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# MEDICARE PART D LOW-INCOME SUBSIDY

Assets and Income  
Are Both Important in  
Subsidy Denials, and  
Access to State and  
Manufacturer Drug  
Programs Is Uneven





Highlights of [GAO-08-824](#), a report to congressional committees

### Why GAO Did This Study

To help defray the cost of prescription drugs for beneficiaries with limited means, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) included the low-income subsidy (LIS) in the Part D prescription drug insurance program. To qualify for the LIS, beneficiaries must be enrolled in a Part D plan and their assets and income must be less than the thresholds established by the law. Part D is administered by the Centers for Medicare & Medicaid Services (CMS), and the Social Security Administration (SSA) administers the eligibility determination for the LIS.

The MMA directed GAO to compare the utilization of and access to Part D prescription drugs among beneficiaries who received the LIS with those who were denied it because of the amount of their assets. This report focuses on beneficiaries' access to prescription drugs by examining (1) the importance of assets and income in LIS denials in 2006 and 2007, and (2) state and manufacturer programs providing access to prescription drugs for Medicare beneficiaries. To do this, GAO analyzed data from SSA, reviewed information on state and drug manufacturer pharmaceutical programs, and interviewed officials from SSA, CMS, state programs, advocacy organizations, and pharmaceutical manufacturer programs.

To view the full product, including the scope and methodology, click on [GAO-08-824](#). For more information, contact A. Bruce Steinwald at (202) 512-7114 or [steinwalda@gao.gov](mailto:steinwalda@gao.gov).

## MEDICARE PART D LOW-INCOME SUBSIDY

### Assets and Income Are Both Important in Subsidy Denials, and Access to State and Manufacturer Drug Programs Is Uneven

#### What GAO Found

In 2006 and 2007, assets and income were both important factors in LIS denials, but income was of greater importance. In 2006, 4.5 million beneficiaries applied for the LIS and more than half were denied the subsidy. About half of LIS denials in 2006 were based solely or in part on applicants' assets exceeding program thresholds, and in 2007, about 30 percent of LIS denials were for this reason. By contrast, 66.2 percent of denials were due at least in part to income in 2006 and 81.2 percent in 2007. Because some applicants in both years were denied the LIS by an initial screen that only asked about assets and were not required to give information on income, it is impossible to know the number of these applicants who would also have been denied the LIS because of their income. Among those who provided detailed information about their assets, applicants denied the LIS often exceeded the asset threshold by a relatively small amount, and in both years more than one-quarter of these applicants exceeded the threshold by less than \$5,000.

**Basis for Denial of the LIS for Applicants Denied Due to Assets and Income by Percentage of Denied Applicants, 2006 and 2007**

Year	Initial assets screening question	Assets, but not income	Both income and assets	Income, but not assets	Total	Number of persons
2006	22.2%	11.6%	16.6%	49.6%	100%	2,252,412
2007	7.1%	11.7%	10.7%	70.5%	100%	366,183

	Assets in part or solely	Income in part or solely
2006	50.4%	66.2%
2007	29.5%	81.2%

Source: GAO analysis of SSA data.

Some states and drug manufacturers offer programs that assist low-income Medicare beneficiaries in obtaining prescription drugs, but the availability of these programs and the assistance they offer are uneven. Twenty-three states offer State Pharmaceutical Assistance Programs (SPAP), which can supplement Part D benefits. These SPAPs differ in the type and extent of assistance they offer, but they generally cover some of the beneficiaries' out-of-pocket prescription drug costs. Prescription drug manufacturers' Patient Assistance Programs (PAP) also assist low-income individuals in obtaining prescription drugs. However, not all PAPs are open to Part D beneficiaries, and the drugs provided are limited to those of the sponsoring manufacturers.

CMS concurred with our report. SSA expressed appreciation that we used its analysis of applicants denied the LIS in 2006 and 2007 as the foundation for our analysis of the impact of the assets test on LIS applicants.

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**Abbreviations**

CMS	Centers for Medicare & Medicaid Services
FPL	federal poverty level
HHS	Department of Health and Human Services
LIS	low-income subsidy
MMA	Medicare Prescription Drug, Improvement, and Modernization Act of 2003
OIG	Office of Inspector General
PACE	Pharmaceutical Assistance Contract for the Elderly
PAP	patient assistance program
PDP	prescription drug plan
SPAP	state pharmaceutical assistance program
SSA	Social Security Administration
SSI	supplemental security income
TrOOP	true out-of-pocket

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September 5, 2008

Congressional Committees

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) created a voluntary outpatient prescription drug insurance program, known as Medicare Part D, that provides prescription drug coverage for over 25 million beneficiaries—seniors and individuals with disabilities—enrolled in the program.<sup>1</sup> Under this program, which began in January 2006, Medicare beneficiaries can enroll in prescription drug plans run by private companies that contract with the Centers for Medicare & Medicaid Services (CMS), the agency in the Department of Health and Human Services (HHS) that administers the Medicare program.<sup>2</sup> The Part D program shares the cost of these drug plans with enrollees.

To help further defray the costs of prescription drugs for beneficiaries with limited financial means, the MMA included a provision for a low-income subsidy (LIS). Through the LIS, Medicare assists these beneficiaries with their out-of-pocket prescription drug expenses, with the amount of assistance depending on beneficiaries' income and assets.<sup>3</sup> To qualify for the LIS, applicants must meet two conditions: (1) their income and assets must be less than the thresholds established by the MMA; and (2) they must be enrolled in a Part D plan.<sup>4</sup> (For 2008, the income threshold for the LIS is \$15,600 for individuals and \$21,000 for couples; the asset threshold is \$11,990 for individuals and \$23,970 for couples.)<sup>5</sup> The

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<sup>1</sup>Pub. L. No. 108-173, § 101, 117 Stat. 2066, 2071.

<sup>2</sup>Part D drug coverage is available either through stand-alone prescription drug plans (PDP) for Medicare beneficiaries in traditional fee-for-service Medicare, or through Medicare Advantage prescription drug plans for beneficiaries enrolled in Medicare's managed care program. The majority of Part D enrollees are in stand-alone PDPs.

<sup>3</sup>The MMA refers to resources; in this report, we use the term assets. The Social Security Administration (SSA) provides the following examples of assets: real estate (other than one's primary residence); bank accounts, including checking, savings, and certificates of deposit; stocks; bonds, including U.S. Savings Bonds; mutual funds; individual retirement accounts (IRA); and cash at home or anywhere else.

<sup>4</sup>Applicants can enroll in a Part D plan and subsequently apply for the LIS, or they may apply for the LIS first. See 42 U.S.C. § 1860D-14(a)(3).

<sup>5</sup>The LIS determination for both income and assets is updated annually by increases in the Consumer Price Index.

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Social Security Administration (SSA) administers the LIS eligibility-determination process, notifying CMS whether an individual applicant has been approved for the LIS or denied it.<sup>6</sup> In addition to the Part D LIS, some state and drug manufacturer programs provide prescription drug assistance to Medicare beneficiaries with low incomes.

Prior to the enactment of the MMA, there was considerable discussion among policymakers about the appropriateness of using an asset test (in addition to an income test) to determine eligibility for the LIS. Some contended that an income test alone was sufficient to identify those who needed the LIS and that an asset test would prevent seniors who needed assistance from qualifying for it. Following these discussions, the MMA directed us to compare the utilization of and access to Part D drugs among beneficiaries who received the LIS with those denied it because of the amount of their assets.<sup>7</sup> We will address this mandate in two reports. This report focuses on Medicare beneficiaries' access to prescription drugs by examining: (1) the importance of assets and income in LIS denials in 2006 and 2007; and (2) state and drug manufacturer programs providing access to prescription drugs for Medicare beneficiaries. We will issue a second report comparing the prescription drug utilization of those who received the LIS with those who were denied it because of their assets.

Our analysis is limited to LIS applicants; individuals deemed eligible for the LIS—dual eligibles and supplemental security income (SSI) recipients—are not within our scope because they do not have to apply for it.<sup>8</sup> To examine the impact of the asset test on LIS applicants, we reviewed SSA documentation and examined SSA's analyses of applicants who were denied the LIS. We did not independently examine SSA's data, but SSA checked applicant information against its own and other federal

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<sup>6</sup>The MMA permits beneficiaries to apply to their state Medicaid programs for the LIS, but few do so. See GAO, *Medicare Part D Low-Income Subsidy: Additional Efforts Would Help Social Security Improve Outreach and Measure Program Effects*, [GAO-07-555](#) (Washington, D.C.: May 31, 2007) and *Medicare Part D Low-Income Subsidy: SSA Continues to Approve Applicants, but Millions of Individuals Have Not Yet Applied*, [GAO-08-812T](#) (Washington, D.C.: May 22, 2008).

<sup>7</sup>Pub. L. No. 108-173, § 107(e), 117 Stat. 2171.

<sup>8</sup>Except for qualified disabled and working individuals, dual eligible individuals are those who are entitled to Medicare and are also eligible for some form of Medicaid benefit. Medicaid is a joint federal-state program that finances health care services for certain persons with low income.

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databases. We therefore determined that these data are sufficiently reliable for our purposes.

To examine potential access to other sources of assistance with prescription drug costs, we reviewed literature on state programs and the requirements of these programs. We also examined CMS information on programs established by states and pharmaceutical manufacturers to assist individuals in obtaining drugs. We interviewed state program officials and representatives of pharmaceutical manufacturer programs.

