

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard  
Baltimore, MD 21244-1850



**CENTER FOR MEDICARE**

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**DATE:** February 15, 2012

**TO:** Prescription Drug Plan Sponsors, Medicare Advantage Organizations, Cost Plans, and Demonstration Organizations

**FROM:** Arrah Tabe-Bedward  
Acting Director, Medicare Enrollment and Appeals Group

**SUBJECT:** 2012 Medicare Part D Low-Income Subsidy (LIS) Income and Resource Standards

The purpose of this memorandum is to provide you with updated income and resource standards for individuals who apply for the low-income subsidy for Medicare Part D. CMS is required by law to update the income and resource limits each year. Attached are the tables of the 2012 Poverty Guidelines for the 48 States and the District of Columbia, Alaska, and Hawaii. We have also attached a description of the methodology that CMS used to update resource limits for 2012. (These were previously released to plans on November 10, 2011, but are attached here for convenience.) The new income and resource standards should be applied to all LIS applications filed on or after January 1, 2012.

If you have any questions about this information, contact Katherine Pokrzywa at 410-786-5530 or [katherine.pokrzywa@cms.hhs.gov](mailto:katherine.pokrzywa@cms.hhs.gov).

Attachments

**2012 POVERTY GUIDELINES**  
 ALL STATES (EXCEPT ALASKA AND HAWAII) AND D.C.

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |           |           |           |           |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
|             | 100%                         | 135%      | 140%      | 145%      | 150%      |
| 1           | 11,170.00                    | 15,079.50 | 15,638.00 | 16,196.50 | 16,755.00 |
| 2           | 15,130.00                    | 20,425.50 | 21,182.00 | 21,938.50 | 22,695.00 |
| 3           | 19,090.00                    | 25,771.50 | 26,726.00 | 27,680.50 | 28,635.00 |
| 4           | 23,050.00                    | 31,117.50 | 32,270.00 | 33,422.50 | 34,575.00 |
| 5           | 27,010.00                    | 36,463.50 | 37,814.00 | 39,164.50 | 40,515.00 |
| 6           | 30,970.00                    | 41,809.50 | 43,358.00 | 44,906.50 | 46,455.00 |
| 7           | 34,930.00                    | 47,155.50 | 48,902.00 | 50,648.50 | 52,395.00 |
| 8           | 38,890.00                    | 52,501.50 | 54,446.00 | 56,390.50 | 58,335.00 |

For family units of more than 8 members, add \$3,960 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |          |          |          |          |
|-------------|------------------------------|----------|----------|----------|----------|
|             | 100%                         | 135%     | 140%     | 145%     | 150%     |
| 1           | 930.83                       | 1,256.63 | 1,303.17 | 1,349.71 | 1,396.25 |
| 2           | 1,260.83                     | 1,702.13 | 1,765.17 | 1,828.21 | 1,891.25 |
| 3           | 1,590.83                     | 2,147.63 | 2,227.17 | 2,306.71 | 2,386.25 |
| 4           | 1,920.83                     | 2,593.13 | 2,689.17 | 2,785.21 | 2,881.25 |
| 5           | 2,250.83                     | 3,038.63 | 3,151.17 | 3,263.71 | 3,376.25 |
| 6           | 2,580.83                     | 3,484.13 | 3,613.17 | 3,742.21 | 3,871.25 |
| 7           | 2,910.83                     | 3,929.63 | 4,075.17 | 4,220.71 | 4,366.25 |
| 8           | 3,240.83                     | 4,375.13 | 4,537.17 | 4,699.21 | 4,861.25 |

**2012 POVERTY GUIDELINES  
ALASKA ONLY**

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |           |           |           |           |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
|             | 100%                         | 135%      | 140%      | 145%      | 150%      |
| 1           | 13,970.00                    | 18,859.50 | 19,558.00 | 20,256.50 | 20,955.00 |
| 2           | 18,920.00                    | 25,542.00 | 26,488.00 | 27,434.00 | 28,380.00 |
| 3           | 23,870.00                    | 32,224.50 | 33,418.00 | 34,611.50 | 35,805.00 |
| 4           | 28,820.00                    | 38,907.00 | 40,348.00 | 41,789.00 | 43,230.00 |
| 5           | 33,770.00                    | 45,589.50 | 47,278.00 | 48,966.50 | 50,655.00 |
| 6           | 38,720.00                    | 52,272.00 | 54,208.00 | 56,144.00 | 58,080.00 |
| 7           | 43,670.00                    | 58,954.50 | 61,138.00 | 63,321.50 | 65,505.00 |
| 8           | 48,620.00                    | 65,637.00 | 68,068.00 | 70,499.00 | 72,930.00 |

