



CENTER FOR BENEFICIARY CHOICES

To: All Medicare Advantage Organizations, Prescription Drug Plan Sponsors, Cost Plans, PACE, and Demonstration Organizations – Business and System Operations Staff

From: Abby L. Block, Director, Center for Beneficiary Choices

Date: January 31, 2007

Subject: Redetermination of Low-Income Subsidy (LIS) Eligibility for 2007

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

Background

As explained in detail in our October 5, 2006 memorandum, "Redetermination of Low-Income Subsidy (LIS) Eligibility for 2007," SSA was required under the law to review individuals' eligibility for LIS within the first 12 months of their eligibility. In late August 2006, SSA mailed letters to individuals who applied and became eligible for LIS prior to May 2006. The letters told them what SSA's records had shown for their income, resources and household size. People who did not have changes to their income, resources or household size did not have to do anything. Their LIS eligibility continues, and they were not issued a notice by SSA.

People who had changes in their income, resources or household size were asked to return a one-page letter to SSA. SSA then mailed them a form called "Social Security Administration Review of Your Eligibility for Extra Help (Form 1026B)." SSA also sent this form directly to some people to complete because SSA had information that there was a change in their income or resources. The letter sent with the form told the individuals to fill out and return the form to SSA within 30 days or their LIS would terminate. SSA has processed these redeterminations and has notified affected individuals if their LIS eligibility will change or terminate. Any reduction or termination will be effective February 1, 2007. If an individual failed to return the Form 1026B, SSA will send a letter to the individual in February 2007 stating the LIS will terminate effective March 1, 2007.

The subsidy terminations are effective in February and March 2007 to allow for sufficient time from the date affected beneficiaries were notified to file an appeal. This means that any affected individuals qualify for one or two months of subsidy in 2007. Individuals who request a timely

appeal have the option to have their LIS continue until a decision is made on the appeal. They will be notified of the appeal decision.

It is important to note that SSA is continuing to process redeterminations throughout the next few months as they verify certain information with the beneficiaries. Beneficiaries are also continuing to return the Form 1026B for processing. Any change to reduce or terminate these cases will take place in the future and the beneficiary will receive a notice. Throughout the year, beneficiaries can also report changes in marital status, which may result in changes to the amount of extra help. When a change in marital status is reported to SSA, they initiate a redetermination of eligibility, and 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.

Special Enrollment Period

In order to allow individuals whose LIS is ending later in the calendar year the opportunity to make a Part D enrollment election, CMS is modifying the existing SEP for LIS individuals. As modified, the SEP now will give people who no longer qualify for extra help a one-time opportunity to enroll in a plan or switch plans from January 1 through March 31 of each calendar year, OR starting the month they are notified and 2 months after, whichever occurs later in the calendar year.

System LIS Notifications

CMS expects that your organization will receive notification of these terminations, reductions or changes beginning with the Weekly Transaction Reply Reports (TRRs) on February 3, the Bi-Weekly Deemed LIS/Premium Report Data File (LISPRMD) issued to plans on February 4, and the Full Enrollment File on February 21. The file formats for these files are available in the Appendix E of the *Plan Communication User's Guide* for reference.

We want to remind you that CMS conveys information about your members LIS eligibility, including LIS effective dates, subsidy terminations and premium subsidy level or co-payment changes, on an ongoing basis using the following notifications:

- Weekly Transaction Reply Reports (TRRs);
- Bi-Weekly Deemed LIS/Premium Report Data Files (LISPRMD); and
- Full Enrollment Data files.

So, it is very important to continue to update your LIS data based on these subsequent files, as discussed below.

Weekly Transaction Reply Reports (TRRs)

This file, issued every Saturday, notifies your organization of changes of your members' premium subsidy and cost-sharing level among the other data provided in the report. If there is a change in premium subsidy or cost-sharing level, it will be reflected in the weekly TRR using a transaction reply code (TRC) of 167 or 168. (Please refer to Appendix H of the *Plan Communication User's Guide* TRC descriptions.) Plans should note these TRCs are given with effective dates for the changes. The provided effective dates in any TRR for TRC167 and TRC168 will indicate an effective date for the change of the beneficiary's premium subsidy or

cost-sharing levels as provided in the report. Plans could derive the end date of a termination using the effective date minus one day provided with the current premium subsidy or cost-sharing level changes. We also advise Plans to confirm these changes with other files such as the Bi-Weekly Deemed LIS/Premium Report Data Files or the Full Enrollment File.