We conducted this performance audit from August 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results in Brief

Assets and income were both important factors in LIS denials in 2006 and 2007, but assets were less important than income. In 2006, half of all denials were due at least in part to assets, and nearly two-thirds were due to income, while in 2007 about 30 percent were at least in part due to assets and over 80 percent were due to income. Because all LIS applicants who were denied the LIS on the basis of an assets screening question were not required to answer questions about their income, it is not possible to know the number of these individuals who would also have failed to qualify for the LIS because of their income. Beneficiaries denied the LIS who answered the detailed questions about assets often exceeded the asset threshold by a relatively small amount. For example, over one-quarter of these applicants exceeded the asset threshold by less than \$5,000 in both 2006 and 2007. Overall, more than one-half of the 4.5 million applicants for the LIS were denied the subsidy in calendar year 2006 and about 56 percent were denied it in fiscal year 2007.<sup>9</sup>

States and drug manufacturers offer other programs that assist some low-income Medicare beneficiaries in obtaining prescription drugs, but these programs provide uneven national access to drugs. Less than half the

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<sup>9</sup>The two periods overlap: the last quarter of calendar year 2006 is also the first quarter of fiscal year 2007.

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states offer State Prescription Assistance Programs (SPAP), which can supplement Part D benefits. These SPAPs differ in the type and extent of assistance they offer, but they generally cover some or all of the beneficiary's out-of-pocket prescription drug costs. All broadly defined SPAPs require beneficiaries to pass an income test, but only one also has an asset test. Prescription drug manufacturers' Patient Assistance Programs (PAP) also assist low-income individuals in obtaining prescription drugs. However, not all PAPs are available to Part D beneficiaries, and the drugs provided are limited to those of the sponsoring manufacturers.

We provided a draft of this report to CMS and SSA. CMS concurred with our report and its concluding observations. SSA expressed appreciation that we used its analysis of applicants denied the LIS in 2006 and 2007 as the foundation for our analysis of the impact of the asset test on LIS applicants. CMS' written comments appear in appendix II. SSA's written comments appear in appendix III.

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## Background

All Medicare beneficiaries who have either Part A or Part B coverage and reside in the United States (the 50 states and the District of Columbia) can obtain Part D coverage.<sup>10</sup> Under Part D, both the beneficiary and the plan pay a portion of the cost of covered prescription drugs. In general, beneficiaries are responsible for paying monthly premiums, an annual deductible, and copayments. For 2008, under the standard benefit, beneficiaries pay a deductible of \$275 as well as 25 percent of the cost of their prescription drugs up to the initial coverage limit of \$2,510 (which includes expenditures by both the plan and the beneficiary).<sup>11</sup> Beneficiaries then enter the coverage gap (also called the doughnut hole) where they pay the entire cost of their prescription drugs. The annual catastrophic threshold is \$5,726.25. At this point, the beneficiary's "true out-of-pocket" (TrOOP) payment has amounted to \$4,050 with the remainder (\$1,676.25) paid by the plan. After reaching the annual catastrophic threshold, the beneficiary is responsible for only modest cost

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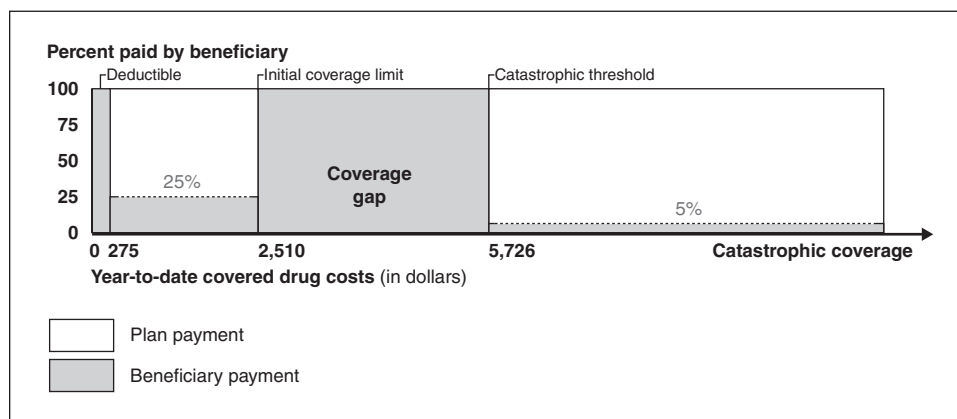
<sup>10</sup>Medicare Part A pays for inpatient hospital stays, care in skilled nursing facilities, hospice care, and some home health care. Part B pays for doctors' services, outpatient hospital care, durable medical equipment, and certain other services, such as physical therapy.

<sup>11</sup>Plans may require different payments so long as the plan is actuarially equivalent to the standard benefit.



sharing: the higher of 5 percent of the prescription drug’s cost or \$2.25 for a generic drug and \$5.60 for a brand name drug.<sup>12</sup> (See fig. 1.)

**Figure 1: Plan and Beneficiary Payments under Part D Prescription Drug Standard Benefit, 2008**



Source: GAO analysis of CMS information.

Note: The standard benefit in 2008 includes a \$275 deductible, after which beneficiaries pay 25 percent of their total drug costs up to an initial limit of \$2,510. This is followed by a coverage gap in which beneficiaries pay the entire cost of their drugs until they have spent a total of \$4,050 out of pocket for their drug costs. From that point on, beneficiaries pay 5 percent of a drug’s actual cost or \$2.25 for a generic drug or \$5.60 for a brand name drug, whichever is greater. Beneficiary payments may differ for plans that choose to offer alternative coverage that is actuarially equivalent to the standard benefit.

## The Low-Income Subsidy (LIS)

When Congress passed Part D, it also provided the LIS, an additional subsidy for beneficiaries with limited assets and income to help them pay their portion of out-of-pocket costs. Most Medicare beneficiaries who receive the LIS are “deemed”—that is, they qualify for the subsidy automatically on the basis of being Medicaid or Supplemental Security Income (SSI) recipients, or because they are enrolled in certain Medicare Savings Programs.<sup>13</sup> Those beneficiaries who are not deemed must apply for the LIS and show that their assets and income are below specified limits. As of January 2008, CMS data showed that 9.38 million beneficiaries were receiving the LIS, of whom 7.85 million had been deemed and

<sup>12</sup>Dollar amounts are subject to annual adjustment to account for the increase in expenditures for Part D drugs.

<sup>13</sup>Medicare Savings Programs are offered by state Medicaid agencies to assist people with limited income and resources with their Medicare premiums and, in some cases, may also pay Medicare Part A and Part B deductibles and coinsurance.

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1.53 million had applied for the subsidy. CMS estimated that there were 2.6 million beneficiaries who were eligible for the LIS but not receiving it.

The amount of assistance provided to LIS recipients is also determined by their income and assets. All LIS recipients are entitled to a premium subsidy that is based on their income.<sup>14</sup> For recipients of the LIS who had to apply for it, the premium subsidy is 100 percent for individuals or couples whose income is less than 135 percent of the federal poverty level (FPL). It varies by income for such recipients whose income is less than 150 percent of the FPL but greater than or equal to 135 percent of the FPL.<sup>15</sup> LIS recipients eligible for a full premium subsidy pay no premium if they enroll in a Part D plan offering basic prescription drug coverage with a premium less than or equal to the benchmark premium for their area.<sup>16</sup> They also can choose to enroll in a plan with a premium higher than the benchmark premium and pay the difference between the two. Similarly, LIS recipients entitled to a partial premium subsidy pay the difference between their plan's premium and the percentage of the plan's premium subsidy amount determined by their income level. (See table 1.)

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<sup>14</sup>Part D plans are offered in 34 designated regions made up of single states or groups of states. The premium subsidy amount for a regional Part D plan is equal to the lesser of the following two amounts: (1) in the case of a plan other than a Medicare Advantage drug plan, the plan's monthly Part D premium for basic prescription drug coverage or the portion of the premium attributable to such coverage for a plan that has enhanced alternative coverage, or the Medicare Advantage monthly prescription drug premium for those enrolled in such a plan, or (2) the greater of the low-income benchmark premium amount for a PDP region or the lowest premium for a prescription drug plan (PDP) that offers basic prescription drug coverage in the PDP region. The benchmark premium for each region is based on a weighted average of the premiums for basic prescription drug coverage charged by the Part D plans available in the region.

<sup>15</sup>The premium subsidy for these LIS recipients is 100 percent of the premium subsidy amount if a beneficiary's income is at or below 135 percent of the applicable FPL, 75 percent if it is greater than 135 percent but less than or equal to 140 percent of the FPL, 50 percent if it is greater than 140 percent but less than or equal to 145 percent of the FPL, and 25 percent if it is greater than 145 percent and less than 150 percent of the FPL.

<sup>16</sup>CMS facilitates or auto-enrolls most LIS recipients into a Medicare Part D prescription drug plan.

