



North Carolina  
Department of Health and Human Services  
**Division of Medical Assistance**  
**Recipient Services EIS**

801 Ruggles Drive – 2501 Mail Service Center - Raleigh, N.C. 27699-2501  
Courier Number 56-20-06

Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

Mark Benton, Interim Director  
(919) 855-4000

March 18, 2005

**Re: Medicare Prescription Drug  
Program (Part D)**

**Dear County Director of Social Services:**

The purpose of this letter is to provide you with the county's role in taking applications for the low income subsidy assistance and share information we have at this time regarding the Medicare Prescription Drug Program.

**BACKGROUND**

Beginning the fall of 2005, the new Medicare Part D prescription drug plans will be available to Medicare beneficiaries. All beneficiaries will receive prescription drug coverage through insurance companies and other private companies that will work with Medicare to offer beneficiaries prescription drug coverage through a prescription drug plan or PDP.

Companies will negotiate discounts on drug prices. The prescription drug plans are different from the Medicare-approved drug discount cards, which phase out by May 15, 2006, or when the beneficiary's enrollment in a Medicare prescription drug plan takes effect, if earlier. (See Dear County Director of Social Services letter dated April 22, 2004, regarding the Medicare Discount Drug Card.)

The prescription drug plans will work like other insurance programs. Beneficiaries will pay a monthly premium (generally around \$35 in 2006), a deductible, and pay a share of the cost of the prescription costs. Costs will vary depending on the drug plan chosen and whether the beneficiary is eligible for low income subsidy assistance.

Medicaid recipients who are Medicare beneficiaries will no longer receive prescription drug coverage through the Medicaid Program. They will continue to receive all other Medicaid covered services. Effective January 1, 2006, all Medicaid/Medicare recipients and beneficiaries must be enrolled in a prescription drug plan to receive their prescriptions. Counties will not be responsible for enrolling beneficiaries in a Part D prescription drug plan. However, effective June 1, 2005, counties will be responsible for taking applications for the low income subsidy assistance.

## **LOW INCOME SUBSIDY (LIS) ASSISTANCE**

Individuals with income at or below 135% of poverty and resources that do not exceed \$6,000 (individual) and \$9,000 (couple) will be eligible for a *Full Subsidy*. These individuals will pay no premiums or deductibles. Their co-pay will be \$1/\$3 if income is less than or equal to 100% of poverty and \$2/\$5 for income greater than 100% of poverty up to 135% of poverty. Once they have spent up to the catastrophic level of \$3,600 on out of pocket costs, the co-pay will be zero.

Individuals with income greater than 135% of poverty but less than 150% of poverty and resources that do not exceed \$10,000 (individual) and \$20,000 (couple) will be eligible for the *Other Low Income Subsidy*. These individuals will have an annual deductible of \$50 and the premium will be subsidized up to 75% depending upon their income level. There will be 15% cost-sharing (coinsurance) up to the catastrophic level of \$3,600, and then the cost-sharing will be \$2/\$5. These are the persons that may come to DSS and want to apply for LIS.

See the attached chart which provides specific information regarding the assistance provided to each category.

## **AUTOMATIC SUBSIDY ELIGIBILITY**

Medicaid recipients that receive Medicare are automatically eligible for the Low Income Subsidy (LIS). This includes our Medicare Savings recipients of MQB-Q, B, and E. They do not have to apply to receive the subsidy. The Centers for Medicare and Medicaid Services (CMS) plans to send these clients a notice in mid-June telling them they are automatically eligible for the subsidy and do not have to apply. Therefore, counties do not need to take applications on these recipients.

States will identify Medicaid recipients that are automatically eligible for the LIS and notify CMS. CMS coordinates this information with the prescription drug plans.

## **LIS APPLICATIONS**

Federal law specifies that applications for the LIS must be taken and processed by the Social Security Administration (SSA) and Medicaid Offices. Effective June 1, 2005, county caseworkers must take applications for any client that comes into the DSS and wants to apply for the LIS. You must also screen these applications for Medicaid eligibility.

Social Security has developed an application that will be available in paper and on the internet. They have also developed an automated system for scanning paper applications and processing these applications to determine eligibility. Beginning March 15, SSA is conducting a pilot of the application process in 41 counties nationwide. North Carolina has one zip code in the pilot, 28645, which is in Caldwell County. Therefore, Caldwell County may begin receiving calls regarding the SSA application in March.

CMS and SSA are strongly encouraging states to use the Social Security application process. It is the State's plan to use Social Security's application and their automated eligibility process. When a client comes into the local DSS to apply for the Low Income Subsidy, the caseworker would access the social security application form through the internet and complete it on-line or complete the paper application and drop it in the mail to SSA. Each paper application will include a self-addressed, stamped envelope. If the SSA process is used, no further action will be needed by the caseworker. Social Security will process the application, notify the client, conduct the redetermination reviews, and handle any appeals. We *strongly* recommend that caseworkers use this process. As you can see, it would be highly beneficial and less time consuming for each caseworker to use this process and by having internet access in his office.

