



CENTER FOR DRUG AND HEALTH PLAN CHOICE

Date: October 16, 2008

To: All Part D Sponsors

From: Anthony Culotta, Director
Medicare Enrollment & Appeals Group

Subject: Identifying Key Information in Social Security Administration Letters to
Low-Income Subsidy Applicants

As described in our August 4, 2008, memorandum regarding Best Available Evidence (BAE) policy, Part D plan sponsors are required to accept a copy of the award letter for individuals who are not deemed eligible, but who apply and are found eligible for the low-income subsidy (LIS) by the Social Security Administration (SSA). The purpose of this memorandum is to identify letters from SSA that can qualify as BAE and explain where relevant information is located within each letter.

Beneficiaries who apply and qualify for LIS with SSA are awarded either the full or partial subsidy based on their income and resources. When SSA takes an action on an LIS award, it provides the beneficiary with a letter that indicates whether the award is for a full subsidy or a partial subsidy, specifies the reduced deductible and reduced co-payments, and identifies the effective date of the action. If the award is for a partial subsidy, the letter will explain the percentage of the premium subsidy award.

- **Full Subsidy Award:** A full subsidy award means that the beneficiary can enroll in a plan that will pay the full premium up to the regional low-income benchmark amount. The beneficiary will pay no deductible, and cost-sharing (co-payments) of covered prescriptions will be limited to \$2.40 per generic or preferred brand name drug/\$6.00 per brand name drug. (Note: All dollar figures used throughout this memorandum are 2009 amounts.)
- **Partial Subsidy Award:** A partial subsidy award means that the beneficiary is eligible for a subsidy of 25%, 50%, 75%, or 100% of the regional low-income benchmark amount. The beneficiary will be responsible for a deductible of no more than \$60 with cost-sharing (coinsurance) of 15% until the catastrophic limit is reached (\$6,153.75). After the catastrophic limit is reached, co-payments will be \$2.40/\$6.00 for covered prescriptions.

SSA Letters

There are four SSA letters that a beneficiary could potentially receive that Part D plans must accept as BAE, and the relevant portions of each of these letters are attached. The name of the letter can be found in the upper left hand corner of the first page of the letter, and each letter has been marked with a ① to identify the letter type. As explained below, the letters are annotated with a ② or ③ to indicate where the specific information (shaded in grey) appears in the letter.

Determining the SSA Subsidy Effective Date

All attachments have been marked with a ② to indicate where the effective date can be found within the letter.

- **Notice of Award** – This letter is provided to a beneficiary when the LIS subsidy is first awarded.
 - To determine the effective date, look at either of the worksheets that will be attached to the letter. These worksheets are similar and both contain the date information. Just below the header, the effective date is in the phrase “For <month, year> and continuing”. See Attachment 1A for a sample of the letter. See Attachments 1B and 1C for samples of the Income Worksheet and the Resource Worksheet, respectively.

The following three notices are provided when SSA has made a redetermination on an LIS award. Beneficiaries are selected for redetermination randomly or when a change in their circumstance has been reported.

- **Notice of Change** – This letter is provided to a beneficiary when SSA has made a redetermination on an LIS award AND the award will be increased, such as from a 25% premium subsidy to a 50% premium subsidy.
 - The effective date is on the first page, in the first paragraph under “Your Help Will Change”. See Attachment 2.
- **Notice of Planned Action** – This letter is provided to a beneficiary when SSA has made a redetermination on an LIS award AND the award will be reduced, such as from a 75% premium subsidy to a 50% premium subsidy.
 - The effective date is on the first page, in the first paragraph under “Your Help Will Change”. See Attachment 3.
- **Important Information** – This letter is provided to a beneficiary when SSA has made a redetermination on an LIS award AND the award will not change.
 - To determine the effective date, look at either of the worksheets that will be attached to the letter. These worksheets are similar and both contain the date information. Just below the header, the effective date is in the phrase “For <month, year> and continuing”. See Attachment 4 for a sample of the letter. See Attachments 1B and 1C for samples of the Income Worksheet and the Resource Worksheet, respectively.