**Table 1: LIS Benefits by Beneficiary Group, 2008**

Annual income (percentage of the federal poverty level [FPL])	Assets	Beneficiary pays for each prescription				
		Premium	Annual deductible	During initial coverage period	In coverage gap	After coverage gap
Below 135 percent <sup>a</sup>	<u>Individuals:</u> Below \$7,790 <sup>b</sup>  <u>Couples:</u> Below \$12,440 <sup>b</sup>	\$0 <sup>c</sup>	\$0	\$2.25/generic \$5.60/brand-name	\$2.25/generic \$5.60/brand-name	\$0
Below 135 percent <sup>a</sup>	<u>Individuals:</u> Between \$7,790 and \$11,990 <sup>b</sup>  <u>Couples:</u> Between \$12,440 and \$23,970 <sup>b</sup>	\$0 <sup>c</sup>	\$56	15% coinsurance	15% coinsurance	\$2.25/generic \$5.60/brand name
Greater than or equal to 135 percent <sup>a</sup> and less than 150 percent <sup>a</sup>	<u>Individuals:</u> Below \$11,990 <sup>b</sup>  <u>Couples:</u> Below \$23,970 <sup>b</sup>	Varies by income level <sup>d</sup>	\$56	15% coinsurance	15% coinsurance	\$2.25/generic \$5.60/brand name

Source: GAO analysis of CMS regulations and guidance.

Notes: This table describes the assistance that is provided to LIS recipients who applied and qualified for the LIS.

<sup>a</sup>In 2008, 135 percent of the FPL is \$14,040 for individuals and \$18,900 for couples, and 150 percent of the FPL is \$15,600 for individuals and \$21,000 for couples. These income limits are those that apply to individuals with no dependents. If household members rely on the Medicare beneficiary or the spouse of the beneficiary for support, SSA uses the federal poverty levels based on household size. Also, if an applicant lives in Alaska or Hawaii, SSA applies the slightly higher poverty levels applicable to those states.

<sup>b</sup>Asset limits are reduced by \$1,500 for individuals or \$3,000 for couples if beneficiaries do not intend to use any of their assets for funeral or burial expenses.

<sup>c</sup>Assumes that beneficiaries are enrolled in a Part D plan with a premium less than or equal to the benchmark premium for their area. The benchmark premium for each region is based on a weighted average of the premiums for basic prescription drug coverage charged by the Part D plans available in the region. A beneficiary also can choose to enroll in a plan with a premium higher than the benchmark premium and pay the difference between the two.

<sup>d</sup>Beneficiaries pay an amount equal to the plan's premium less the premium subsidy to which they are entitled based on their income. The subsidy is 100 percent of the plan's premium subsidy amount if a beneficiary's income is at or below 135 percent of the applicable FPL, 75 percent if it is greater than 135 percent but less than or equal to 140 percent of the FPL, 50 percent if it is greater than 140 percent but less than or equal to 145 percent of the FPL, and 25 percent if it is greater than 145 percent and less than 150 percent of the FPL. Part D plans are offered in 34 designated regions made up of single states or groups of states. The premium subsidy amount for a regional Part D plan is equal to the lesser of the following two amounts: (1) in the case of a plan other than a Medicare Advantage drug plan, the plan's monthly Part D premium for basic prescription drug coverage or the portion of the premium attributable to such coverage for a plan that has enhanced alternative coverage or the Medicare Advantage monthly prescription drug premium for those in a Medicare Advantage plan, or (2) the greater of the low-income benchmark premium amount for a PDP region or the lowest premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region.

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Recipients of the LIS pay a small deductible or none at all and are not subject to the coverage gap—they pay the same copayment or coinsurance for each prescription until their total expenditures reach the catastrophic threshold (\$5,726 in 2008). Those with incomes less than 135 percent of the FPL and assets less than \$7,790 in 2008 for individuals, or \$12,440 for couples, pay no deductible. They pay a flat amount for each prescription until their spending reaches the annual catastrophic threshold, after which they pay nothing. Other LIS recipients pay a deductible not exceeding \$56. They pay 15 percent coinsurance for each prescription or the plan's copayment, whichever is less, until their spending reaches the annual catastrophic threshold. From there on, they pay \$2.25 for a generic drug and \$5.60 for a brand name drug.

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## Applying for the LIS

Beneficiaries generally apply to SSA for the LIS.<sup>17</sup> The application can be completed by the applicant, completed with the assistance of SSA staff in person or by phone, or completed on the Internet.<sup>18</sup> Applicants are asked an initial screening question about their assets (Question 3 on the application, see fig. 2): whether their savings, investments, and real estate (other than their home) are worth more than \$11,990, or, if married and living with their spouse, whether their combined assets are worth more than \$23,970.<sup>19</sup> If applicants check “YES,” they are denied the LIS; if they check “NO or NOT SURE,” they are asked a series of detailed questions about their assets and income.<sup>20</sup> The questions about assets cover: (1) bank accounts (checking, savings, and certificates of deposit); (2) stocks, bonds, savings bonds, mutual funds, Individual Retirement Accounts, and other investments; (3) any other cash; (4) life insurance policies with a total face value greater than \$1,500; and (5) real estate other than the applicant's home. Applicants are also asked if they plan to use any of their

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<sup>17</sup>The MMA permits beneficiaries to apply to their state Medicaid programs for the LIS, but few do so. See [GAO-07-555](#) and [GAO-08-812T](#).

<sup>18</sup>The SSA application form is reproduced in appendix I.

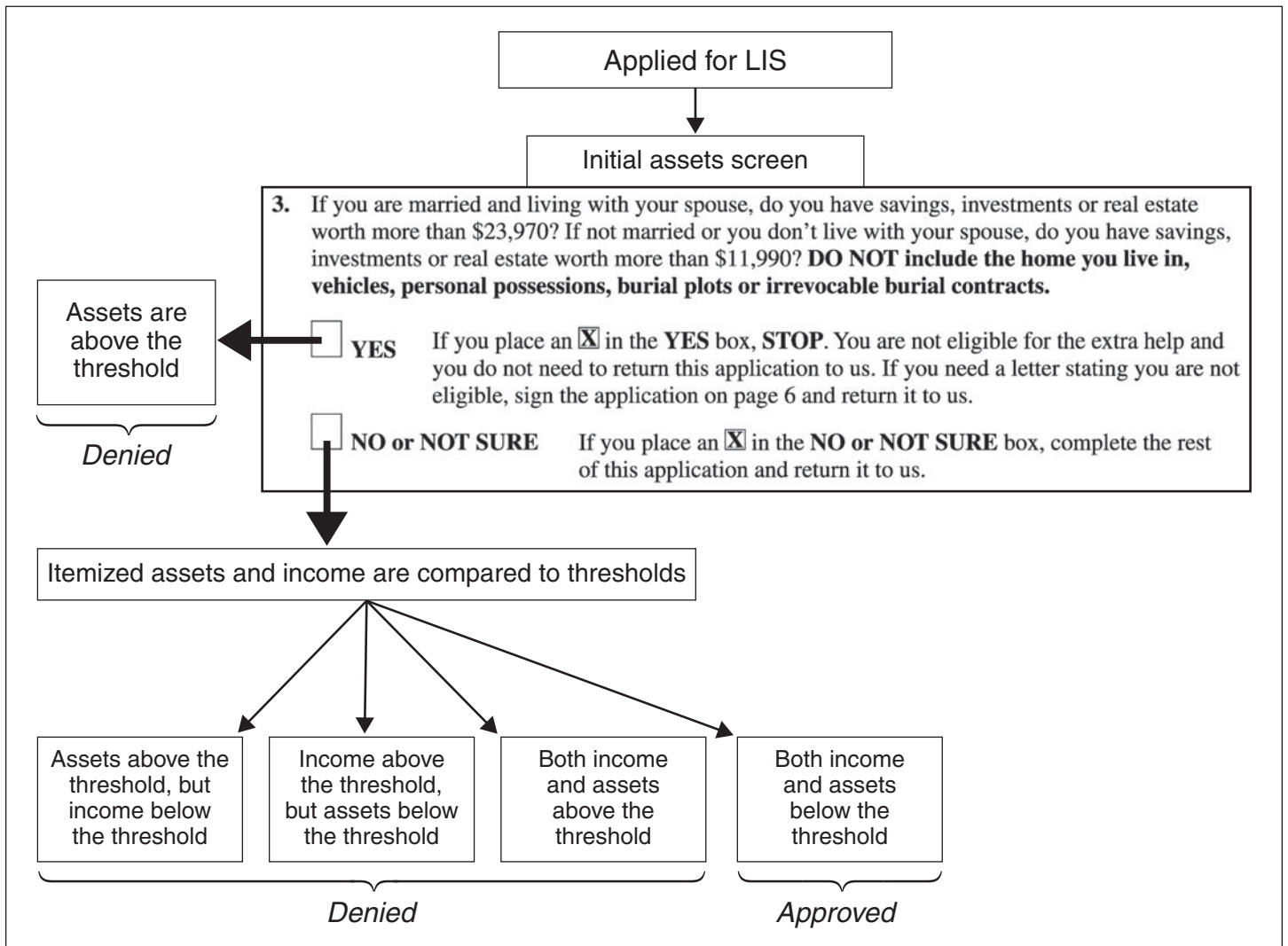
<sup>19</sup>SSA officials considered using income rather than assets in the initial screening question. However, they chose assets as a screener because it is more straightforward—there are only two variants of the assets limits (individuals or couples).

