



CENTER FOR BENEFICIARY CHOICES

DATE March 4, 2008

To: All Prescription Drug Plan Sponsors, Medicare Advantage Organizations, Section 1876 Cost-Based Contractors, PACE Organizations, and Demonstration Organizations – Business and System Operations staff

From: Anthony J. Culotta, Director
Medicare Enrollment and Appeals Group

Subject: Redetermination of Low-Income Subsidy (LIS) Eligibility for 2008

The purpose of this memo is to provide your organization with updated information about forthcoming results of redeterminations of eligibility for the low-income subsidy made by the Social Security Administration (SSA). **As detailed below, plans should take prompt action to set their members' LIS status appropriately and to notify members whose status has changed.**

Background

SSA is required under the law to review beneficiaries' eligibility for LIS within the first 12 months of their eligibility and at intervals thereafter as determined by the Commissioner. SSA mailed letters to individuals who were selected for redetermination of LIS eligibility in late August 2007. The letters told the individuals what SSA's records had shown for their income, resources and household size. Individuals who received the form were required to complete and return the form within 30 days. Their subsidy can remain the same, be changed (either increased or decreased), or terminated altogether as a result of the redetermination process. Regardless of the action taken, affected individuals are notified in advance and afforded the opportunity to appeal.

SSA has notified those individuals who will experience a change in their LIS level and has been sending information to CMS about these changes on a flow basis. CMS has, in turn, provided information about these changes available to plans through the various LIS reports available. A number of individuals whose LIS will terminate as a result of the redetermination process will receive notice during the first week of March, and the LIS termination will be effective April 1, 2008. CMS will provide information about these LIS terminations to plans in a Special Transaction Reply Report (TRR) on or around March 11, as described further below. Affected individuals who request a timely appeal have the option to have their LIS continue until a decision is made on the appeal.

It is also important to note that, throughout the year, beneficiaries receiving LIS can also report changes in marital status (also known as a Subsidy Changing Event or SCE), which may result in changes to the amount of their low-income subsidy. When a change in marital status is reported to SSA, SSA initiates a redetermination of eligibility. Any effect on the beneficiary's LIS, including a reduction in the amount of the subsidy or its termination altogether, is effective the month following the month the change is reported.

Transmission of Termination Dates to Part D Sponsors

LIS terminations will be transmitted to Part D sponsors by CMS on or around March 11, via a Special Transaction Reply Report (TRR). As noted above, these LIS terminations will be effective April 1, 2008, unless the affected individual requests a timely appeal and his/her LIS continues until a decision is made on the appeal. Should a beneficiary's LIS status be thus extended, data will be conveyed via subsequent weekly and monthly TRRs as well as the LIS history report. This Special TRR may include records for a small number of LIS beneficiaries whose subsidy level is changing (but not terminating), or who are newly determined eligible for LIS by SSA. Please refer to the accompanying Transaction Reply Codes (TRC) to distinguish LIS terminations from LIS changes:

LIS Terminations:

- TRC 121, with end date of 3/31/08; does not appear in combination with TRCs 167 and/or 168

LIS Changes:

- TRC 167 and/or 168
- TRC 121 with start date of first of a given month (with no corresponding end date)
- TRC 121 in combination with TRC 167 and/or 168

The information on the Special TRR will also be included in the March LIS History Report, but will not be included in the regular weekly or monthly TRR. The file formats for the TRR and LIS History Report are available in Appendix E of the *Plan Communication User's Guide* for reference. For more information on the LIS-related TRCs identified above, please see FAQ #513, which can be found as on the website at <http://questions.cms.hhs.gov> (enter "8329" in the "Enter a Search Term" box) or in Attachment 2 to the HPMS memorandum entitled, "Methodology for Using Various CMS Low Income Subsidy (LIS) Data Sources" issued on February 5, 2008.

