



Part D for Safety Net Providers



Helping Patients Take Advantage of the Medicare Part D Low-Income Subsidy

What is the Low-Income Subsidy (LIS)?

The LIS is also known as “Extra Help Paying for Medicare Prescription Drug Coverage.” For people with Medicare who do not have “creditable coverage” (coverage at least as good as Medicare Part D according to actuarial studies), the LIS significantly reduces the out-of-pocket costs for Part D.

People with Medicare and full Medi-Cal do not have to apply for the LIS – they are “deemed eligible” and automatically qualify for the full LIS. People in Medicare Savings Programs (QMB, SLMB, and QI-1) are also deemed eligible for the full LIS. Others must apply in order to receive this assistance.

People with Medicare and Medi-Cal with a Share of Cost do not automatically get a subsidy. There are two options:

1. Apply for the LIS, and if it is awarded the subsidy level will be based on the individual’s income and assets.
2. The full subsidy will be awarded the month after the individual meets his/her Share-of-Cost. The subsidy will be in effect for the remainder of the year, even if the Share-of-Cost was only met in a single month.

Why Apply for the LIS?

The LIS can make enrollment in a Part D plan affordable. There are several subsidy levels. Out-of-pocket costs depend on income/asset tests which determine which subsidy is awarded. When a Low-Income Subsidy is awarded:

- ◆ Premiums will be eliminated or reduced.
- ◆ Co-payments will be lower.
- ◆ The typical \$250 deductible will be eliminated or reduced to \$50.
- ◆ The coverage gap will be eliminated (this saves up to \$3,600 in out-of-pocket costs before catastrophic coverage goes into effect.)
- ◆ The late-enrollment penalty will be avoided for people who enroll in a Part D plan before May 15th.

Who Should Apply for the LIS?

People with Medicare who are below or near the income and asset limits defined below should apply for the LIS if their insurance coverage is one of the following:

1. Medicare only (no prescription drug coverage)
2. Medicare and no creditable coverage.
3. Medicare Advantage Plan
4. Medi-Cal with a Share-of-Cost (unless they can meet their share of cost once)



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What about Pharmaceutical Assistance Programs PAPs?

Currently some low-income people with Medicare get free medications from a PAP program. Many of these same people are eligible for a Low Income Subsidy. For people with Medicare, the future availability of PAPs is uncertain at best. Many Medicare beneficiaries are already facing PAP denials. Even if someone is able to get PAP coverage for some medications in 2006, if their medication needs change during the year they may lack needed coverage. PAP is not an insurance program. If the May 15th deadline passes without a Part D plan in place, the patient will be faced with a lifetime penalty for late enrollment in a Part D plan. Or worse, if they miss the May 15th deadline to enroll in a Part D plan, and they lose their PAP coverage, they may not be able to afford needed medications. This could also end up costing clinics which attempt to assist patients with paying for uncovered medication.

2006 Income Limit for LIS

Income Limits for the Low-Income Subsidy are based on 135-150% of the Federal Poverty Limit (FPL). With the new FPL for 2006, the income limits for the Low-Income Subsidy have increased slightly.

**Income limits are higher for applicants providing dependant care.*

Full Subsidy @ under 135% of FPL

[no premium in 10 basic plans, no deductible, no gap in coverage, \$1, 3, or 5 copays.]

Individual \$1,102/mo. (was \$1,076)

Couple \$1,485/mo. (was \$1,443)

Partial Subsidy @ 135-149% of FPL (under 150% of FPL)

[sliding scale premium, up to \$50 deductible, no gap in coverage, copays up to 15% of drug costs]

Individual \$1,225/mo. (was \$1,196)

Couple \$1,650/mo. (was \$1,604)

*** If someone applied and was denied the LIS in 2005, due to an income only slightly above the income limit, they may now be eligible. They should reapply***

Asset Limits (asset limits do not change annually)

Assets include money in the bank, investments, cash, real estate other than the home. One home and one car are not counted. Each person is also allowed an additional \$1,500 for burial expenses.

To be eligible for the Full Subsidy:

Individual = \$6,000 + \$1,500 for burial = \$7,500

Couple = \$10,000 + \$3,000 for burial = \$13,000

To be eligible for a Partial Subsidy:

Individual = \$10,000 + \$1,500 for burial = \$11,500

Couple = \$20,000 + \$3,000 for burial = \$23,000



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STEP 1 – Apply for the Low Income Subsidy

Application Process:

The Low Income Subsidy (LIS) application process is administered by Social Security (not Medicare).

Social Security does not require back-up documentation for subsidy applications. They do cross-check government records (IRS, SSA, etc.) and follow-up on any discrepancies.

Applications can be submitted by anyone, and do not require a signature of the applicant.

Application Methods:

- ⇒ Apply online at www.ssa.gov
- ⇒ Mail paper application to patient (use original scanable application only)
- ⇒ Have patient/patient rep call Social Security at 1-800-772-1213

Time Line:

There is no official deadline to apply for the LIS. However, there is a deadline to enroll in a Part D plan for coverage in 2006:

The initial open-enrollment period for part D ends on May 15, 2006. This period applies to LIS beneficiaries, unless they are eligible for a Special Enrollment Period (as defined by Medicare ie, if they change PDP regions (CA is a region), leave or enter a SNF, or are newly eligible for Medicare.) In other words, even if someone is awarded a LIS, they may only enroll in a plan during the “annual coordinated election period” or if they qualify for a Special Enrollment Period. After initial open enrollment period ends on May 15, 2006, the annual coordinated election period will go each year from November 15th-December 31st, for coverage beginning on January 1st of the new year.

To get subsidized prescription drug coverage in 2006, patients should apply for the subsidy by early to mid-April to help insure that they can enroll in a plan before the May 15th deadline, or that they will get facilitated enrollment into a plan.

Some patients may choose to enroll in a plan before the subsidy application process is complete. This could insure that they won't miss the open-enrollment period (ending May 15, 2006).

STEP 2 – Enroll in a Part D Plan

PLAN SELECTION:

If a Medicare Advantage Plan member is awarded a LIS, the individual should not select a PDP. The LIS will be applied to the MA plan they are already enrolled in, and the subsidy will reduce the monthly premium and possibly co-pays.



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If an individual is awarded an LIS and is already enrolled in a PDP, the LIS will be applied to the PDP they are enrolled in.

If LIS is awarded, and the patient is not already in a PDP, he/she should choose a PDP. They may choose from among the 10 that will not charge a monthly premium, or they may choose a higher cost plan and pay a portion of the premium. The new plan will go into effect the following month. They can change plans once during the initial enrollment period (through May 15, 2006)

OR

If no plan is selected before the end of the open-enrollment period (May 15th), they will be randomly assigned to a plan that will start June 1, 2006 (facilitated enrollment). They will have one opportunity to change plans during the plan year, ending 12/31/06.

It takes approximately one month for SSA to make a determination on a complete application. Applicant will be notified by mail. A denial can be appealed following the instructions on the denial letter.

The Late-enrollment penalty will apply to people who get the LIS if they delay enrollment in a Part D plan until after May 15th. It will be at 1/5 of 1% of the national benchmark premium.