<sup>20</sup>Section 116 of the Medicare Improvements for Patients and Providers Act of 2008, Pub. L. No. 110-275, provides an exemption from income of in-kind support and maintenance, and an exemption from resources of the value of any life insurance policy for purposes of the LIS determination. These provisions are applicable, however, only to applications filed on or after January 1, 2010.

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assets for funeral expenses and, if they answer yes, \$1,500 of their assets are disregarded (\$3,000 for couples). The detailed questions about income cover: (1) Social Security benefits; (2) railroad retirement; (3) veterans' benefits; (4) other pensions and annuities; (5) other income including alimony, net rental income, and workers' compensation; and (6) assistance with household expenses from anyone (for example, from a relative or friend). Applicants are approved for the LIS only if both their assets and incomes are less than the thresholds established by law. Because some applicants were denied the LIS based on their checking the "YES" box on the initial screening question about assets and were not required to answer questions about their income, we cannot know how many of these applicants would have also failed to qualify for the LIS on the basis of their income. Further, it is not known how many applicants may have been dissuaded from submitting an application due to the detailed nature of the information they must provide about their income and assets.

**Figure 2: Low-Income Subsidy Application Paths**



Source: GAO analysis of SSA information.

SSA does not rely solely on the information on the application, but also checks its own databases and those of other agencies, including the Internal Revenue Service. If it identifies discrepancies between the information on the application and in the databases, SSA may request additional information from an applicant.

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## Assets and Income Were Important Factors in LIS Denials

Both assets and income were important factors in LIS denials, but more applicants were denied the subsidy because their income was too high than were denied it because their assets were too high. However, because some applicants were denied the LIS based solely on the initial assets screening question, and were not required to answer questions about their income, it is not possible to know how many of these applicants would have also been denied the LIS because of their income. In both 2006 and 2007, of those beneficiaries who were denied the LIS and who answered detailed questions about their assets, more than one in four exceeded the assets threshold by less than \$5,000. Overall, more than half of the applicants for the subsidy in 2006 were denied it in calendar year 2006 and about 56 percent were denied it in fiscal year 2007.

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## Assets Were Less Important as Basis for Denial Than Income in Both 2006 and 2007

In 2006 and 2007, assets and income were both an important basis for denying the LIS, but income accounted for a larger number of denials in both years. In 2006, 50.4 percent of all denials were due at least in part to assets; by contrast, 66.2 percent were based at least in part on income. (See fig. 3.) In 2006, 22.2 percent of LIS denials resulted from the answer to the initial screening question, which asked about assets. Because these applicants were not required to answer questions about income, it is impossible to know how many of them would also have been denied the LIS because of their income. However, a minimum of 11.6 percent of 2006 denials were due entirely to assets. In 2007, the difference between income-based denials and asset-based denials increased: 29.5 percent of denials were due at least in part to assets, while 81.2 percent were due at least in part to income. Overall, more than half of the 4.5 million applicants for the subsidy in 2006 were denied it in calendar year 2006 and about 56 percent were denied it in fiscal year 2007.

**Figure 3: Basis for Denial of the LIS for Applicants Denied Due to Assets and Income by Percentage of Denied Applicants, 2006 and 2007**

Year	Initial assets screening question <sup>a</sup>	Assets, but not income	Both income and assets	Income, but not assets	Total	Number of persons
2006	22.2%	11.6%	16.6%	49.6%	100%	2,252,412
2007	7.1%	11.7%	10.7%	70.5%	100%	366,183

	Assets in part or solely	Income in part or solely
2006	50.4%	66.2%
2007	29.5%	81.2%

Source: GAO analysis of SSA data.

Notes: For 2006, this table excludes 233,728 applicants (9.4 percent of denials) who were denied the LIS because they were not Medicare beneficiaries, not U.S. residents, or failed to cooperate (meaning that they did not follow up with SSA by submitting necessary documentation). In 2007, 50,310 applicants (12.1 percent of denials) were excluded for these reasons. In addition, the data for 2007 include some applicants who applied for the LIS in the last quarter of 2007 and whose applications were held over into January 2008 for determination of whether they were eligible to receive the LIS in 2008.

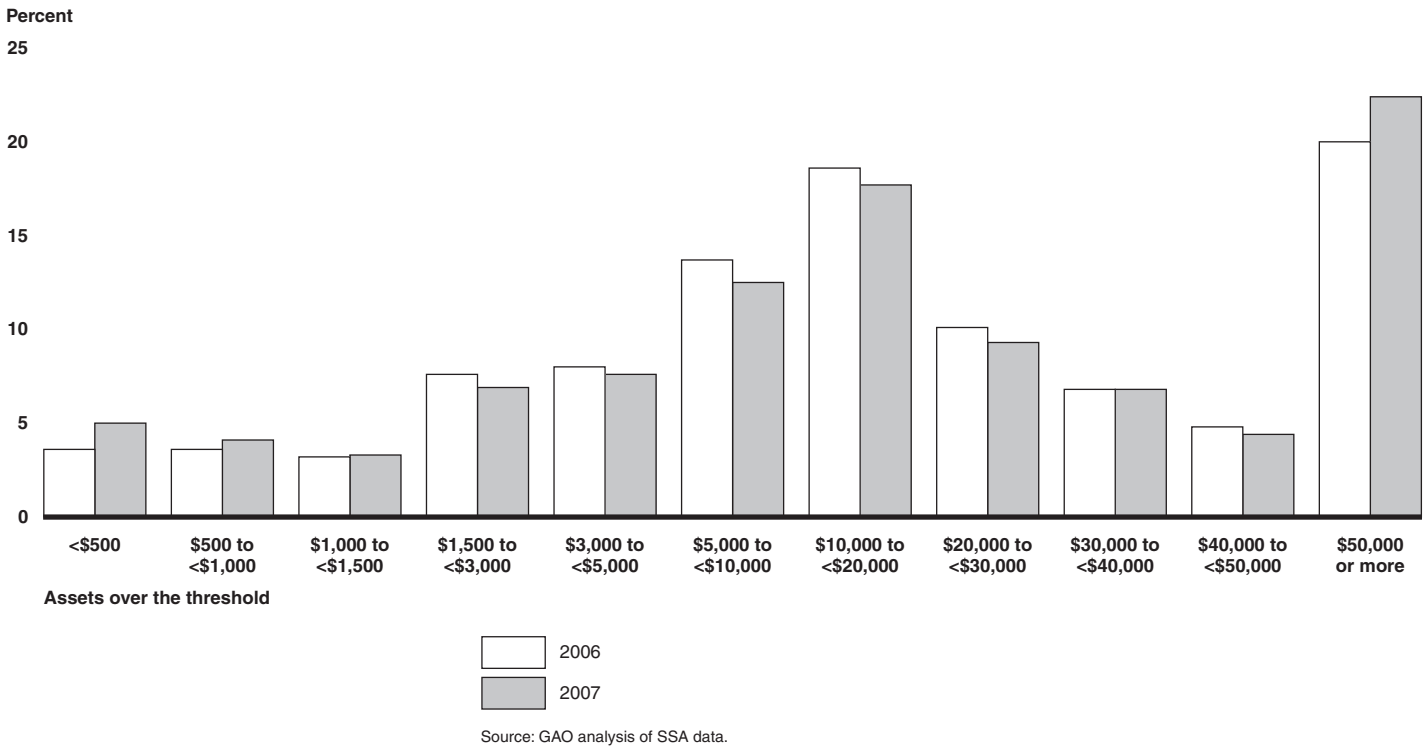
<sup>a</sup>When the response to the initial screening question about assets (Question 3 on the application) indicates assets greater than the threshold, the applicant does not need to provide income information.

### Denials Often Exceeded Asset Threshold by Relatively Small Amount

In both 2006 and 2007, a number of applicants who were denied the LIS in part because of their assets, and who reported the actual amount of their assets, exceeded the threshold by a relatively small amount. For example, in 2006, 3.6 percent of these denials exceeded the asset threshold by less than \$500; 10.4 percent exceeded the threshold by less than \$1,500; and 26.0 percent exceeded the threshold by less than \$5,000. (See fig. 4.) In 2007, the pattern was similar: 5.0 percent exceeded the asset threshold by less than \$500, 12.4 percent by less than \$1,500, and 26.9 percent by less than \$5,000.



**Figure 4: Percentage of Applicants Who Exceeded the Assets Threshold, by Amount over the Threshold, 2006 and 2007**



## Some State and Drug Manufacturer Programs Help Beneficiaries, but Provide Uneven Access to Prescription Drugs

Some state and drug manufacturer programs provide assistance to Medicare beneficiaries with limited income in obtaining drugs, but they do not provide uniform national access to prescription drugs. State Pharmaceutical Assistance Programs (SPAP) can fill gaps in low-income individuals' Part D coverage, but less than half of the states have SPAPs. The eligibility requirements for these programs vary, as does the type and extent of assistance provided. Pharmaceutical manufacturers sponsor Patient Assistance Programs (PAP) that provide assistance to low-income individuals, but not all are open to Medicare beneficiaries, and the drugs they provide are limited to those produced by the sponsor.