Note: It is not uncommon for an individual's last correspondence from SSA to be a year or more in the past. Part D Sponsors must accept SSA notices dated up to 15 months in the past.

Determining the Premium Subsidy Level, Deductible, and Co-payment Amounts

All attachments have been shaded and marked with a ③ where the award information can be found within the letter.

If a beneficiary is awarded a 25%, 50%, or 75% premium subsidy, the beneficiary's plan benefit package's deductible is reduced, if greater than the maximum allowable deductible (e.g. \$60 for CY 2009).

The SSA notices identify key LIS levels as follows:

- The premium subsidy percentage (25%, 50%, 75% or 100%) is on the first page.
- The deductible information is also on the first page.
 - "No prescription drug annual deductible" means that the beneficiary has a \$0 deductible.
 - "Reduced prescription drug annual deductible" means that the beneficiary will pay no more than a \$60 deductible (or less, if the plan benefit package's deductible is less).
- The specific co-payment level is not stated explicitly, but can be determined as follows:
 - "No prescription drug deductible" means that the beneficiary's copayment is \$2.40/\$6.00.
 - "Reduced prescription drug annual deductible" means that the beneficiary will pay up to than 15% coinsurance after the reduced deductible is satisfied.

Note: An SSA notice only applies to the addressee of the letter. If both spouses apply for LIS, each will have his/her own letter. On occasion, there will be a reference to a spouse in the body of the letter; this reference is solely for the purpose of counting a spouse's income/resources, not to whether the spouse himself/herself qualifies for LIS.

Part D sponsors must continue to take the appropriate steps outlined in our August 4, 2008, memorandum when presented with one of the four notices described above. While we do not currently have a mechanism for manually correcting data for LIS applicants, we are working with SSA to improve our data reporting processes and will discuss any process improvements, including a correction mechanism, if established, in future operational guidance.

For questions concerning our BAE policy, please contact Tracey Baker at tracey.baker@cms.hhs.gov or 410-786-7794.

Attachment 1A – Sample Notice of Award

① **Social Security Administration
Medicare Prescription Drug Assistance
Notice of Award**

Great Lakes Program Service Center
600 West Madison Street
Chicago, Illinois 60661-2474
Date: November 23, 2005
Social Security Number: 123-00-6789

JOHN Q. PUBLIC
123 MAIN ST
SPRINGFIELD OH 45501

You are eligible for extra help with your Medicare prescription drug plan costs. To take advantage of this benefit, you must enroll in a Medicare approved prescription drug plan or Medicare Advantage plan with prescription drug coverage, if you are not already enrolled in one. If you do not choose a Medicare prescription drug plan, Medicare will choose one for you to be sure you get this benefit. You will receive more information from Medicare.

The rest of this letter explains the extra help with the prescription drug plan costs, the information used to determine your eligibility, how to sign up for a Medicare prescription drug plan, what to do if your situation changes, and your appeal rights.

Information About This Help With Your Prescription Drug Plan Costs

You are eligible for full help to pay your Medicare prescription drug premium, also known as subsidy, because your income is below the limits established by the law. Because your resources are less than or equal to \$6000, you are also eligible for lower prescription drug co-payments and annual deductibles.

③ You are eligible for:

- **XX% subsidy to help pay your Medicare prescription drug plan premiums;**
- **<No/Reduced> prescription drug annual deductible; and**
- **Reduced co-payment amounts when you have a prescription filled.**

(Refer to Attachment 1B and/or 1C to find the effective date)

Attachment 1B - Sample Income Worksheet

SOCIAL SECURITY ADMINISTRATION

2

**How We Counted <Your/Your and Your Spouse's> Income To Determine Your Subsidy
For the <Month, Year> and continuing**

<Income Type 1>	<u><amount></u>
<Income Type 2>	<u><amount></u>
.	<u><amount></u>
.	<u><amount></u>
.	<u><amount></u>
<Income Type n...>	<u><amount></u>
(General Income Exclusion)	<u><(amount)></u>
Subtotal of <Your/Your and Your Spouse's> Income We Count	<u><amount></u>
Total Income We Count	<u><amount></u>
Income Limit for Subsidy Eligibility	<u><amount></u>

