligated to pay their September premium, or whether the September premium will be withheld from the October check as well as the October premium. If the September premium will not be withheld, the letter also does not advise beneficiaries to contact their drug plan to make arrangements to pay the amount due. The possibility arises again that a beneficiary who does not pay the September premium could face disenrollment from the drug plan.

There is always the possibility that scam artists may pose as government agents to try to get refund payments from unsuspecting beneficiaries. The CMS letter to beneficiaries reminds them that Medicare will not contact them to ask for personal information, and where to call if someone asks for Social Security or banking information.

Some Part D Premium Refunds Are Appropriate

Many individuals are truly owed a refund of Part D premiums that were taken from their Social Security checks incorrectly. These include:

- Individuals who are dually eligible for Medicare and Medicaid and who owe no premium;
- Individuals found eligible for the full low-income (LIS) subsidy (“Extra Help) and who owe no premium;
- Individuals who had premiums taken from their Social Security checks for plans in which they did not intend to enroll, but which they called just for information; and
- Individuals who did not request that the premiums be withheld and who, in some cases, specifically told the plan upon enrollment that they did not want the premium to come from their Social Security checks.

Across the country, advocates report spending months trying to stop the inappropriate reduction of Social Security checks by Part D premiums for each individual beneficiary who encounters the problem. The issue is not easy to resolve.

Some beneficiaries have now begun to receive refunds of the premium amounts that were taken from their Social Security check incorrectly. These beneficiaries may receive a check for the refund amount or the refund amount may be direct deposited to a bank account.

Potential Problems for Beneficiaries Who Received Refunds Properly

The refunded money and the publicity about the refund glitch may cause confusion for many people. Some who received money that is actually owed to them may believe that they need to return the money. Given the systems problems so far with Part D implementation, there is concern whether CMS’ implementation of refund procedures will be able to differentiate between those beneficiaries with a legitimate claim to the refunded premium amounts and those who got money inappropriately. Beneficiaries may worry that the premium refunds they waited months to get will be taken away.

Duals and other beneficiaries who are full LIS-eligible do not have to be concerned about the premiums for their drug plans because those are paid by the subsidy. Individuals who had premiums deducted for drug plans in which they did not intend to enroll also do not owe those plans any premiums, assuming they did not receive drug benefits under the plan.

Many beneficiaries who received refunds are not LIS-eligible but had not requested that their Part D premiums be deducted from their Social Security check. What is the effect of the premium refund on individuals who had and continue to have premium obligations to their drug plan? If the refunded premium amounts were already paid to the drug plan, will this group of individuals be asked to repay their refunds? If their drug plans were never paid the deducted premium amount, do they now owe the refund to the drug plan?

What will happen to beneficiaries who are required to pay premiums to their drug plan but who do not follow the advice in the Social Security letter to contact their drug plan about premium

payment methodologies, other than premium deductions? Will plans to which premium money is due begin disenrollment procedures and/or request repayment for several months' worth of premiums?

Advocates may encounter a new range of Part D premium issues for individuals who simply wanted to change their method of payment to their Part D plan and now find themselves in a confused situation over money owed to them, to their drug plan, and possibly to the federal government.

Conclusion

Beneficiaries and their advocates will need to follow the situation closely to make sure that:

- Their Social Security check is not reduced by a Part D premium they do not owe;
- A refund which they were due is not recouped erroneously from their bank account;
- They pay all of the Part D premiums they are required to pay;
- Those who received erroneous premium refunds set the money aside;
- Those who used the refund check and who are eligible for a waiver of an overpayment go through the overpayment process.

Once again, the complications of the Part D program make the program difficult to administer and create unnecessary headaches for Medicare beneficiaries.

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