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## SPAPs Offer Assistance to Medicare Beneficiaries with Limited Incomes, but Access Is Uneven

SPAPs offer financial assistance to low-income Medicare beneficiaries—those who receive the LIS and those who do not—in obtaining prescription drugs, but these programs are available in only a minority of states. Under the MMA, SPAPs—which generally predate Part D—can offer wrap-around benefits that fill in gaps in Part D and cover some or all of the beneficiary’s out-of-pocket expenditures. To qualify as an SPAP under Part D, the program must coordinate payments and payment processing with the Part D plans in which their beneficiaries are enrolled.<sup>21</sup> Expenses paid by a qualified SPAP are counted toward the enrolled beneficiary’s TrOOP costs.

Fewer than half of all states have SPAPs that are open to enrollment by low-income Medicare beneficiaries.<sup>22</sup> As of October 2007, 23 states offered 37 qualified SPAPs to assist Medicare beneficiaries in paying their Part D costs. (See fig. 5.) Twenty of the 37 programs serve broadly defined populations. Broadly defined SPAPs require applicants to be state residents and meet eligibility requirements with respect to age and financial resources, but do not require an applicant to have been diagnosed with a specific disease or condition. Fourteen of the remaining programs assist special populations of individuals who have specific diseases or conditions, such as HIV-AIDS.<sup>23</sup>

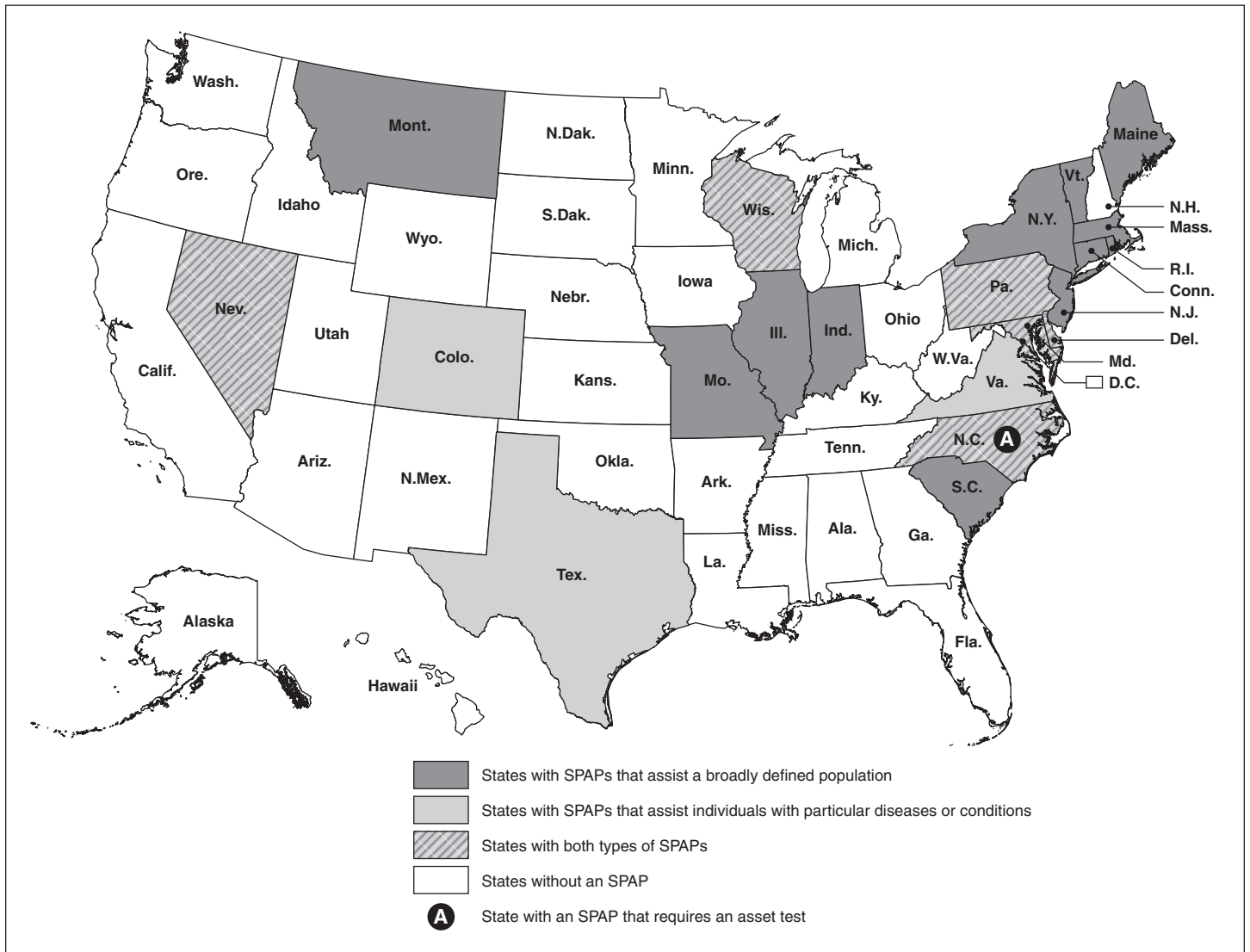
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<sup>21</sup>CMS originally required a state program to offer wrap-around benefits to Part D-eligible beneficiaries, regardless of which Part D plan the beneficiary enrolled in. In 2008, these requirements were revised, permitting SPAPs to enroll their beneficiaries into plans meeting state-specific coordination criteria, such as offering similar formularies or expanding pharmacy networks. SPAPs are required to submit information about their program and coordination criteria to CMS before the start of the benefit year, and CMS reviews these criteria to ensure that they do not restrict enrollment to a small number of plans. See 42 C.F.R. § 423.464 for an explanation of other requirements to be a qualified SPAP.

<sup>22</sup>Two states operate SPAPs that are not open to Medicare beneficiaries.

<sup>23</sup>The three remaining SPAPs provide assistance to individuals in high-risk pools. Such individuals have been rejected by insurance carriers or have substantially reduced coverage due to preexisting medical conditions or other restrictions.

Figure 5: Geographic Distribution of SPAPs, 2007



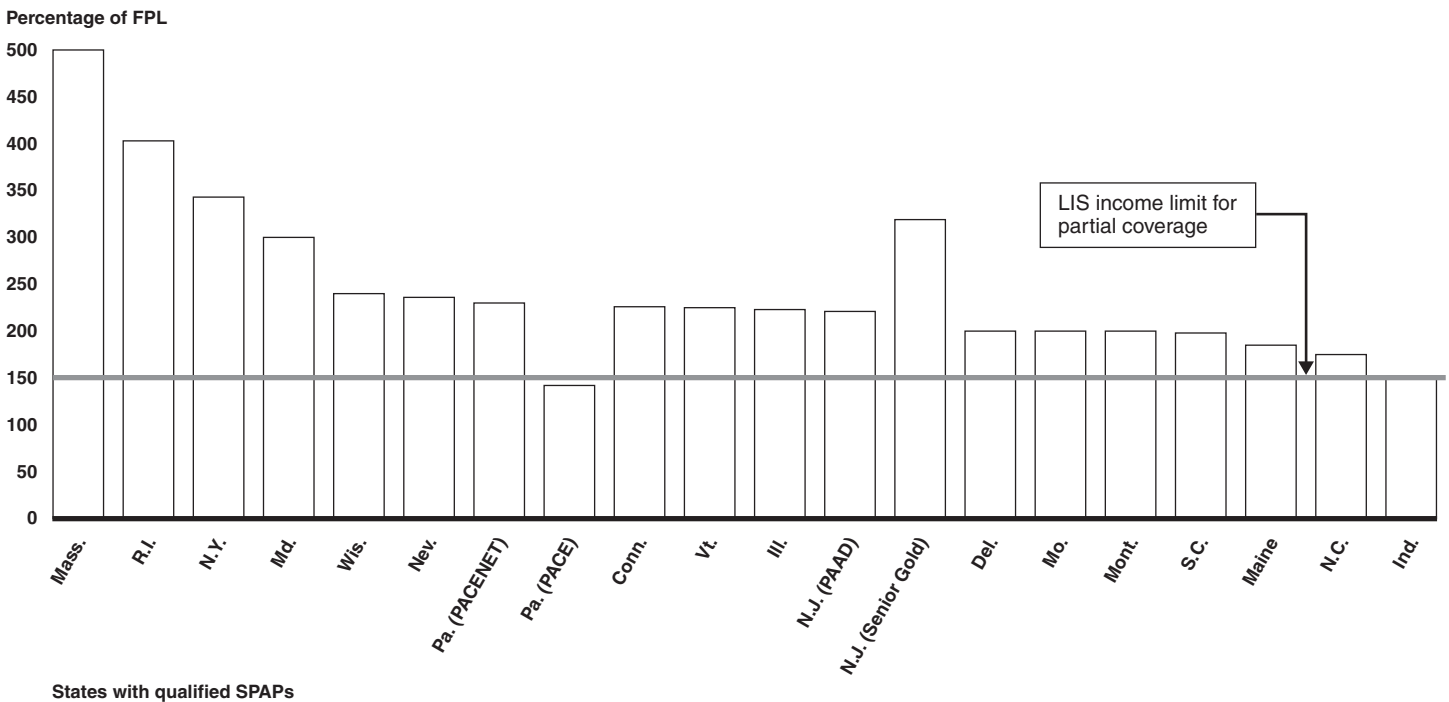
Sources: GAO analysis of data from CMS, National Pharmaceutical Council, and SPAPs; Map Resources (map).