Plan Responsibilities

Part D plan sponsors are required to use these notifications to set members' low-income copayment levels, deductibles and premium subsidy levels effective with the date provided in the notification. You are also required to make any necessary changes to 4Rx data within 3 business days of receiving notice from CMS of a change in LIS status. Additionally, it is likely that your organization has already mailed an LIS Rider to some or all of these affected individuals based on information CMS previously provided to you about their LIS status. As stated in the Medicare Marketing Guidelines, plans are required to send out the LIS Rider (or the LIS termination letter) within 30 days of learning a member's subsidy status. The LIS termination letter is "Model Notice for Beneficiaries Whose Low-Income Subsidy is Terminated during the

Plan Year” (See Attachment A). However, we strongly urge plans to send the appropriate letter as soon as possible after receiving the notification from CMS to ensure that the member is aware of his or her new cost-sharing and premium liability.

Special Enrollment Period (SEP)

These individuals have an SEP that begins the month they are notified and extends for two months after. See section 20.3.8, number 7, of the PDP Guidance and section 30.4.4, number 12, of Chapter 2 of the Medicare Managed Care Manual.

Points of Contact

For **policy** questions pertaining to LIS eligibility, please contact:

Kay Pokrzywa katherine.pokrzywa@cms.hhs.gov 410-786-5530

For **technical** questions pertaining to this notification, please contact:

MMA Help Desk at 1-800-927-8069 or via email at mmahelp@cms.hhs.gov.

Attachment A Model Notice for Beneficiaries Whose Low-Income Subsidy Ends

(For PDPs, MA-PD Plans, and Cost Plans that offer Part D)

(Note: The marketing material code for this model notice is **7005**. If the sponsor uses this model notice without modification, CMS will waive the five-day waiting period before the sponsor can use the notice in the marketplace).

[Member #-if member # is SSN, only use last 4 digits]

[RxID]

[RxGroup]

[RxBin]

[RxPCN]

<Date>

Dear <Name of Member>:

The Centers for Medicare and Medicaid Services, the federal agency that runs the Medicare Program, has told us that you no longer qualify for extra help with your Medicare prescription drug costs, beginning April 1, 2008. You will continue to be a member of <plan name>.

You may still qualify for extra help, but you must apply to find out. If you haven't already filled out an application for extra help, you can get an application or apply over the phone by calling Social Security at 1-800-772-1213, or apply online at www.socialsecurity.gov on the web. TTY users should call 1-800-325-0778.

How will my monthly premium change?

[Note: Sponsors may describe the grace period for the collection of premiums and cost-sharing for those applying for LIS and awaiting a determination, if applicable.] If you don't qualify for extra help, you will pay a monthly plan premium of <insert dollar amount> to <plan name>.

[Add the following if the member currently has premium withhold option: Because your premium is deducted from your monthly Social Security check, the amount withheld from your check will increase.]

How will my other prescription drug costs change?

[Describe plan's cost sharing structure including the deductible, if applicable, for non-LIS members. Sponsors that are offering a grace period for the collection of premiums and cost-sharing to those who are able to demonstrate that they have applied for LIS should reference that policy here.]

What are my options?

Staying a member of our plan

Even if you don't qualify for extra help, you will continue to be a member of <plan name>. You will pay the costs described above for your coverage next year.

Switching plans

If you no longer qualify for extra help, you will have an opportunity to switch to a different Medicare drug plan prior to June 1, 2008. You may want to switch to a different drug plan with costs and coverage for next year that better meet your needs.

- [*Insert, if applicable:* we offer (an)other plan(s) that may lower your prescription drug plan costs]
- Visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227) for more information about Medicare drug plans available in your area. TTY users should call 1-877-486-2048.

Finding other ways to get help paying for prescription drug costs

Your state may have programs that provide help paying your prescription drug costs. Contact your State Medical Assistance (Medicaid) office for more information. Call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov on the web for their telephone number. TTY users should call 1-877-486-2048.

If you have any questions, please contact <Customer/Member> Services at <toll-free number><days and hours of operation>. TTY users should call <toll-free TTY number>.

Thank you.