



CENTER FOR BENEFICIARY CHOICES

DATE: January 23, 2007

To: All Part D Plan Sponsors

Subject: CMS 2007 Low Income Subsidy (LIS) Information and Reconciling LIS Status

From: Cynthia Tudor, Ph.D., Director, Medicare Drug Benefit Group

CMS issued two memoranda dated December 6, 2006 regarding LIS status for 2007. These issuances directed plans to use the full enrollment file from December 14, 2006 to:

- Identify beneficiaries for whom LIS status had been defaulted and who had either lost LIS or have a less favorable status for 2007; and,
- Identify beneficiaries who became LIS eligible in 2007 and to whom an LIS Rider must be sent no later than January 31, 2007.

Subsequently, in a January 8, 2007 communication sent via the Health Plan Management System (HPMS), the CMS Office for Information Services (OIS) notified all Part D plan sponsors that, while the Full Enrollment Eligibility File transmitted on December 14, 2006 contained accurate enrollment data, the file may not have reflected all the beneficiaries in your plan who are eligible for LIS in 2007. Because of a timing issue, the updates to the 2007 LIS for less than 50,000 beneficiaries were not reflected in the file.

Thus, rather than relying on the December 14 file for definitive LIS information, plans were directed to refer to their December 20, 2006 Bi-Weekly LIS File, as well as their weekly Transaction Reply Reports (TRRs), all of which accurately reflect the plan's LIS beneficiaries, LIS effective dates, and subsidy data.

Consistent with the January 8 communication, plans should consult these latter reports to establish their members' current LIS status. The ongoing use of the bi-weekly LIS reports, full enrollment files, and weekly TRRs enables plans to identify members who become newly LIS eligible and to whom an LIS Rider must be sent. Furthermore, in the event that a member does not appear on CMS' LIS files, and your organization has evidence of that member's LIS eligibility consistent with CMS' 2007 best available data policy outlined in the December 6th, 2006 memo, plans are required to maintain that beneficiary's LIS status. Additional details about the 2007 best available data policy and procedures for correcting LIS levels are forthcoming.

We also want to take this opportunity to make sure you are aware that CMS is continuing the same protection against the late enrollment penalty for low income beneficiaries as was available last year. Therefore, beneficiaries who qualify for LIS can join a Part D plan at anytime

throughout 2007 without penalty. Finally, for those beneficiaries you identify who had deemed LIS status in 2006, but have lost deemed status for 2007, please encourage these individuals to apply for the low-income subsidy.

If you have any questions concerning best available data policy and reconciling LIS cost-sharing, please contact Deborah Larwood at 410-786-9500.