States establish their own eligibility standards for SPAPs. All 20 SPAPs that serve a broadly defined population have an income test, but only one, North Carolina's,<sup>24</sup> has an asset test. All but one of these programs,

<sup>24</sup>For 2008, the threshold for the asset test in North Carolina's SPAP was higher than that for the LIS—\$22,381 versus \$11,990 for individuals and \$34,322 versus \$23,970 for couples.

Pennsylvania's Pharmaceutical Assistance Contract for the Elderly (PACE), have income limits that exceed the LIS income threshold, which is less than 150 percent of the FPL. (See fig. 6.) Most SPAPs have income limits set at or above 200 percent of the FPL, and three have limits that exceed 300 percent of the FPL. In four cases, the income limits are set so that benefits are graduated—enrollees with higher incomes receive less assistance than those with lower incomes.

**Figure 6: Income Eligibility Requirements as a Percentage of the Federal Poverty Level for SPAPs That Assist Broadly Defined Populations, 2007**



Sources: GAO analysis of data from CMS, National Pharmaceutical Council, and SPAPs.

Notes: In all cases, the figure shows the highest income limit for a single person in each SPAP. In four SPAPs, benefits are graduated so that persons with relatively higher incomes receive a smaller benefit than those with lower incomes.

Income requirements are for individuals. For SPAPs that have different income limits for different categories of individuals (for example, aged and disabled), the highest income limit is shown.

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Many SPAPs also require Medicare beneficiaries to apply for the LIS. As of October 2007, over half of the 20 SPAPs that serve broadly defined populations required applicants who were potentially eligible for the LIS to apply for it in conjunction with applying for assistance from the state. By identifying individuals eligible for the LIS, the cost to the state is reduced because Medicare pays for some prescription drug costs that would otherwise be paid by the SPAP.

The assistance that broadly defined SPAPs provide to Part D enrollees is uneven and varies in three ways: (1) the types of Part D costs for which SPAPs may provide financial assistance; (2) the amount of financial assistance they provide in each case; and (3) the drugs they pay for that are not otherwise covered by a Part D plan. Part D costs for which SPAPs may provide assistance include monthly plan premiums, the annual deductible, and copayments (in the initial coverage period and in the coverage gap).<sup>25</sup> While 8 of the 20 SPAPs that assist broadly defined populations provide some assistance for all four types of Part D costs, the others assist Part D enrollees with one or more of these costs. (See table 2.)

Broadly defined SPAPs differ in the amount of assistance they provide for Part D premiums, deductibles, and copayments. Eleven of the 20 qualified SPAPs that serve a broadly defined population cover the full Part D premium for at least some enrollees,<sup>26</sup> and 6 SPAPs offer no assistance with the premium. Programs also vary in the portion of the copayment they pay in both the initial coverage period and in the coverage gap.

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<sup>25</sup>Some SPAPs, including New York's Elderly Pharmaceutical Insurance Coverage program, pay Part D enrollees' coinsurance after the catastrophic coverage threshold.

<sup>26</sup>Enrollees may be required to meet an income threshold or enroll in designated prescription drug programs.

**Table 2: Qualified SPAPs Serving Broadly Defined Populations: Coverage for Medicare Beneficiaries, 2007**

State	Premiums	Deductibles	Co-pay	During Part D Coverage Gap
Connecticut	●	⊙	⊙	⊙
Delaware	●	⊙	○	⊙
Illinois	● <sup>a</sup>	●	⊙	⊙
Indiana	● <sup>a</sup>	○	○	○
Maine	● <sup>a</sup>	⊙	⊙	⊙
Maryland	⊙	○	○	○
Massachusetts <sup>b</sup>	● <sup>a</sup>	⊙	⊙	⊙
Missouri	○	⊙	⊙	⊙
Montana	● <sup>a</sup>	○	○	○
Nevada	● <sup>a</sup>	○	○	●
New Jersey (PAAD)	● <sup>a</sup>	⊙	⊙	⊙
New Jersey (Senior Gold)	○	⊙	⊙	⊙
New York	● <sup>a</sup>	⊙	⊙	⊙
North Carolina	⊙	○	○	○
Pennsylvania (PACE)	●	⊙	⊙	⊙
Pennsylvania (PACENET)	○	⊙	⊙	⊙
Rhode Island <sup>b</sup>	○	⊙	○	⊙
South Carolina	○	○	○	⊙
Vermont <sup>b</sup>	⊙	●	●	●
Wisconsin <sup>b</sup>	○	●	⊙	⊙

Source: GAO analysis of CMS and National Pharmaceutical Council data.

Legend:

- **Full Payment**—SPAP pays all of this expense for qualifying individuals, resulting in zero out-of-pocket expenses for a beneficiary.
- ⊙ **Partial Payment**—SPAP pays a portion of this expense for qualifying individuals, resulting in some out-of-pocket expenses for a beneficiary.
- **No Payment**—SPAP does not cover this expense, resulting in 100 percent out-of-pocket expense for a beneficiary.

Notes: The data are from CMS's list of *Qualified State Pharmaceutical Assistance Programs under the MMA* (available at [http://www.cms.hhs.gov/States/07\\_SPAPs.asp#TopOfPage](http://www.cms.hhs.gov/States/07_SPAPs.asp#TopOfPage), downloaded Oct. 15, 2007) and the National Pharmaceutical Council's *Pharmaceutical Benefits Under State Medical Assistance Programs, 2007* (Reston, Va., 2007).

SPAP qualification criteria may include meeting an income threshold or enrolling in designated prescription drug programs.

<sup>a</sup>The SPAP pays the premium for any plan with a premium less than or equal to the benchmark premium. Part D plans are offered in 34 designated regions made up of single states or groups of states. The benchmark premium for each region is calculated annually based on a weighted average of the premiums charged by the Part D plans available in the region.

<sup>b</sup>The SPAP provides a graduated benefit based on a beneficiary's income level.

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In addition to assistance with Medicare Part D drug costs, many SPAPs pay for classes of drugs not covered by Medicare Part D. Some programs also pay for drugs not covered by a particular Part D plan (often referred to as nonformulary drugs).<sup>27</sup>

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### Manufacturers' Patient Assistance Programs Help Some Low-income Medicare Beneficiaries, but Program Features Vary

Pharmaceutical manufacturers provide prescription drug assistance to some low-income individuals, including Part D beneficiaries, through Patient Assistance Programs (PAP).<sup>28</sup> These programs, which are operated by the manufacturer or an independent charitable organization, provide prescription drugs free or at a reduced price. Individual program features, including the application process, eligibility requirements, and drugs offered, vary. PAPs typically assist individuals who have chronic illnesses and high drug costs. Unlike SPAPs, these programs are national in scope. However, the drugs they provide are limited to those produced by the sponsoring manufacturer and some manufacturers may not make all their drugs available.<sup>29</sup>

PAPs typically require beneficiaries to demonstrate financial need, be residents or citizens of the United States, and have no prescription drug insurance coverage other than Part D. An applicant's income usually must fall below 200 percent of the FPL to qualify for assistance,<sup>30</sup> although some PAPs have higher limits. Many PAPs, however, do not publish their income eligibility standards. In the case of financial hardship, some PAPs evaluate individuals on a case by case basis.

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<sup>27</sup>Medicare Part D requires every plan to provide coverage of broad classes of drugs in its formulary; however, the plan is not required to include every brand in the class in its formulary. For example, every plan must pay for statins, which are widely used to lower cholesterol, but a plan may choose to pay for Zocor but not Lipitor.

<sup>28</sup>According to The Partnership for Prescription Assistance, a collaboration among pharmaceutical companies, medical care providers, patient advocates, and other groups, there are more than 180 PAPs sponsored by manufacturers, some of which do not accept Medicare beneficiaries.

<sup>29</sup>According to RxAssist, a pharmaceutical access information center operated by Volunteers in Health Care (based in the Brown University Center for Primary Care and Prevention), 35 PAPs do not accept Part D enrollees, and another 22 do not accept any Medicare beneficiaries.

<sup>30</sup>In many cases, PAPs require applicants to submit supporting documentation, such as income tax returns, W-2 forms, bank statements, Social Security benefit statements, or unemployment benefit statements. Some PAPs also require applicants to provide information about their assets or require that their out-of-pocket spending exceed a percentage of their income.

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PAPs generally operate outside of Part D, meaning that beneficiaries can obtain prescription drugs without using their Part D insurance benefit.<sup>31</sup> Drugs provided to Medicare beneficiaries by PAPs operating outside of Part D do not count against TrOOP costs, but nominal copayments charged by some programs may. Part D plans use data from the PAPs to ensure that drugs the programs provide beneficiaries do not count against their TrOOP and to enable Part D plans to address safety concerns associated with prescription drugs provided outside of Part D. CMS maintains a Web site that provides information on drugs available to Medicare beneficiaries through 47 PAPs, including PAPs representing 9 of the 10 largest pharmaceutical companies.

The process for accessing PAPs and their drugs varies considerably. Many PAPs make application forms available on the Internet, while others require that applications be requested by phone, and some PAPs may screen for eligibility before sending out an application. Some PAPs that offer more than one product allow applicants to receive more than one drug at a time, whereas others have separate applications for each drug.

The degree of physician involvement in the application process also varies across PAPs. Patients often learn about the programs from a physician and, in many cases, a physician or patient advocate completes the application on behalf of the patient. In other cases, the patient can complete and submit the application, but the physician's signature is required.

