



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 18, 2004

M-04-18

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Joshua B. Bolten
Director

A handwritten signature in black ink, appearing to read "J. Bolten", written over the printed name and title.

SUBJECT: Medicare Modernization Act and Federal Programs

On December 8, 2003, the President signed the Medicare Prescription Drug, Improvement, and Modernization Act (MMA), which will offer all Medicare beneficiaries access to subsidized drug coverage beginning in 2006 and which also makes other important improvements to the program.

One provision of the MMA implements a temporary, Medicare-endorsed drug-discount card program through which Medicare beneficiaries are pooling their purchasing power to secure substantial discounts on their medicines. Medicare beneficiaries at or below 135 percent of the federal poverty level (FPL) can qualify for \$600 in additional assistance for the remainder of 2004 and another \$600 in 2005. The drug discounts and \$600 in transitional assistance became available on June 1.

A provision of the MMA clarifies the potential interaction between the drug card/transitional assistance and other federal assistance programs:

“The availability of negotiated prices or transitional assistance under this Section shall not be treated as benefits or otherwise taken into account in determining an individual’s eligibility for, or the amount of benefits under, any other Federal program.” [1860D-31(g) (6) of the Social Security Act]

Medicare beneficiaries should not see *any* reduction in other federal benefits because they have signed up for a Medicare-approved drug card or receive transitional assistance. Neither the discounts nor the subsidy should be counted as income *or otherwise taken into account* either in determining whether an individual is eligible for assistance or in determining the amount of such assistance. For example, the \$600 in transitional assistance should not be considered as income, and should not be deemed to reduce the holder’s medical expenditures otherwise deductible from countable income when determining eligibility or benefits.

I am asking that, by July 26, any agency affected by this provision develop and implement clear guidance to assure that federal programs within your agency are in compliance with the MMA provision cited above, and provide a copy of your agency's guidance to CMS with a copy to your OMB contact. No Medicare beneficiaries should be denied access to benefits or services or have those benefits or services reduced because they have chosen to enroll in a Medicare-approved drug card and transitional assistance.

If you have questions, or would like further information on the Medicare-endorsed drug card and transitional assistance, please contact Timothy Trysla of the Centers for Medicare and Medicaid Services at 202-690-6726.