

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Medicare Plan Payment Group

Date: November 10, 2011

To: All Part D Plan Sponsors

From: Cheri Rice /s/
Director, Medicare Plan Payment Group

Subject: **2012 Resource and Cost-Sharing Limits for Low-Income Subsidy (LIS)**

The Centers for Medicare & Medicaid Services (CMS) is releasing guidance on the updated resource limits for individuals who apply and qualify for the low-income subsidy (LIS) and informing you of the maximum co-payments for LIS eligible beneficiaries, including full-benefit dual eligible and partial dual eligible individuals, will pay as enrollees of Medicare prescription drug plans in 2012. By statute, CMS is required to update the Part D resource limits, income standards, and cost-sharing amounts for the low-income subsidies each year. The attached notice provides the method that CMS used to update the resource limits as well as the cost-sharing amounts for 2012. The 2012 resource limits are \$8,440 (\$13,410 if married) for the full low-income subsidy and \$13,070 (\$26,120 if married) for other low-income subsidies. These resource limits include \$1,500 per person in resources that are used for burial expenses. CMS will release the 2012 income standards for the low-income subsidies in early 2012 after the release of the 2012 Federal poverty lines (FPL).

Further Information

If you have questions about this guidance, please contact Andrew Keenan at Andrew.Keenan@cms.hhs.gov or Ilina Chaudhuri at Ilina.Chaudhuri@cms.hhs.gov.

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 are required to have resources below or equal to \$6,680 (\$10,020 if married). Medicare beneficiaries are required to have resources below or equal to \$11,140 (\$22,260 if married) to qualify for other low-income subsidies. 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: (i) the method for updating the resource limits, (ii) the 2012 low-income subsidy resource limits, and (iii) 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, 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 2011 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 Consumer Price Index. 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

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