While we recommend taking the application and sending to Social Security to process, if a client insists that the Medicaid caseworker process his application, we must be able to comply. Federal regulations require States to be able to process applications. At this time, we are planning for this to be a manual process. Implementation timeframes do not allow enough time for changes to our automated systems. The caseworker will take the application on the Social Security form, determine eligibility, and send the appropriate notice. The county then mails all information to the State DMA Office - 2501 Mail Service Center - Raleigh, N.C. 27699-2501. Again, we do not anticipate this being a large volume because the social security system is readily available and will provide faster processing capabilities. Policy will be issued at a later date giving further instructions on how eligibility will be determined.

Also, in April and May, SSA will begin mailing LIS applications to beneficiaries that they have identified in their systems as being potentially eligible for the subsidy. Caseworkers may begin to receive questions on how to complete the application or even why the person did not get an LIS application.

### **SUPPLY OF SSA APPLICATIONS**

SSA will provide us with application forms. Originals **MUST** be used in order for them to scan correctly. We cannot make copies. We are working with SSA on the details of how to get these applications shipped to your county. Since we anticipate that most caseworkers will use the on-line application, we are planning to ship an initial supply of 50 applications to Level 1 counties, 100 to Level 2 counties, and 200 to Level 3 counties. We anticipate this initial supply to be shipped to you by April. Subsequent applications can be ordered directly from SSA via e-mail. At this time, we do not have the e-mail address.

### **OUTREACH**

Medicare will be sending out numerous mailings to their beneficiaries beginning in April 2005. In addition, several outreach activities are being planned by local SSA offices for April and May. As we learn of these events, we will let you know.

Also, the State Senior Health Insurance Information Program (SHIIP) staff will be highly involved in outreach activities and assisting clients in understanding the program. If your clients have questions, they may contact the local SHIIP volunteer or the State SHIIP office at 1-800-443-9354.

## **TRAINING**

SHIIP and the SSA are sponsoring 'Train the Trainer' sessions in April and May. These sessions provide an overview of Part D, the process for enrolling in a Part D plan, and the SSA LIS application process. These sessions will include DSS's, Area Agencies on Aging, SHIIP volunteers, Senior Care staff, and any other partners that will be assisting beneficiaries in selecting and enrolling in a Part D plan and completing the LIS application. We encourage you to send as many staff as possible to these training sessions. We will provide you the calendar within the next few weeks.

In addition to this training, we are planning for the Medicaid Program Representatives to provide training on the Medicaid specific policy in May and early June.

I hope that you find this information helpful. If you have any questions, please contact the Medicaid Eligibility Unit at (919) 855-4000.

Mark T. Benton  
Interim Director

(This policy was researched and written by Debbie Pittard, Policy Consultant, Medicaid Eligibility Policy Unit.)

## MEDICARE PART D LOW INCOME SUBSIDY

<i>Full Subsidy (Medicaid and non-Medicaid persons)</i>				
	Full-Benefit Dual Eligible (Income less than or equal to 100% FPL)	Full Benefit Dual Eligible (Income greater than 100% FPL)	Full Benefit Dual Eligible (Nursing Facility)	MQBs & non-Medicaid (Income less than or equal to 135% FPL and assets greater than \$3000/\$6000)
Premium	-0-	-0-	-0-	-0-
Annual Deductible	-0-	-0-	-0-	-0-
Cost-sharing up to catastrophic	\$1/\$3	\$2/\$5	-0-	\$2/\$5
Coverage gap (donut hole)	No donut hole	No donut hole	No donut hole	No donut hole
Cost-sharing after reach catastrophic level	-0-	-0-	-0-	-0-
<i>Other Low Income Subsidy (non-Medicaid persons with incomes less than 150% FPL and assets \$10,000/\$20,000)</i>				
	Income greater than 135% up to 140% FPL	Income greater than 140% up to 145% FPL	Income greater than 145% but less than 150% FPL	
Premium	75% premium subsidy	50% premium subsidy	25% premium subsidy	
Annual Deductible	\$50	\$50	\$50	
Cost-sharing up to catastrophic	15% coinsurance	15% coinsurance	15% coinsurance	
Coverage gap (no subsidy)	No donut hole	No donut hole	No donut hole	
Cost-sharing after reach catastrophic level	\$2/\$5	\$2/\$5	\$2/\$5	

Catastrophic level – reach once spent \$3,600 out of pocket

Gap ‘Donut Hole’ -- \$2,850 client has to pay 100% of costs