

Part D Information for State Policymakers

November 7, 2008

“Benchmark” Part D Plans and the Low Income Subsidy

“Extra Help” - the Low Income Subsidy

Almost nearly 10 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 2009 is estimated to be worth \$3,923 at the pharmacy and as much as \$298 in annual premiums.

The Low-Income Premium Subsidy Amounts

In August, CMS announced the 2009 low-income premium subsidy 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 low-income premium subsidy amount. The regional low-income premium subsidy amounts are calculated annually. The Federal government pays up to 100 percent of the Part D premium for LIS beneficiaries who are in plans with premiums at or below the regional low-income premium subsidy amount.

CMS published a final rule on April 3, 2008 that changes the way Medicare calculates the regional low-income subsidy benchmarks. The benchmarks, in most cases, reflect the amount of a plan’s premium that will be paid by the Federal government through the low-income subsidy. Under the final rule, the benchmarks are weighted based on each plan’s share of enrollees receiving the low-income subsidy, rather than their share of total Part D enrollment. This increases the benchmark and decreases the number of reassignments in most regions as compared to the prior regulatory approach.

Low-income beneficiaries who are eligible for the full premium subsidy may enroll in a benchmark plan without paying any premium. CMS allows beneficiaries with the full premium subsidy to enroll in or remain enrolled in basic coverage plans with premiums up to or equal to the regional low-income premium subsidy amount in 2009 without having to pay the additional amount. Only basic coverage plans with premiums at or below the regional low-income premium subsidy amount are eligible to receive automatic enrollment of low-income subsidy recipients by CMS. A link to information about the 2009 regional low-income premium subsidy amount amounts can be found below.

2009 Array of Plans

In every state, beneficiaries will have access to at least one prescription drug plan with premiums of less than \$20 a month, except for beneficiaries living in Alaska who will have access to one prescription drug plan at about \$23 per month. The lowest premiums for plans will range from

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about \$10 in New Mexico to about \$23 in Alaska. A link to the full landscape of Part D plans is found below.

Plan Reassignment

In order to ensure that beneficiaries do not face new costs in 2009, this fall CMS is re-assigning some low-income beneficiaries with the full premium subsidy to new Medicare prescription drug plans, effective January 1, 2009. In general, CMS will re-assign LIS beneficiaries with the full premium subsidy, who were previously automatically enrolled into a plan whose premium in 2009 is now above the regional low-income premium subsidy amount. These individuals will be randomly re-assigned to plans in their region with a premium at or below the regional low-income premium subsidy amount.

- 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 low-income premium subsidy 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 low-income premium subsidy amount, Medicare will randomly assign the person to another plan in the region that has premiums at or below the regional low-income premium subsidy amount.
- 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 2009 regional low-income premium subsidy amount, including a link to the actual amounts, can be found at:

<http://www.cms.hhs.gov/medicareadvtspeccratestats/Downloads/PartDandMABenchmarks2009.pdf>

The 2009 Part D plan landscape can be found at:

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