Individuals typically receive a 30-day to 180-day supply of drugs after their applications are approved. The drugs are generally sent to a clinic or doctor's office, although some PAPs mail drugs directly to the individuals or give them a voucher that can be redeemed at a pharmacy. The number of refills allowed also varies, with some PAPs requiring individuals to submit a new application for each refill.

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<sup>31</sup>The Department of Health and Human Service's (HHS) Office of Inspector General (OIG) issued an advisory opinion in April 2006 stating that as long as a PAP operates entirely outside of the Part D benefit, the program can provide free and discounted drugs to Medicare beneficiaries (HHS, OIG, OIG Advisory Opinion No. 06-03, Apr. 18, 2006).



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## Concluding Observations

We have shown that in 2006 and 2007 income was a more important factor in LIS denials than assets, but both were important. Whether or not there should be an asset test in addition to the income test is an issue that cannot be resolved by analysis. Those beneficiaries who do not qualify for the LIS because their assets are above the program threshold, but whose incomes are limited, may obtain access to drugs through 23 state programs and through drug manufacturer programs. However, the availability of these programs and the assistance they offer are uneven, and they do not provide the coverage obtained through a national program with uniform eligibility standards.

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## Agency Comments and Our Evaluation

We provided a draft of this report to CMS (see app. II) and SSA (see app. III). CMS concurred with our report and its concluding observations. SSA expressed appreciation that we used its analysis of applicants denied the LIS in 2006 and 2007 as the foundation of our analysis of the impact of the assets test on LIS applicants. Both agencies provided technical comments that we incorporated where appropriate.

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We are sending copies of this report to the Acting Administrator of CMS and the Commissioner of Social Security. We will also provide copies to others on request. In addition, this report is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-7114 or [steinwalda@gao.gov](mailto:steinwalda@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



A. Bruce Steinwald  
Director, Health Care

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*List of Committees*

The Honorable Max Baucus  
Chairman  
The Honorable Charles E. Grassley  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable John D. Dingell  
Chairman  
The Honorable Joe L. Barton  
Ranking Member  
Committee on Energy and Commerce  
House of Representatives

The Honorable Charles B. Rangel  
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The Honorable Jim McCrery  
Ranking Member  
Committee on Ways and Means  
House of Representatives

The Honorable Frank J. Pallone, Jr.  
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The Honorable Nathan Deal  
Ranking Member  
Subcommittee on Health  
Committee on Energy and Commerce  
House of Representatives

The Honorable Pete Stark  
Chairman  
The Honorable Dave Camp  
Ranking Member  
Subcommittee on Health  
Committee on Ways and Means  
House of Representatives

# Appendix I: Social Security Administration Application for the Low-Income Subsidy, 2008

## Social Security Administration Important Information



**You may be eligible to get extra help paying for your prescription drugs.**

The Medicare Prescription Drug program gives you a choice of prescription plans that offer various types of coverage.

You may be able to get extra help to pay for the monthly premiums, annual deductibles, and co-payments related to the Medicare Prescription Drug program.

But before we can help you, you must fill out the application, put it in the enclosed envelope and mail it today. Or you may complete an online application at [www.socialsecurity.gov](http://www.socialsecurity.gov). We will review your application and send you a letter to let you know if you qualify for extra help. To use the extra help, you must enroll in a Medicare Prescription Drug plan.

If you need help completing the application, call Social Security at 1-800-772-1213 (TTY 1-800-325-0778). You can find more information at [www.socialsecurity.gov](http://www.socialsecurity.gov).

If you need information about Medicare Prescription Drug plans or how to enroll in a plan, call 1-800-MEDICARE (TTY 1-877-486-2048) or visit [www.medicare.gov](http://www.medicare.gov).

Mail your application today. We will give you a decision about whether you qualify for the extra help.

A handwritten signature in black ink, appearing to read "Michael J. Astrue".

Michael J. Astrue  
Commissioner

Form SSA-1020B-OCR-SM (12-2007) Destroy prior editions



## General Instructions for Completing the Application for Help with Medicare Prescription Drug Plan Costs

**Do you or the person you are helping apply have Medicare and Supplemental Security Income (SSI) or Medicare and Medicaid?**

If the answer is **YES**, do not complete this application because you automatically will get the extra help.

**Does your state Medicaid program pay your Medicare premiums because you belong to a Medicare Savings Program?**

If the answer is **YES**, contact your state Medicaid office for more information. You could get the extra help automatically and may not need to complete this application.

### How To Complete This Application

- Use **BLACK INK** only;
- **Keep your numbers, letters and Xs inside the boxes**; use only **CAPITAL** letters;
- Do not add any handwritten comments on the application;
- Do not use dollar signs when entering money amounts; and
- Cents can be rounded to the nearest whole dollar.

**EXAMPLE**

Place an X in the box. DO NOT fill in or use check marks in boxes.

<input checked="" type="checkbox"/>	<input type="checkbox"/>
CORRECT	INCORRECT

**EXAMPLE**

Use capital letters when entering answers

A	B	C	D
---	---	---	---

### If You Are Assisting Someone Else With This Application

Answer the questions as if that person were completing the application. You must know that person's Social Security number and financial information. Also, complete Section B on page 6.

### Completing Your Application

You may complete the online application at [www.socialsecurity.gov](http://www.socialsecurity.gov) or use the enclosed pre-addressed stamped envelope to return your completed and signed application to:

Social Security Administration  
Wilkes-Barre Data Operations Center  
P.O. Box 1020  
Wilkes-Barre, PA 18767-9910

Return this application package in the enclosed envelope. Do not include anything else in the envelope. If we need more information, we will contact you.

### If You Have Questions Or Need Help Completing This Application

You can call us toll-free at 1-800-772-1213, or if you are deaf or hard of hearing, you may call our TTY number, 1-800-325-0778.



**Appendix I: Social Security Administration  
Application for the Low-Income Subsidy, 2008**



**If you placed an  in the NO or NOT SURE box in question 3, answer all of the following questions. If you are married and living with your spouse, you must answer all of the questions for both of you.**

4. Please enter the money amounts of all bank accounts, investments or cash that either you, your spouse, if married and living together, or both of you own in the boxes below. Include items that either of you own with another person. Include only the dollar figures, not the account number. If you or your spouse do not own an item listed, either separately, jointly or with another person, place an  in the NONE box.

• Combined total of all bank accounts (checking, savings and certificates of deposit)	<input type="checkbox"/> NONE	\$ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
• Combined total of all stocks, bonds, savings bonds, mutual funds, Individual Retirement Accounts or other similar investments	<input type="checkbox"/> NONE	\$ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]
• Any other cash at home or anywhere else	<input type="checkbox"/> NONE	\$ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

5. Do you own life insurance policies with a total face value of more than \$1,500? Answer for you and your spouse if your spouse lives with you.  
If you answer NO for both you and your spouse, go to question 6.

YOU:  YES  NO

SPOUSE:  YES  NO

If you answered YES for either of you, how much money would you get if you turned in your policies for cash right now? Enter the amount. If you answered YES for both you and your spouse, enter the combined amount. This is not the face value of your policies. You may need to call your insurance company to help answer this question.

\$ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

6. Will some money from the sources listed in questions 4 and 5 be used to pay for funeral or burial expenses? If YES, skip to question 7.  
If NO, place an  in the NO box, then go to question 7.

YOU:  NO

SPOUSE:  NO

7. Other than your home and the property on which it is located, do you or your spouse, if married and living together, own any real estate? Examples of other real estate are summer homes, rental properties or undeveloped land you own.

YES  NO

**Appendix I: Social Security Administration  
Application for the Low-Income Subsidy, 2008**



8. Not counting your spouse if you are married, how many other relatives live in your household and receive **at least one-half** of their financial support from you or your spouse? We count relatives related to you by blood, marriage or adoption.

Place an  in only one box. **Do not include yourself or your spouse in the number you enter.** If your household consists only of you or you and your spouse, place an  in the **NONE** box.

NONE   
  1   
  2   
  3   
  4   
  5   
  6   
  7   
  8   
  9 or more

9. If you or your spouse, if married and living together, receive income from any of the sources listed below, please enter the total amount you receive each month. **If the amount changes from month to month or you do not receive it every month, enter the average monthly income for the past year for each type** in the appropriate boxes. Do not list wages and self-employment, interest income, public assistance, medical reimbursements or foster care payments here. If you or your spouse do not receive income from a source listed below, place an  in the **NONE** box for that source.

		Monthly Benefit
• Social Security benefits before deductions	<input type="checkbox"/> NONE	\$ <input type="text"/> , <input type="text"/> . <input type="text"/>
• Railroad Retirement benefits before deductions	<input type="checkbox"/> NONE	\$ <input type="text"/> . <input type="text"/> . <input type="text"/>
• Veterans benefits before deductions	<input type="checkbox"/> NONE	\$ <input type="text"/> . <input type="text"/> . <input type="text"/>
• Other pensions or annuities before deductions. Do not include money you receive from any item you included in question 4.	<input type="checkbox"/> NONE	\$ <input type="text"/> . <input type="text"/> . <input type="text"/>
• Other income not listed above, including alimony, net rental income, workers' compensation, etc. (Specify):	<input type="checkbox"/> NONE	\$ <input type="text"/> . <input type="text"/> . <input type="text"/>

10. Have any of the amounts you included in question 9 decreased during the last two years?  
 YES     NO

11. Do you count on anyone to help pay for any of the following household expenses — food, mortgage, rent, heating fuel or gas, electricity, water and property taxes? **Do NOT include** food stamps, house repairs, help from a housing agency, an energy assistance program, Meals on Wheels, contributions from food banks, soup kitchens or help with medical treatment and drugs. Do not include small amounts of money given occasionally or unexpectedly.  
 YES     NO

If you place an  in the **YES** box, enter the monthly amount or, if the amount changes from month to month, enter the average monthly amount for the past year.