Bi-Weekly Deemed LIS/Premium Report Data Files (LISPRMD)

This report, issued on a biweekly schedule, provides the most current disposition of your member's LIS premium and cost-sharing level. If the member's subsidy has been terminated, Field 7 (Subsidy End Date) on the report will indicate the effective date of the LIS termination. This information can be compared and confirmed with the other files such as the weekly TRR or Full Enrollment File.

Full Enrollment File

This file, issued about the fourth Wednesday of the month, provides the disposition of your members' latest LIS, including premium and cost-sharing level. If the member's subsidy has been terminated, Field 24 (Subsidy End Date) on the report will indicate the effective date of the LIS termination.

Plan Responsibilities

Part D plan sponsors are reminded to use these notifications to set members' low-income cost-sharing (LICS) and premium subsidy levels effective with the date provided in the notification. You are also reminded 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 has previously provided to you about their LIS status. Upon receiving notification that a member's LIS has been reduced, plans are instructed to mail an updated LIS Rider [Attachment A]. Upon receiving notification that a member's LIS has been terminated, plans are instructed to mail a letter [Attachment B], which was also included with the Evidence of Coverage (EOC) released via HPMS on November 20, 2006. 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, including a change in that status. However, we strongly urge plans to send this 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. In addition, PDP sponsors and MA organizations and cost plans that offer Part D are directed to mail this letter when they receive notification from CMS that a member's LIS is terminating at other times during the calendar year.

Points of Contact

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

Jill Gotts	jill.gotts@cms.hhs.gov	410-786-7794
Kay Pokryzwa	katherine.pokrzywa@cms.hhs.gov	410-786-5530

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

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

Attachments

[Legend for Model LIS Rider:

Variable Placeholders are located within < > and highlighted in grey
Language that plans may include or remove in its entirety, based on their benefit design is located within [].
Language in italics is instructions to the plans.

Effective Date: {Insert Date as Month Day, Calendar Year}

2007 Model LIS Rider

Evidence of Coverage Rider for those who Receive Extra Help Paying for their Prescription Drugs

Please keep this notice as it is part of <Plan Name>'s Evidence of Coverage.

Our records show that you qualify for extra help in paying for your prescription drug coverage. This means that you will receive help in paying for your monthly premium, [yearly deductible], and prescription drug co-payments.

As a member of our Plan, you will receive the same coverage as someone who is not getting extra help. Your membership in our Plan will not be affected because you are getting extra help in paying for your prescription drug coverage. This also means that you must follow all the rules and procedures in the Evidence of Coverage.

Please see the chart below for a description of your prescription drug coverage:

Your monthly plan premium is	Your yearly deductible is	Your co-payment amount for generic/preferred multi-source drugs is no more than	Your co-payment amount for all other drugs is no more than
<Insert applicable amount>*	<\$0/\$53>	<\$0/\$1/ \$2.15 /15%>(each prescription)	<\$0/\$3.10/ \$5.35/15% > (each prescription)

{Plans: Please fill out the chart to reflect the deductible and co-payment amounts the beneficiary will see as a member of your plan. If you were notified that one of your members qualify for the subsidy and has a \$53 deductible but the plan is a zero deductible plan, please insert a \$0 in the chart above. In addition, if you were notified that one of your members qualify for a co-payment amount that is more than the co-payment amounts listed in the Evidence of Coverage, insert the co-payment amount listed in the Evidence of Coverage into the chart above. For example, if the member qualifies for a \$2.15 co-payment for generics, but your plan is a \$0 generic plan, insert a \$0 in the chart above.}

* This is the monthly plan premium and does not include any Medicare Part B premium or late enrollment penalty that you may still need to pay. The plan premium you pay has been calculated based on the Plan's premium and the amount of extra help you get.

Please refer to your Evidence of Coverage for more information on paying your plan premium.

[Plans, insert this statement for LIS members that qualify for the 15% co-insurance amount and if you have tiered co-payment structure: If your co-insurance is 15% or less, the amount you pay per prescription may vary each time you fill a prescription.

In addition, if the co-payment amount listed in the Evidence of Coverage is less than the amount listed above, you will pay the co-payment amount listed in the Evidence of Coverage. For example, if the 15% co-insurance for a generic drug is \$7.50 and the Evidence of Coverage states that the co-payment for a generic drug is \$5, you will pay \$5 for your generic drugs.]