For family units of more than 8 members, add \$4,950 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |          |          |          |          |
|-------------|------------------------------|----------|----------|----------|----------|
|             | 100%                         | 130%     | 135%     | 140%     | 150%     |
| 1           | 1,164.17                     | 1,571.63 | 1,629.83 | 1,688.04 | 1,746.25 |
| 2           | 1,576.67                     | 2,128.50 | 2,207.33 | 2,286.17 | 2,365.00 |
| 3           | 1,989.17                     | 2,685.38 | 2,784.83 | 2,884.29 | 2,983.75 |
| 4           | 2,401.67                     | 3,242.25 | 3,362.33 | 3,482.42 | 3,602.50 |
| 5           | 2,814.17                     | 3,799.13 | 3,939.83 | 4,080.54 | 4,221.25 |
| 6           | 3,226.67                     | 4,356.00 | 4,517.33 | 4,678.67 | 4,840.00 |
| 7           | 3,639.17                     | 4,912.88 | 5,094.83 | 5,276.79 | 5,458.75 |
| 8           | 4,051.67                     | 5,469.75 | 5,672.33 | 5,874.92 | 6,077.50 |

**2012 POVERTY GUIDELINES  
HAWAII ONLY**

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |           |           |           |           |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
|             | 100%                         | 130%      | 140%      | 145%      | 150%      |
| 1           | 12,860.00                    | 16,718.00 | 18,004.00 | 18,647.00 | 19,290.00 |
| 2           | 17,410.00                    | 22,633.00 | 24,374.00 | 23,503.50 | 26,115.00 |
| 3           | 21,960.00                    | 28,548.00 | 30,744.00 | 29,646.00 | 32,940.00 |
| 4           | 26,510.00                    | 34,463.00 | 37,114.00 | 35,788.50 | 39,765.00 |
| 5           | 31,060.00                    | 40,378.00 | 43,484.00 | 41,931.00 | 46,590.00 |
| 6           | 35,610.00                    | 46,293.00 | 49,854.00 | 48,073.50 | 53,415.00 |
| 7           | 40,160.00                    | 52,208.00 | 56,224.00 | 54,216.00 | 60,240.00 |
| 8           | 44,710.00                    | 58,123.00 | 62,594.00 | 64,829.50 | 67,065.00 |

For family units of more than 8 members, add \$4,550 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE |          |          |          |          |
|-------------|------------------------------|----------|----------|----------|----------|
|             | 100%                         | 120%     | 133%     | 135%     | 150%     |
| 1           | 1,071.67                     | 1,393.17 | 1,500.33 | 1,553.92 | 1,607.50 |
| 2           | 1,450.83                     | 1,886.08 | 2,031.17 | 1,958.63 | 2,176.25 |
| 3           | 1,830.00                     | 2,379.00 | 2,562.00 | 2,470.50 | 2,745.00 |
| 4           | 2,209.17                     | 2,871.92 | 3,092.83 | 2,982.38 | 3,313.75 |
| 5           | 2,588.33                     | 3,364.83 | 3,623.67 | 3,494.25 | 3,882.50 |
| 6           | 2,967.50                     | 3,857.75 | 4,154.50 | 4,006.13 | 4,451.25 |
| 7           | 3,346.67                     | 4,350.67 | 4,685.33 | 4,518.00 | 5,020.00 |
| 8           | 3,725.83                     | 4,843.58 | 5,216.17 | 5,402.46 | 5,588.75 |

**Resource Limits for the Medicare Part D Low-Income Subsidy:  
Annual Adjustment for 2012**

To apply and qualify for the Part D low-income subsidy, Medicare beneficiaries must have resources no greater than the resource limits established by the Medicare Modernization Act (MMA). In 2011, to qualify for the full low-income subsidy, Medicare beneficiaries were required to have resources below or equal to \$6,680 (\$10,020 if married). Also in 2011, Medicare beneficiaries were required to have resources below or equal to \$11,140 (\$22,260 if married) to qualify for other low-income subsidies. In 2012, the limit for the full subsidy is \$8,440 (\$13,410 if married). For other low-income subsidies, in 2012, the limit is \$13,070 (\$26,120 if married). When determining whether a beneficiary qualifies for the Medicare Part D low income subsidy, \$1,500 per person in resources are excluded from consideration if the beneficiary indicates that they expect to use some of their resources for burial expenses. Therefore, these resource limits are increased by \$1,500 per person if the beneficiary expects to use some of their resources for burial expenses.

The MMA directs CMS to update the resource limits for the low-income subsidy each year. This notice provides: (1) the method for updating the resource limits, (2) the 2012 low-income subsidy resource limits, and (3) the 2012 cost-sharing for low-income subsidy eligible enrollees.