\$  .  .



**If you have worked in the last two years, you need to answer questions 12-16. If you are married and living with your spouse and either one of you has worked in the last two years, you need to answer questions 12-16. Otherwise, sign the application on page 6 and return it to us.**

12. What do you expect to earn in wages before taxes and deductions **this calendar year**?

YOU:  NONE     

SPOUSE:  NONE     

13. What do you expect your net earnings from self-employment to be **this calendar year**?

Place an  in the **NONE** box if you are not self-employed and go to question 14.

YOU:  NONE      \$   ,   .

SPOUSE:  NONE      \$     .

Place an  in the box(es) if you or your spouse expect a net loss.      **→**      YOU:       SPOUSE:

14. Have the amounts you included in questions 12 or 13 decreased in the last two years?

YES       NO

15. If you or your spouse, stopped working in 2007 or 2008, or plan to stop working in 2008 or 2009, enter the month and year.

**EXAMPLE**  
For January – September, place a zero (0) in the first box. May 2007 should read:

0	5	2	0	0	7
M	M	Y	Y	Y	Y

YOU:        
M M Y Y Y Y

SPOUSE:        
M M Y Y Y Y

**If you are younger than age 65, answer question 16. If you are married and living with your spouse and either one of you is younger than age 65, answer question 16. Otherwise, sign the application on page 6 and return it to us.**

16. Do you or your spouse have to pay for things that enable you to work? We will count only a part of your earnings toward the income limit if you work and receive Social Security benefits based on a disability or blindness and you have work-related expenses for which you are not reimbursed. Examples of such expenses are: the cost of medical treatment and drugs for AIDS, cancer, depression or epilepsy; a wheelchair; personal attendant services; vehicle modifications, driver assistance or other special work-related transportation needs; work-related assistive technology; guide dog expenses; sensory and visual aids; and Braille translations.

YOU:  YES       NO

SPOUSE:  YES       NO





### Signatures

#### IMPORTANT INFORMATION - PLEASE READ CAREFULLY

I/We understand that the Social Security Administration (SSA) will check my/our statements and compare its records with records from Federal, State, and local government agencies, including the Internal Revenue Service (IRS) to make sure the determination is correct.

By submitting this application, I am/we are authorizing SSA to obtain and disclose information related to my/our income, resources, and assets, foreign and domestic, consistent with applicable privacy laws. This information may include, but is not limited to, information about my/our wages, account balances, investments, insurance policies, benefits, and pensions.

I/We declare under penalty of perjury that I/we have examined all the information on this form and it is true and correct to the best of my/our knowledge.

**Please complete Section A. If you cannot sign, a representative may sign for you. If someone assisted you, complete Section B as well.**

#### SECTION A

Your Signature:	Date:	Phone Number: ( ) -
Spouse's Signature:	Date:	
Your Mailing Address:		Apt. #:
City:	State:	Zip Code:

If you changed your mailing address within the last three months, place an  here:

If you would prefer that we contact someone else if we have additional questions, please provide the person's name and a daytime phone number.

Print First Name:	Print Last Name:	Phone Number: ( ) -
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#### SECTION B

If someone assisted you, place an  in the box that describes that person and provide the rest of the information requested below.

<input type="checkbox"/> Family Member	<input type="checkbox"/> Attorney	<input type="checkbox"/> Other Advocate	<input type="checkbox"/> Other Specify: _____
<input type="checkbox"/> Friend	<input type="checkbox"/> Agency	<input type="checkbox"/> Social Worker	_____

Print First Name:	Print Last Name:	Phone Number: ( ) -
Address:		Apt. #:
City:	State:	Zip Code:



### Privacy Act / Paperwork Reduction Notice

Section 1860 D-14 of the *Social Security Act* authorizes the collection of information requested on this form. The information you provide will be used to enable the Social Security Administration to determine if you are eligible for help paying your share of the cost of a Medicare Prescription Drug Plan. You do not have to give us the information requested. However, if you do not provide the information, we will be unable to make an accurate and timely decision on your application. We may provide information collected on this form to another Federal, State, or local government agency to assist us in determining your eligibility for the extra help or if a Federal law requires the release of information.

We may also use the information you give us when we match records by computer. Matching programs compare our records with those of other Federal, State, or local government agencies. Many agencies may use matching programs to find or prove that a person qualifies for benefits paid by the Federal government. The law allows us to do this even if you do not agree to it. Explanations about these and other reasons why information you provide us may be used or given out are available in Social Security offices. If you want to learn more about this, contact any Social Security office.

Paperwork Reduction Act Statement — This information collection meets the requirements of 44 U.S.C. § 3507, as amended by section 2 of the *Paperwork Reduction Act of 1995*. You do not need to answer these questions unless we display a valid Office of Management and Budget control number. We estimate that it will take about 35 minutes to read the instructions, gather the facts, and answer the questions. You may send comments on our time estimate above to: SSA, 6401 Security Blvd., Baltimore, MD 21235-6401. **Send only comments relating to our time estimate to this address, not the completed form.**

SEND THE COMPLETED FORM TO US AT THE ADDRESS SHOWN ON THE ENCLOSED PRE-ADDRESSED ENVELOPE:

**Social Security Administration  
Wilkes-Barre Data Operations Center  
P.O. Box 1020  
Wilkes-Barre, PA 18767-9910**

# Appendix II: Comments from the Centers for Medicare & Medicaid Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation  
Washington, DC 20201

AUG 08 2008

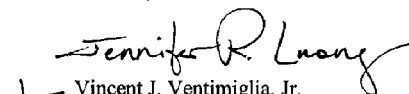
A. Bruce Steinwald  
Director, Health Care  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Steinwald:

Enclosed are the Department's comments on the U.S. Government Accountability Office's (GAO) draft report entitled: "Medicare Part D Low Income Subsidy: Assets and Income Are Both Important in Subsidy Denials, and Access to State and Manufacturer Drug Programs Is Uneven" (GAO 08-824).

The Department appreciates the opportunity to comment on this report before its publication.

Sincerely,

  
for Vincent J. Ventimiglia, Jr.  
Assistant Secretary for Legislation

Attachment

**Appendix II: Comments from the Centers for Medicare & Medicaid Services**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

*Administrator*  
Washington, DC 20201

**DATE:** AUG 06 2008

**TO:** Vincent J. Ventimiglia, Jr.  
Assistant Secretary for Legislation  
Department of Health and Human Services

**FROM:** Kerry Weems  
Acting Administrator

**SUBJECT:** Government Accountability Office (GAO) Draft Report: "Medicare Part D Low Income Subsidy: Assets and Income Are Both Important in Subsidy Denials, and Access to State and Manufacturer Drug Programs Is Uneven" (GAO-08-824)

Thank you for the opportunity to review and comment on the above draft GAO report, the first of two reports on this topic. Under the Medicare Part D program, millions of low-income individuals who otherwise would have no drug coverage now have access to a generous drug benefit. It should not be overlooked that those who do not qualify for the Part D low-income subsidy (LIS) still have access to a meaningful and affordable prescription drug plan.

The GAO's report indicates that, in 2006 and 2007, more than half of the individuals who applied for the LIS under the Medicare Part D prescription drug benefit program were denied. While assets and income were both important factors in these denials, income was of greater importance. The GAO further reports that both State Pharmaceutical Assistance Programs and drug manufacturers' Patient Assistance Program assist low income individuals in obtaining prescription drugs, but that coverage is limited and non-uniform.

The Centers for Medicare & Medicaid Services (CMS) concurs with the report and its concluding observations, and believes the information in the report will be useful as we continue to work with our partners and reach out to potential LIS eligibles.

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# Appendix III: Comments from the Social Security Administration

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## SOCIAL SECURITY

The Commissioner

August 04, 2008

Mr. A. Bruce Steinwald  
Director, Health Care  
U.S. Government Accountability Office  
441 G St., NW  
Washington, D.C. 20548

Dear Mr. Steinwald:

Thank you for the opportunity to review and comment on the draft report, "Medicare Part D Low-Income Subsidy: Assets and Income Are Both Important in Subsidy Denials, and Access to State and Manufacturer Drug Programs Is Uneven" (GAO-08-824).

We appreciate you using our analysis of applicants who received denials for Low-Income Subsidy (LIS) in 2006 and 2007 as the foundation for your analysis of the impact of the asset test on LIS applicants. Enclosed are our suggested technical revisions.

Please refer any questions concerning our comments to Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Astrue".

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

A. Bruce Steinwald, (202) 512-7114 or [steinwalda@gao.gov](mailto:steinwalda@gao.gov)

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## Acknowledgments

In addition to the contact above, Phyllis Thorburn, Assistant Director; Carolyn Garvey; Drew Long; Maya Tholandi; and Eric Wedum made key contributions to this report.

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