



CMA Weekly Alert – August 31, 2006

LOW-INCOME SUBSIDY: HERE THIS YEAR, GONE NEXT YEAR?

The Medicare Part D Low Income Subsidy (LIS) provides eligible individuals with assistance with some of their Part D costs. The federal law that established the Medicare Part D prescription drug program requires that beneficiaries eligible for LIS undergo an annual re-evaluation of their eligibility for this “extra help”. The process used for this re-evaluation, known as “redetermination” or “re-deeming,” varies depending on how a beneficiary originally became eligible for LIS.

Beneficiaries whose eligibility determinations were made through the Social Security Administration (SSA) are subject to a redetermination conducted by SSA. SSA must conduct redeterminations for the first year within the first 12 months of the Part D program. SSA will establish a cycle for conducting subsequent redeterminations.

LIS eligibility determinations made by a state Medicaid agency will be conducted by the state Medicaid agency according to the agency’s redetermination process. State Medicaid agencies will primarily be responsible for re-deeming LIS eligibility for beneficiaries who were originally *deemed* eligible for LIS and thus did not have to apply. This group includes Medicare beneficiaries who are eligible for full Medicaid benefits, those who are eligible for one of the Medicaid Savings Programs (MSP) [QMB, SLMB, QI], or those who receive Supplemental Security Income (SSI) but are not automatically eligible for Medicaid.

As a result of re-deeming, some beneficiaries who currently receive LIS assistance with their Part D premiums, cost-sharing, and drug costs while in the donut hole may lose that assistance in 2007. Many of these beneficiaries may not be able to afford their prescription drug coverage without LIS.

This Weekly Alert provides information about the redetermination and re-deeming processes.

Redeterminations for Beneficiaries Who Applied for LIS through SSA

Starting in late August, SSA will send letters to between 1.2 and 1.6 million beneficiaries who applied and were found eligible for LIS through the SSA process before May 2006. People whose eligibility for LIS was determined by SSA during and after May 2006 will not be subject to redetermination until August 2007. The latter group of beneficiaries will not receive the redetermination letter.

The SSA redetermination letter contains beneficiary-specific information about income, assets, and household size. **The SSA letter tells beneficiaries that they do not have to do anything if the information has not changed or if the income and asset amounts are lower than indicated in the letter.** Note: An increase in income due to the Social Security cost of living adjustment (COLA) does not count as an increase in income that must be reported to SSA.

A beneficiary who does not respond to the letter will be assumed to have had no change in his or her situation. SSA will conduct a data match with other federal agencies to confirm no change in financial status or household size. The beneficiary will be re-certified LIS-eligible for 2007 if the data match also shows no change in circumstances. **These beneficiaries will NOT receive a letter from SSA confirming their LIS-eligibility for 2007.**

The SSA letter will include a form for beneficiaries whose circumstances have changed to send back to SSA to request a redetermination statement (SSA Form 1026-B). The form must be returned within 15 days of receipt of the letter. Beneficiaries may also call SSA for the Form 1026-B redetermination statement.

Beneficiaries who request and receive a redetermination statement must complete the statement, indicate how their circumstances have changed, and return the statement to SSA within 30 days. They may request an extension if they are unable to complete Form 1026-B within the 30-day time period. **Beneficiaries who request and receive the redetermination statement must return it within the specified time frame even if, upon review, they realize that their circumstances have not changed and they did not need to contact SSA.** The redetermination statement includes a section to indicate that income, assets, and household size have not changed.

Once SSA receives a returned redetermination statement, the agency will evaluate the information for continued LIS eligibility. SSA will also conduct a data match with other federal agencies to confirm the new information. If a beneficiary does not return the statement, SSA will send a letter reminding the beneficiary to return the statement or LIS eligibility will end on December 31, 2006.

The SSA redetermination process is set out in its Program Operations Manual System (POMS), available at <https://s044a90.ssa.gov/apps10/poms.nsf/lnx/0603050011>. The beneficiary letter and the redetermination statement are found at the end of the POMS section. An SSA fact sheet about the process is available at <http://www.socialsecurity.gov/pubs/10111.pdf>. The Spanish version is available at http://www.socialsecurity.gov/pubs/10111_SP.pdf

Re-Deeming of LIS Eligibility by State Medicaid Agencies

In July, CMS sent a letter to state Medicaid directors that explained the process for “re-deeming” of LIS eligibility for individuals who were deemed LIS-eligible for 2006. See <http://www.cms.hhs.gov/smdl/downloads/SMD070606.pdf>.

CMS will review the “MMA file” sent by each state to the agency in July. Individuals who were deemed eligible for LIS in 2006 and who appeared in the July state data (MMA) files will automatically be deemed eligible for LIS in 2007. They will not have to do anything to continue their LIS eligibility. CMS will review the state MMA data files each month so that Medicare beneficiaries who appear in a monthly file between August and December 2006 will also be deemed eligible for LIS through 2007. The July 2006 state files will also be used to determine subsidy levels, including the co-payment amount.

Beneficiaries who were deemed eligible for LIS in 2006 but who do not appear in the state files transmitted to CMS in July and in subsequent months through December 2006 will not be deemed eligible for 2007. The July 6 Medicaid director letter tells states that CMS will notify beneficiaries who are currently deemed eligible for LIS, but who were not included in the July data transmission by the states, that they will not be deemed eligible for LIS for 2007.

Individuals who are no longer deemed eligible for LIS may still *apply* for the low-income subsidy through SSA. It has not yet been decided whether these individuals will automatically receive an LIS application with the letter that tells them that they are no longer automatically eligible for LIS.

Advocacy Concerns

A beneficiary whose LIS eligibility has been terminated or whose status has been changed from full- to partial- subsidy eligible may file an appeal. Advocates are concerned that the SSA notices in the redetermination process and the CMS letters in the re-deeming process may fail to provide beneficiaries with adequate information about their appeal rights. Even if beneficiaries are adequately informed, questions remain as to whether the appeal processes will be completed before the LIS is terminated or reduced.

Some beneficiaries who lose their deemed eligibility status because they are no longer eligible for full Medicaid benefits may still be eligible for one of the Medicare Savings Programs such as QMB, SLMB, or QI. In addition to being deemed eligible for LIS, MSP recipients also receive assistance with Part B premiums and, in the case of QMB, other cost-sharing. These beneficiaries should be encouraged to apply for MSP.

Similarly, some states have MSP eligibility criteria that are more generous than the LIS eligibility criteria. Beneficiaries who live in these states and who are redetermined by SSA not to be eligible for LIS should also apply for MSP. If found eligible for MSP, these beneficiaries would then be deemed eligible for LIS.

Some beneficiaries used their very high prescription drug costs to become eligible for full Medicaid benefits in 2005, and so they were deemed eligible for LIS in 2006. Because LIS paid most of their drug costs in 2006, many of these beneficiaries no longer qualify for Medicaid on a spend-down or medically needy basis. They will therefore lose their deemed eligibility for LIS in 2007, and they will once again be responsible for their medications costs. Once their costs are high enough, some of these beneficiaries may again qualify for Medicaid, and will again be deemed eligible for LIS. Thus, LIS-eligibility for some Medicare beneficiaries in any given year will vary depending on if and when they meet their spend-down obligations.

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