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MEDICARE PLAN PAYMENT GROUP

Date: October 27, 2006

To: All Part D Plan Sponsors

From: Tom Hutchinson
Director

Subject: **Clarification on De Minimis Premium Policy for Low-Income Subsidy Eligible Beneficiaries**

On June 8, 2006, CMS released guidance concerning an alternative policy for determining the calculation of the Part D low-income benchmark premium amounts for 2007. In this guidance, CMS announced that in 2007 a de minimis premium policy for low-income subsidy (LIS) beneficiaries would be implemented to ensure beneficiary stability. Under this de minimis premium policy, Part D plans are required to charge full-premium subsidy eligible beneficiaries a monthly Part D beneficiary premium equal to the applicable low-income premium subsidy amount, if the plan's beneficiary premium for basic prescription drug coverage exceeds the low-income premium subsidy amount by \$2 or less.

CMS has received several general inquiries concerning this policy. Therefore, we are releasing guidance on the subsequent pages to provide additional clarification on the de minimis premium policy for low-income subsidy beneficiaries.

If you have questions about this guidance, contact Meghan Elrington at (410) 786-8675 or meghan.elrington@cms.hhs.gov.

Clarification on De Minimis Premium Policy for Low-Income Subsidy Beneficiaries

Under the demonstration project entitled “Medicare Demonstration to Transition Enrollment of Low Income Subsidy Beneficiaries”, CMS is implementing a de minimis premium policy for low-income subsidy (LIS) eligible beneficiaries. This de minimis premium policy requires Part D plans to charge full-premium subsidy eligible beneficiaries a 2007 Part D monthly beneficiary premium equal to the applicable low-income premium subsidy amount, if the plan’s beneficiary premium for basic prescription drug coverage exceeds the low-income premium subsidy amount by \$2 or less. This policy allows full premium subsidy eligible beneficiaries to remain enrolled in these plans and essentially pay a zero Part D premium for 2007. Below is additional information on the de minimis premium policy.

1. The de minimis premium policy applies to Prescription Drug Plans (PDPs) and MA-PD plans. All Part D plans are required to charge full-premium subsidy eligible beneficiaries a 2007 Part D monthly beneficiary premium equal to the applicable low-income premium subsidy amount, if the plan’s beneficiary premium for basic prescription drug coverage exceeds the low-income premium subsidy amount by \$2 or less.
2. The de minimis premium policy applies to newly enrolled beneficiaries as well as currently enrolled beneficiaries. Therefore, if a Part D plan has a premium in the de minimis range, the Part D plan must charge all full-premium subsidy beneficiaries in their plan a 2007 monthly beneficiary premium equal to the low-income premium subsidy amount, including those beneficiaries who newly enroll in 2007. This policy ensures that Part D plans charge the same premium to all of their full premium subsidy beneficiaries regardless of whether the beneficiary was enrolled in their plan in 2006. In addition, this policy requires Part D plans that are new to the Medicare Part D program in 2007 to charge full premium subsidy beneficiaries who enroll in their plans a Part D premium equal to the low-income premium subsidy amount, if their beneficiary premium for basic prescription drug coverage exceeds the low-income premium subsidy amount by \$2 or less.
3. The de minimis premium policy does not affect CMS’ auto- or facilitated enrollment policy. Thus, we will continue to auto- and facilitate enroll LIS beneficiaries into PDPs that were at or below the region’s 2006 LIS benchmark as long as the effective date is in 2006.

However, beginning with auto/facilitated enrollments with effective dates in 2007, PDPs that qualify for the de minimis policy will not receive new auto/facilitated enrollments because their 2007 premium is above the region’s 2007 LIS benchmark. Separately, we are clarifying our policy of re-assigning LIS beneficiaries within the same organization wherever possible. Specifically, we are requiring PDPs (a) whose 2006 plan qualified for auto/facilitated enrollments, (b) whose 2007 premiums are above de minimis, (c) who have no other PDP with a 2007 premium below the region’s LIS benchmark, but (d) *do* have another PDP in the de minimis range, to perform re-assignment in November on CMS’ behalf to move their 2006 LIS assignees to the 2007 de minimis plan.

4. The de minimis premium policy does not apply to partial subsidy LIS beneficiaries. Part D sponsors must continue to charge partial subsidy LIS beneficiaries the difference between the plan's beneficiary premium and the applicable partial low-income premium subsidy amount.
5. CMS has received several inquiries concerning whether a Part D sponsor can apply the de minimis premium policy to those members of State Pharmaceutical Assistance Programs (SPAPs) who are not eligible for the low-income premium subsidy. In cases in which the plan and SPAP have otherwise entered into an agreement for SPAP payment of SPAP beneficiary premiums and/or cost sharing, the Part D sponsor can establish specific terms with the SPAP regarding the de minimis premium amounts for non-LIS SPAP beneficiaries.