

August 12, 2004

MEDICARE MODERNIZATION ACT AND VA FINANCIAL DETERMINATIONS

1. PURPOSE: This Veterans Health Administration (VHA) Notice provides guidance regarding exclusion of the drug discounts and/or transitional financial assistance authorized by Public Law 108-173, "Medicare Prescription Drug, Improvement, and Modernization Act of 2003" (MMA) for income reporting purposes when veterans complete VHA financial determinations for Department of Veterans Affairs (VA) health benefits.

2. BACKGROUND

a. On December 8, 2003, the President signed the MMA, which offers, in addition to other changes, all Medicare beneficiaries access to subsidized drug coverage starting in 2006. One provision of the MMA implements a temporary Medicare-endorsed drug-discount card program through which Medicare beneficiaries secure substantial discounts on their medications. 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 for another \$600 in 2005.

NOTE: The drug discounts and \$600 in transitional assistance became available on June 1, 2004.

b. In addition, a provision of the MMA states: "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 individuals' eligibility for, or the amount of benefits under any other Federal program." Therefore, Medicare beneficiaries should not see any reduction in any VA benefits they may be eligible for because they are in receipt of either the drug discount or transitional assistance benefits.

3. GUIDANCE: When determining a veteran's eligibility for any VHA benefit requiring a financial determination, neither the Medicare drug discount nor the transitional assistance subsidy are to be counted as income or to be otherwise taken into account.

4. RESPONSIBLE OFFICE: The Chief Business Office has responsibility for the contents of this Notice. Questions are directed to either (202) 254-0321 or (202) 254-0406.

5. RESCISSION: This VHA Notice expires August 31, 2008.

S/ Arthur S. Hamerschlag for
Jonathan B. Perlin, MD, PhD, MSHA, FACP
Acting Under Secretary for Health

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