

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
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**CENTER FOR BENEFICIARY CHOICES**

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**DATE:** May 24, 2007

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

**FROM:** Abby L. Block, Director

**SUBJECT: Part D premium billing for “de minimis” plans**

CMS provided clarifying guidance on the “de minimis” premium policy in our October 27, 2006 memorandum<sup>1</sup> to plans. Under this policy all Part D plans, except enhanced alternative products and employer group waiver plans, are required to charge full-premium subsidy eligible beneficiaries a 2007 Part D monthly beneficiary premium equal to the applicable regional 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 (\$1 for CY2008<sup>2</sup>). This policy has no impact on Part C or Part D supplemental premiums.

### **Definitions**

For the purposes of this memorandum we are using the following definitions:

- 1) “*de minimis*” *plan* refers to any plan (excluding enhanced alternative plans and employer group waiver plans) with a Part D basic premium above the applicable regional low-income premium subsidy amount up to \$2.
- 2) “*de minimis*” *differential* refers to the amount by which the “de minimis” plan’s Part D basic premium exceeds the applicable regional low-income premium subsidy amount not exceeding the established threshold (e.g. \$2 in CY2007).
- 3) “*de minimis*” *amount* refers to the threshold or maximum amount that the plan’s Part D basic premium can exceed the regional low-income premium subsidy amount by (\$2 for CY2007 and \$1 for CY2008)

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<sup>1</sup> Available online at:  
[www.cms.hhs.gov/PrescriptionDrugCovContra/downloads/MemoDeMinimisClarification\\_10.27.06.pdf](http://www.cms.hhs.gov/PrescriptionDrugCovContra/downloads/MemoDeMinimisClarification_10.27.06.pdf)

<sup>2</sup> Available online at:  
<http://www.cms.hhs.gov/MedicareAdvgtgSpecRateStats/Downloads/PartDannouncement2008.pdf>

**De Minimis Premium Examples**

	Part D Basic Premium	D Basic with 100% LIS	Part C premium	De minimis differential	Total premium for full LIS
<b>PDP (basic plan)</b>	\$25.00	\$0.00	Not applicable	\$0.55	\$0.00
<b>MA-PD (basic D benefit)</b>	\$25.00	\$0.00	\$30	\$0.55	\$30

Examples based on a regional low-income premium subsidy amount that is \$24.45 and a de minimis amount not to exceed \$2.00

Part D low-income premium subsidy does not cover Part C or Part D supplemental premiums

**Current implementation issues**

Conceptually, the implementation issues for “de minimis” adjusted premiums are similar to those discussed in the March 8, 2007 memorandum entitled, “Social Security Premium Withholding and Secondary Coverage for Plan Premiums”.<sup>3</sup> In other words, the “de minimis” policy represents a beneficiary level adjustment to plan premiums currently not accounted for in CMS and Social Security Administration calculations of premiums. This means that if a low-income member in a “de minimis” plan has selected Social Security Premium Withholding the “de minimis” amount will be deducted from that member’s Social Security benefit.

If a full low-income member is in a stand alone “de minimis” PDP (i.e. with a basic premium only) the member has no premium to pay. Therefore, this member should not be in Social Security withholding status. In any other cases (e.g. a MA-PD with a Part C premium) where the member does have a premium to pay, the member is entitled to request Social Security withholding as a payment method. As CMS explained in the March 8, 2007 memorandum, this beneficiary right to Social Security withholding does not prohibit plans from encouraging the selection of direct bill status when appropriate. In this case, it should be explained to full low-income members of “de minimis” plans that if they select Social Security withholding the “de minimis” amount will be erroneously deducted from their Social Security benefit. If the member still chooses Social Security withholding the plan must refund the excess amounts.

Please note that if a plan has linked their direct billing process to MARx data they will erroneously be including the “de minimis” amount. “De minimis” plans should make certain that the appropriate reduction for full low-income members is made for the “de minimis” amount.

**Next steps**

CMS is working to develop new capabilities that will permit appropriate Social Security withholding for impacted members. CMS is also working to ensure that all applicable

<sup>3</sup> Available online at:  
[http://www.cms.hhs.gov/PrescriptionDrugCovContra/downloads/WithholdingandSecondaryCoverage\\_03.08.07.pdf](http://www.cms.hhs.gov/PrescriptionDrugCovContra/downloads/WithholdingandSecondaryCoverage_03.08.07.pdf)

MARx reports account for the de minimis adjustment for applicable beneficiaries. Additional guidance will be released on this matter when this work is complete.

**Questions concerning this matter should be addressed to either Meghan Elrington at (410) 786-8675 [meghan.elrington@cms.hhs.gov](mailto:meghan.elrington@cms.hhs.gov) or Mark Newsom at (410) 786-3198 [mark.newsom@cms.hhs.gov](mailto:mark.newsom@cms.hhs.gov)**