I. Calculation Methodology

Section 1860D-14(a)(3)(D) of the Social Security Act (SSA) requires CMS to use the annual percentage increase in the Consumer Price Index (CPI), All Urban Consumers (all items, U.S. city average) as of September of the previous year to update the resource limits for the low-income subsidy. CMS used the September 2010 and the September 2011 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2012 is calculated as follows:

$$\frac{\text{September 2011 CPI}}{\text{September 2010 CPI}} \text{ or } \frac{226.889}{218.439} = 1.03868$$

(Source: Bureau of Labor Statistics, Department of Labor)

Therefore, the 2012 increase factor for the low-income subsidy resource limits is 3.87%. Per the statute, the resource limits are increased by 3.87% for 2012 and rounded to nearest multiple of \$10. Therefore, the resource limit required for beneficiaries to qualify for the full low-income subsidy is increased from \$6,680 (\$10,020 if married) to \$6,940 (\$10,410 if married) for 2012. The resource limit required to qualify for partial low-income subsidies is increased from \$11,140 (\$22,260 if married) to \$11,570 (\$23,120 if married) for 2012.

## II. Table of Resource Limits Used to Determine Eligibility for Low-Income Subsidy (LIS)

| LIS Level*       | Marital Status | 2011 LIS Resource Limit** | 2012 LIS Resource Limit** |
|------------------|----------------|---------------------------|---------------------------|
| Full Subsidy LIS | Single         | \$8,180                   | \$8,440                   |
|                  | Married        | \$13,020                  | \$13,410                  |
| All Other LIS    | Single         | \$12,640                  | \$13,070                  |
|                  | Married        | \$25,260                  | \$26,120                  |

\*Section 3304 of the ACA amends 1860D-14(a)(3)(B) of the SSA by adding a special rule for widows and widowers regarding eligibility for low-income assistance. Effective 1/1/2011, redeterminations of eligibility for an LIS-eligible individual whose spouse has died are extended for one year beyond the date when his/her eligibility would have otherwise ended.

\*\*These resource limits include \$1,500 per person for burial expenses.

## III. Low-Income Subsidy Eligible Beneficiary Cost-sharing

As required by statute, each year the co-payments for low-income subsidy eligible beneficiaries under the basic benefit are indexed to the increase in average total drug expenses of Medicare beneficiaries. The maximum copayments below the out-of-pocket threshold for certain low-income full subsidy eligible enrollees as well as the deductible and the maximum copayments above the out-of-pocket threshold for partial subsidy eligible enrollees are updated by the annual percentage increase in average expenditures for Part D drugs.

In addition, the maximum copayments below the out-of-pocket threshold for full benefit dual eligible enrollees with incomes that do not exceed 100% of the Federal poverty line (FPL) are updated by the annual percentage increase in the CPI. For additional information on the updating of these Part D benefit parameters, please refer to the April 4, 2011 guidance, titled “Announcement of Calendar Year (CY) 2012 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter” (2012 Rate Announcement and Call Letter) available on the CMS website at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/AD/list.asp>.

Please see the table below for the updated cost-sharing for low-income subsidy eligible beneficiaries in 2012:

**2012 Maximum LIS Beneficiary Cost-Sharing Table**

| <b>Low-income Subsidy Category</b>   | <b>Deductible</b> | <b>Copayment up to Out-of-Pocket Threshold*</b> | <b>Copayment above Out-of-pocket Threshold*</b> |
|--|-------------------|---|---|
| Institutionalized Full-Benefit Dual Eligible; or<br>Beneficiaries Receiving Home and Community-Based Services  | \$0               | \$0   | \$0   |
| Full-Benefit Dual Eligible $\leq$ 100% FPL   | \$0               | \$1.10 generic,<br>\$3.30 brand                 | \$0   |
| Full-Benefit Dual Eligible $>$ 100% FPL; or<br>Medicare Saving Program Participant (QMB-only, SLMB-only, or QI); or<br>Supplemental Security Income (but not Medicaid) Recipient; or<br>Applicant $<$ 135% FPL with resources $\leq$ \$8,440 (\$13,410 if married)** | \$0               | \$2.60 generic,<br>\$6.50 brand                 | \$0   |
| Applicant $<$ 150% FPL with resources between \$8,440 - \$13,070 (\$13,410 - \$26,120 if married)**  | \$65              | 15% coinsurance                                 | \$2.60 generic,<br>\$6.50 brand                 |
| *Out-of-Pocket Threshold is \$4,700 for 2012.<br>** Resource limits displayed include \$1,500 per person for burial expenses.  |                   |   |   |