

The Medicare Low-Income Subsidy

“Extra Help” with Prescription Drug Costs

- An overview of the Medicare low-income subsidy
- Patient eligibility and the application process
- How the low-income subsidy affects patient responsibility for drug costs
- Tools and resources

Centocor Ortho Biotech Inc. has developed this guide to help you understand how the Medicare Part D low-income subsidy (LIS) program may be able to help some patients afford the out-of-pocket costs usually associated with Medicare Part D prescription drug plans. The Medicare LIS program is designed to help people with low incomes and minimal resources gain by decreasing or eliminating costs such as deductibles, co-pays, and premiums associated with drugs provided under their Part D benefits. This guide reviews the basic provisions of the LIS program and eligibility criteria, compares the standard prescription drug plan benefit with LIS benefits, and provides access to tools and resources for healthcare providers and patients.

Table of Contents

Introduction	2
Eligibility	2
Effect of LIS on Beneficiary Costs	3
Table: 2009 Beneficiary Cost Liabilities Associated with Medicare PDPs	4
Applying for Help	6
Key Dates in 2009	7
Summary	8
For More Information	8



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Introduction

Medicare beneficiaries who have limited income and resources may qualify for extra help to pay for prescription drugs. This low-income subsidy (LIS) from Medicare provides financial assistance for beneficiaries who may otherwise be unable to afford the costs associated with their Medicare prescription drug plan (PDP). Those who are eligible for the subsidy will get help paying for their monthly premium, yearly deductible, prescription co-insurance, and co-payments and have no gap in coverage.

Eligibility

The low-income subsidy for prescription drug costs is available in two ways:

- 1) by automatic enrollment; and
- 2) by application.

Whether a beneficiary is automatically enrolled or must actively apply depends upon how they qualify under the eligibility criteria.

Automatic (deemed) eligibility

Some people are automatically eligible for the low-income subsidy. These beneficiaries are very low-income, minimal-asset seniors and younger people with disabilities who are enrolled in both the Medicare and Medicaid programs (also known as “dual eligible”). If a beneficiary qualifies for full Medicaid benefits, or if Medicaid pays their Medicare premiums, or if they receive Supplemental Security Income from Social Security, LIS enrollment is automatic. Automatic eligibility continues into a new plan year unless CMS specifically issues the beneficiary notice otherwise.

Eligible but must apply

Some people are deemed eligible for the LIS program but they must first apply through the Social Security Administration. This group includes Medicare beneficiaries who do not qualify for full dual eligibility but still have low incomes and minimal assets. Medicare is required by law to update the Part D income and resource limits each year. Eligibility is determined according to income level as a percentage of the Federal Poverty Level (FPL) and assets less than the published resource limits. Beneficiaries must re-qualify for the LIS program on an annual basis. Applicants for LIS in the upcoming year must meet the updated eligibility criteria and resubmit applications based on their actual annual income.

Effect of LIS on Beneficiary Costs

Generally patients that are eligible for the low-income subsidy pay little or no Part D plan premiums or deductibles, but retain some responsibility for cost sharing on a per-prescription basis. Fully dually eligible beneficiaries who reside in institutions have no cost-sharing at all. The level of cost sharing associated with other LIS benefits depends on income level and whether the prescribed drug is generic or brand name. The table on the following pages illustrates the 2009 beneficiary cost-sharing levels that are associated with both standard PDP and LIS benefits.

Table: 2009 Beneficiary Cost Liabilities Associated with Medicare PDPs

2009 Beneficiary Cost Sharing	2009 Standard PDP Benefit	LIS <150% FPL (Meeting Asset Test)
Monthly Premium	~ \$30	Sliding scale
Annual Deductible	\$295	\$60
Co-Payment Co-Insurance	25% Up to initial threshold of \$2,700 100% Up to OOP limit of \$4,350	15% Up to OOP limit of \$4,350
Catastrophic Benefit	\$2.40 Generic/preferred multi-source brand and \$6.00 other drugs OR 5% co-insurance	\$2.40 Generic/preferred multi-source brand and \$6.00 other drugs

LIS <135% FPL (Meeting Asset Test)	Fully Dual Eligible	Dual Eligible Institutionalized
\$0	\$0	\$0
\$0	\$0	\$0
\$2.40 Generic/preferred multi-source brand and \$6.00 other drugs up to OOP limit of \$4,350	\$1.10 Generic/preferred multi-source brand and \$3.20 other drugs up to OOP limit of \$4,350	\$0
\$0	\$0	\$0

Source: CMS. *Guidance to States on the Low-Income Subsidy*.
Available at: http://www.cms.hhs.gov/LowIncSubMedicarePresCov/02_EligibilityforLowIncomeSubsidy.asp#TopOfPage. Accessed March 28, 2009.

Applying for Help

The application process is fairly simple but beneficiaries should make sure to start early enough to ensure there is time for the benefit to be in place by the start of the next PDP year, each January 1st. There is no cost to apply for this program. If a patient is having trouble paying for their medications they should be aware of the following application options:

- To apply online visit www.socialsecurity.gov/prescriptionhelp
- To apply by telephone, have a paper application mailed, or make an appointment at the local Social Security office, call 1-800-772-1213 (TTY users should call 1-800-325-0778)
- To apply through the State Medical Assistance (Medicaid) office, visit www.medicare.gov or call 1-800-MEDICARE (1-800-633-4227) and say “Medicaid” to obtain the telephone number (TTY users should call 1-877-486-2048)

Applications may be filed online (English only) or completed and mailed to the Social Security Administration. The website includes instructions in multiple languages besides English.

Key Dates in 2009

September:

CMS sends notice to those losing automatic LIS eligibility for new year

If patients are losing automatic LIS eligibility and still need assistance with their PDP drugs cost, they should file an LIS application.

October:

Announcement of plans for 2010 year

Patients receive determination of LIS for upcoming year.

November:

Annual coordinated election period begins November 15

Patients should compare PDP plans and make changes if desired.

December:

Annual coordinated election period ends December 31

Current Medicare patients should finalize enrollment for new plan year beginning January 1, 2010.

Summary

- Medicare beneficiaries are eligible for extra help with their prescription drug costs if they have limited income and resources.
- The extra help saves costs by paying for part of the monthly premiums, annual deductibles, and prescription co-payments under the new prescription drug program.
- The Social Security Administration estimates the extra help to be worth an average of \$3,900 per year.
- The level of assistance varies with income and resource levels.
- Some patients automatically qualify for assistance while others need to apply.
- Any patient having difficulty paying for prescriptions should consider applying for LIS.

For More Information

The publication *Medicare and You 2009* provides helpful information regarding Part D “extra help”

- Call 1-800-MEDICARE (1-800-633-4227)
- TTY users call 1-877-486-2048
- Visit www.medicare.gov

To obtain an application for “extra help” and instructions

- Call Social Security at 1-800-772-1213
- TTY users call 1-800-325-0778
- Visit www.socialsecurity.gov/prescriptionhelp

To find out more about Medicaid in any State call the toll-free number for that State

- Visit www.cms.hhs.gov/medicaid/consumer.asp for a list of toll-free numbers



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