

Part D Information for State Policymakers

November 2, 2007

“Benchmark” Part D Plans and the Low Income Subsidy

“Extra Help” - the Low Income Subsidy

Almost 9.5 million Medicare Part D beneficiaries are enrolled in “Extra Help,” or the low-income subsidy. The low-income subsidy covers almost all prescription drug costs and provides assistance with Part D plan premiums for eligible beneficiaries. The Centers for Medicare & Medicaid Services (CMS) encourages beneficiaries to apply for the low-income subsidy, which in 2008 is estimated to be worth \$3,660 at the pharmacy and as much as \$300 in annual premiums.

The Benchmark

In August, CMS announced the 2008 “benchmark” premium amounts for each region. A Part D prescription drug plan (PDP) qualifies as a “benchmark plan” if it offers basic Part D coverage with premiums equal to or lower than the regional benchmark amount. The regional benchmark amounts are calculated annually using a formula required by statute, based on weighted averages of plan premiums.

Low-income beneficiaries who are eligible for the full premium subsidy may enroll in a benchmark plan without paying any premium. CMS also allows beneficiaries with the full premium subsidy to enroll in or remain enrolled in basic coverage plans with premiums up to \$1 above the regional benchmark in 2008 (called the “de minimis” amount) without having to pay the additional amount. Low-income beneficiaries being automatically enrolled into plans are not placed in “de minimis” plans, however. Only basic coverage plans with premiums at or below the benchmark are eligible to receive automatic enrollment of low-income subsidy recipients by CMS. A link to information about the 2008 regional benchmark amounts can be found below.

2008 Array of Plans

In 2008, the number of PDP options will be scaled down to 1,877 from 1,909 in 2007 as CMS seeks to ensure that plan sponsors offer benefit packages with meaningful differences. More than 90% of beneficiaries in a stand-alone PDP will have access to at least one plan in 2008 with premiums lower than they are paying in 2007. In every State, beneficiaries will have access to at least one PDP with premiums of less than \$20, and a choice of at least five plans with premiums of less than \$25 a month. The lowest premiums for plans will range from under \$10 (\$9.80 in Arizona) to just under \$20 (\$18 in Alabama and Tennessee). A link to the full landscape of Part D plans is found below.

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Plan Reassignment

In order to ensure that beneficiaries do not face new costs in 2008, this fall CMS is re-assigning some low-income beneficiaries with the full premium subsidy to new Medicare prescription drug plans, effective January 1, 2008. In general, CMS will re-assign LIS beneficiaries with the full premium subsidy, who were previously automatically enrolled into a plan whose premium in 2008 is now above the “de minimis” amount. These individuals will be randomly re-assigned to plans in their region with a premium at or below the regional benchmark (in limited cases reassignment will be to a “de minimus” plan in the same organization).

- If the plan sponsor offering a person’s current drug plan offers another plan in the region that has premiums at or below the regional benchmark, (or if none are available, a plan with premiums at or below the “de minimus” amount) Medicare will reassign the person to that plan.
- If the plan sponsor offering a person’s current drug plan **doesn’t** offer another plan in the region that has premiums at or below the regional benchmark, Medicare will randomly assign the person to another plan in the region that has premiums at or below the regional benchmark.
- Medicare will not enroll people into PDPs that are sponsored by employers or that have enhanced benefit packages. Medicare will also not enroll beneficiaries who live in the territories.

Online Resources

Information about the 2008 regional benchmarks, including a link to the actual benchmark amounts, can be found at:

<http://www.cms.hhs.gov/medicareadvtspecratestats/Downloads/PartDandMABenchmarks2008.pdf>

The 2008 Part D plan landscape can be found at:

<http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/>