Attachment 1C - Sample Resource Worksheet

SOCIAL SECURITY ADMINISTRATION

How We Counted <Your/Your and Your Spouse's> Resources To Determine Your Subsidy

2

For the <Month, Year> and continuing

<Resource Type 1>	<u><amount></u>
<Resource Type 2>	<u><amount></u>
.	<u><amount></u>
.	<u><amount></u>
.	<u><amount></u>
<Resource Type n...>	<u><amount></u>
Resource Limit for Subsidy Eligibility	<u><amount></u>
Amount Over The Resource Limit	<u><amount></u>

We counted only the resources listed above. We do not count the value of your home, your vehicles or your personal possessions.

Attachment 2 - Sample Notice of Change

① **Social Security Administration
Medicare Prescription Drug Assistance
Notice of Change**

Great Lakes Program Service Center
600 West Madison Street
Chicago, Illinois 60661-2474
Date: December 1, 2006
Social Security Number: 123-00-6789

JOHN Q. PUBLIC
123 MAIN ST
SPRINGFIELD OH 45501

We are changing the amount of the extra help you get with Medicare prescription drug plan costs. The rest of this notice explains how we figured the change, when it will change, what information was used to make this decision, what to do if your situation changes, and your appeal rights.

② **Your Help Will Change**

You will receive increased help, also known as the subsidy, because of a change in your income. **Beginning <Month, Year>**, you are eligible for:

- ③
- **XX% subsidy to help pay your Medicare prescription drug plan premiums;**
 - **<No/Reduced> prescription drug annual deductible; and**
 - **Reduced co-payment amounts when you have a prescription filled.**

Attachment 3 - Sample Notice of Planned Action

① **Social Security Administration
Medicare Prescription Drug Assistance
Notice of Planned Action**

Great Lakes Program Service Center
600 West Madison Street
Chicago, Illinois 60661-2474
Date: October 4, 2006
Social Security Number: 123-00-6789

JOHN Q. PUBLIC
123 MAIN ST
SPRINGFIELD OH 45501

We are changing the amount of the extra help you get with Medicare prescription drug plan costs. The rest of this notice explains how we figured the change, when it will change, what information was used to make this decision, what to do if your situation changes, and your appeal rights.

② **Your Help Will Change**

You will receive reduced help, also known as the subsidy, because of a change in your income. **Beginning <Month Year>**, you are eligible for:

- ③
- **XX% subsidy to help pay your Medicare prescription drug plan premiums;**
 - **<No/Reduced> prescription drug annual deductible; and**
 - **Reduced co-payment amounts when you have a prescription filled.**

Attachment 4 - Sample Notice of Important Information

① **Social Security Administration
Medicare Prescription Drug Assistance
Important Information**

Great Lakes Program Service Center
600 West Madison Street
Chicago, Illinois 60661-2474
Date: October 4, 2006
Social Security Number: 123-00-6789

JOHN Q. PUBLIC
123 MAIN ST
SPRINGFIELD OH 45501

We have completed our review of your and your spouse's eligibility for extra help with Medicare prescription drug plans costs. You and you spouse will continue to receive the same extra help that you have been receiving. The rest of this notice explains how we figured the change, when it will change, what information was used to make this decision, what to do if your situation changes, and your appeal rights.

Your Eligibility

Your and your spouse's eligibility for extra help, also known as the subsidy, will continue as follows:

- ③
- **XX% subsidy to help pay your Medicare prescription drug plan premiums;**
 - **<No/Reduced> prescription drug annual deductible; and**
 - **Reduced co-payment amounts when you have a prescription filled.**

(Refer to Attachment 1B and/or 1C to find the effective date)