[Plan Benefit structure with \$0 generic co-payment that does not extend past the ICL should include the following statement: Once the amounts paid by you and/or others on your behalf reach \$<ICL> you will start paying [<\$1/ \$2.15 /15%> for generic and preferred multi-source drugs.]

[Plans: add the following if this EOC is for your enhanced prescription benefit and you cover non-Part D drugs as part of your benefit.

We offer additional coverage on some prescription drugs not normally covered in a Medicare Prescription Drug Plan. You will not get any extra help to pay for these drugs. Your co-payment/co-insurance amounts for these drugs are as follows: *<Plans should insert their cost-sharing structure for Non-Part D drugs covered under their enhanced prescription benefit.>* In addition, the amount you pay when you fill a prescription for these drugs does not count towards your [deductible,] total drug costs or total out-of-pocket expenditures (that is, the amount you pay does not help move you through the benefit or reach catastrophic coverage). Please call Customer Service to find out which drugs this applies to.]

Once the amount both you **and** Medicare pay (as the extra help) reach \$3,850 in a year your co-payment amount(s) will go down to *<\$0 per prescription/ \$2.15 generic and preferred brand drugs that are multi-source or \$5.35 all others>*.

[Plans: insert this statement for LIS members who have an increase in their cost-sharing level: The changes to your prescription drug costs begin as of the effective date at the top of this letter. This date may have already passed when you get this letter. If you have filled prescriptions since this date, you may have been charged less than you should have paid as a member of our plan. If you do owe us money, we will let you know how much.]

[Plans: insert this statement for LIS members who have a decrease in their cost-sharing level: The changes to your prescription drug costs begin as of the effective date at the top of this letter. This date may have already passed when you get this letter. If you have filled prescriptions since this date, you may have been charged more than you should have paid as a member of our

plan. If we owe you money, we will let you know how much. You may ask us to mail you a check.]

If you qualify for extra help with your Medicare prescription drug plan costs, Medicare or Social Security will periodically review your eligibility to make sure that you still qualify. For example, your eligibility for extra help might change if there is a change in your income or resources or if you get married or become single.

If you have any questions about this notice, please contact <Plan Name> Customer Service at <Toll-free Number, > <(Toll-free TTY/TDD Number), > <Days/Hours of Operation>.

ATTACHMENT B

2007 MODEL NOTICE FOR BENEFICIARIES WHOSE LOW-INCOME SUBSIDY IS
TERMINATED DURING THE PLAN YEAR
MA-PD or Cost Plan with Part D

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

[RxID]

[RxGroup]

[RxBin]

[RxPCM]

<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 <effective date>. You will continue to be a member of <plan name>.

How will my monthly premium change?

The monthly premium that you pay to <plan name> will increase from <insert dollar amount> to <insert dollar amount>. *[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]

Once the amount you pay reaches \$3,850 in a year, your co-payment amount(s) will go down. You will pay \$2.15 for generic or preferred drugs and \$5.35 for any other drug, or 5% coinsurance, whichever is higher, for the remainder of the year.

The changes to your prescription drug costs begin <effective date>. This date may have already passed when you get this letter. If you have filled prescriptions since <effective date>, you may have been charged less than you should have paid as a member of our plan. If you do owe us money, we will let you know how much.

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

Thank you.

Marketing Material ID Number/ CMS Approval Date

ATTACHMENT B

2007 MODEL NOTICE FOR BENEFICIARIES WHOSE LOW-INCOME SUBSIDY IS
TERMINATED DURING THE PLAN YEAR
PDP

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

[RxID]

[RxGroup]

[RxBin]

[RxPCM]

<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 <effective date>. You will continue to be a member of <PDP name>.

How will my monthly premium change?

The monthly premium that you pay to <PDP name> will increase from <insert dollar amount> to <insert dollar amount>. *[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]

Once the amount you pay reaches \$3,850 in a year, your co-payment amount(s) will go down. You will pay \$2.15 for generic or preferred drugs and \$5.35 for any other drug, or 5% coinsurance, whichever is higher, for the remainder of the year.

The changes to your prescription drug costs begin <effective date>. This date may have already passed when you get this letter. If you have filled prescriptions since <effective date>, you may have been charged less than you should have paid as a member of our plan. If you do owe us money, we will let you know how much.

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

Thank you.

Marketing Material ID Number/ CMS Approval Date