



Center for Beneficiary Choices
Medicare Plan Payment Group

Date: October 25, 2007

To: All Part D Plan Sponsors

From: Tom Hutchinson, Director
Medicare Plan Payment Group

Subject: 2008 Resource and Cost-Sharing Limits for Low-Income Subsidy (LIS)

The Centers for Medicare & Medicaid Services (CMS) is releasing guidance on the updated resource limits for individuals who apply and qualify for the low-income subsidy (LIS) and informing you of the maximum co-payments LIS eligible beneficiaries, including full-benefit dual eligible and partial dual eligible individuals, will pay as enrollees of Medicare prescription drug plans in 2008. By statute, CMS is required to update the Part D resource limits, income standards, and cost-sharing amounts for the low-income subsidies each year. The attached notice provides the methodology that CMS used to update the resource limits as well as the cost-sharing amounts for 2008. The 2008 resource limits are \$7,790 (\$12,440 if married) for the full low-income subsidy and \$11,990 (\$23,970 if married) for other low-income subsidies. CMS will release the 2008 income standards for the low-income subsidies in early 2008 after the release of the 2008 federal poverty levels (FPL).

Further Information

If you have questions about this guidance, please contact Meghan Elrington at (410) 786-8675.

Resource Limits for the Medicare Part D Low-Income Subsidy: Annual Adjustment for 2008

To apply and qualify for the Part D low-income subsidy, Medicare beneficiaries must have resources no greater than the resource limits established by the Medicare Modernization Act (MMA). In 2007, to qualify for the full low-income subsidy, Medicare beneficiaries are required to have resources below or equal to \$6,120 (\$9,190 if married). Medicare beneficiaries are required to have resources below or equal to \$10,210 (\$20,410 if married) to qualify for other low-income subsidies. When determining whether a beneficiary qualifies for the Medicare Part D low income subsidy, \$1,500 per person in resources are excluded from consideration if the beneficiary indicates that they expect to use some of their resources for burial expenses. Therefore, these resource limits are increased by \$1,500 per person if the beneficiary expects to use some of their resources for burial expenses.

The MMA directs CMS to update the resource limits for the low-income subsidy each year. This notice provides: (i) the methodology for updating the resource limits, (ii) the 2008 low-income subsidy resource limits, and (iii) the 2008 cost-sharing for low-income subsidy eligible enrollees.

I. Calculation Methodology

Section 1860D-14(a)(3)(D) of the MMA requires CMS to use the annual percentage increase in the Consumer Price Index, All Urban Consumers (all items, U.S. city average) as of September of the previous year to update the resource limits for the low-income subsidy. CMS used the September, 2006 and the September, 2007 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2008 is calculated as follows:

$$\frac{\text{September 2007 CPI}}{\text{September 2006 CPI}} \text{ or } \frac{208.49}{202.9} = 1.0276$$

(Source: Bureau of Labor Statistics, Department of Labor)

Thus, the 2008 increase factor for the low-income subsidy resource limits is 2.76%. Per the statute, the resource limits are increased by 2.76% for 2008 and rounded to nearest multiple of \$10. Therefore, the resource limit required for beneficiaries to qualify for the full low-income subsidy is increased from \$6,120 (\$9,190 if married) to \$6,290 (\$9,440 if married) for 2008. The resource limit required to qualify for partial low-income subsidies is increased from \$10,210 (\$20,410 if married) to \$10,490 (\$20,970 if married) for 2008.

II. Table of Resource Limits Used to Determine Eligibility for Low-Income Subsidy (LIS)

LIS Level	Marital Status	2007 LIS Resource Limit*	2008 LIS Resource Limit*
Full Subsidy LIS	Single	\$7,620	\$7,790
	Married	\$12,190	\$12,440
All Other LIS	Single	\$11,710	\$11,990
	Married	\$23,410	\$23,970

*These resource limits include \$1,500 per person for burial expenses.

III. Low-Income Subsidy Eligible Beneficiary Cost-sharing

As required by statute, each year the co-payments for low-income subsidy eligible beneficiaries under the basic benefit are indexed to the increase in average total drug expenses of Medicare beneficiaries. The maximum copayments below the out-of-pocket threshold for certain low-income full subsidy eligible enrollees as well as the deductible and the maximum copayments above the out-of-pocket threshold for partial subsidy eligible enrollees are updated by the annual percentage increase in average expenditures for Part D drugs. In addition, the maximum copayments below the out-of-pocket threshold for full benefit dual eligible enrollees with incomes that do not exceed 100% of the Federal poverty line (FPL) are updated by the annual percentage increase in the Consumer Price Index. For additional information on the updating of these Part D benefit parameters, please refer to the April 2, 2007 guidance "Notification of Changes in Medicare Part D Payment for Calendar Year 2008 (Part D Payment Notification)" available on the CMS website at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/AD/list.asp>. Please see the table below for the updated cost-sharing for low-income subsidy eligible beneficiaries in 2008.

2008 Maximum LIS Beneficiary Cost-Sharing Table

Low-income Subsidy Category	Deductible	Copayment up to Out-of-Pocket Threshold*	Copayment above Out-of-pocket Threshold*
Institutionalized Full-Benefit Dual Eligible	\$0	\$0	\$0
Full-Benefit Dual Eligible ≤ 100% FPL	\$0	\$1.05 generic, \$3.10 brand	\$0
Full-Benefit Dual Eligible > 100% FPL; Medicare Saving Program Participant (QMB-only, SLMB-only, or QI); Supplemental Security Income (but not Medicaid) Recipient; Applicant < 135% FPL with resources ≤ \$7,790 (\$12,440 if married)**	\$0	\$2.25 generic, \$5.60 brand	\$0
Applicant < 150% FPL with resources bet. \$7,790-\$11,990 (\$12,440-\$23,970 if married)**	\$56	15%	\$2.25 generic, \$5.60 brand
*Out-of-Pocket Threshold is \$4,050 for 2008.			
** Resource limits displayed include \$1,500 per person for burial expenses.			