

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



October 3, 2005

ALL COUNTY INFORMATION NOTICE NO. I-63-05

REASON FOR THIS TRANSMITTAL

- State Law Change
 Federal Law or Regulation Change
 Court Order
 Clarification Requested by One or More Counties
 Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP COORDINATORS
ALL QUALITY CONTROL COORDINATORS

SUBJECT: NEW MEDICARE PRESCRIPTION DRUG PLANS (Part D)

The purpose of this notice is to give counties preliminary information on a new Medicare prescription drug plan, Medicare Part D, to be made available to individuals beginning January 1, 2006. The final federal rule for implementation of Part D is still pending; however, until that time, information will be shared with counties as it is received from the Food and Nutrition Service (FNS). The Medicare Part D program will replace the Medicare Drug Discount Card, which will start phasing out beginning January 1, 2006. Part D will result in a return to the former policy of considering only unreimbursed out-of-pocket expenses for prescription drugs for determining a household's medical deduction. Implementation of Part D may require that Food Stamp Program county staff assist applicants in filing out applications for Part D enrollment. However, eligibility determinations for enrollment will be made by the Social Security Administration.

For Medicare clients who have a Medicare Drug Discount Card on December 31, 2005, and who have not enrolled in Part D, the Medicare Drug Discount Card will remain in force until the earlier of the effective date of the client's enrollment in Part D or May 15, 2006. Beginning January 1, 2006, counties will be working with some food stamp household members who have a valid Medicare Drug Discount Card, others who are enrolled in Part D and some who could be enrolled in both programs. A Question and Answer document is included with this notice and provides more information on phasing out of the Drug Discount Card and implementation of the new Medicare Part D program.

Preliminary information indicates:

- Premiums that are not paid by the household (subsidized) are not counted as income.

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- Premiums and co-payments paid by the household will be considered allowable medical deductions. There should rarely be a premium and only a very low co-payment for food stamp households due to their low income levels.
- A reduction in food stamp benefits may occur; but, generally, the household will have more cash “in-pocket” since there will be less out-of-pocket medical expenses.
- Depending on when a client applies for the new program, the Drug Discount Card and Part D could both be in effect at the same time. If this is the case, the Drug Discount Credit continues as a deduction, even if the client reports participation in Part D.
- Certain Medicare individuals will be deemed automatically eligible for the new prescription drug plan, e.g., nursing home residents. Others must apply for the Medicare Part D via the internet or by applying at a Social Security Administration (SSA) office or a County Welfare Department (CWD). CWDs must assist applicants in filling out the application form.

As stated above, this is a preliminary notice of changes to prescription drug credits and discounts being replaced with new Part D, Medicare prescription drug plans. More information will be shared with counties as it is received from the Food and Nutrition Service.

If you have any questions regarding this notice, please call LeAnne Torres of my staff at (916) 654-2135.

Sincerely,

RICHTON YEE, Chief
Food Stamp Branch

Enclosure

**MEDICARE DRUG PROGRAM (PART D)
QUESTIONS AND ANSWERS**

These questions and answers concern only the drug expenses of Medicare clients who are applying for or are receiving food stamp benefits. They do not concern other food stamp clients or other expenses.

For households that are applying for food stamps after January 1, 2006

1. What prescription drug expenses should a food stamp/Medicare client list on the application form?

The applicant should list the anticipated expenses that will not be reimbursed. These would be out-of-pocket expenses (co-pays) under the Medicare Drug Discount Card and under Part D and, for some clients in Part D, a monthly premium. Most food stamp/Medicare clients have incomes that are so low that they will pay no monthly premium.

2. If the applicant has not enrolled in Part D and does not have a Medicare Drug Discount Card, how would the state agency budget the applicant's out-of-pocket expenses?

Anticipate the Medicare client's actual out-of-pocket expenses over the certification period, as required by normal food stamp policy.

3. If the applicant has not enrolled in Part D and does have a Medicare Drug Discount Card, how would the state agency budget the out-of-pocket expenses?

That depends on when the applicant applies for Food Stamps. If the applicant applies early enough in 2006 that the certification period will begin between January and May, the state agency will follow the procedures that it has been following for holders of Medicare Drug Discount Cards. If the applicant applies later in 2006, so that the certification period will begin in June or later, the state agency will anticipate the client's actual out-of-pocket expenses.

4. What if the household plans to enroll in Part D, but hasn't yet?

The state agency should encourage the client to do so; however, there is no action to take unless and until the client reports a change in the prescription drug costs.

5. Under the transitional Medicare Drug Discount Card, there was an annual credit of \$600 in 2004. In 2005 there was another credit for \$600 or less (depending upon when the Medicare client applied for the credit). There was also a discount in the total price of prescription drug. Suppose a new applicant applies for food stamps, states that she has a valid Discount Card, and is not enrolled in Part D.

How should the County Welfare Departments (CWDs) handle the credit and the discount?

Handling the Credit: First the CWD will have to determine the actual amount for the client's credit. That will be \$600, \$450, \$300 or \$150, depending upon when the client states she received the card. The CWD will budget \$50 a month.

Handling the Discount: Similarly, the state agency will apply the \$23 per client per month to the client's out-of-pocket expenses and budgeted credit.

6. What special rules apply to food stamp recipient who are enrolled in Part D?

None; there are no special rules. Budget these clients' prescription costs following normal rules by reasonably anticipating the client's un-reimbursed out-of-pocket expenses (co-pays and premiums).

7. How will a CWD know what a household's anticipated out-of-pocket drug expenses will be?

Ask the client and then verify according to the normal rules for handling applications and re-applications.

8. For those clients whose premiums are not waived, how will a state agency know what a household's Part D premium will be?

Ask the household. Each household member who enrolls in Part D will receive a notice that specifies the monthly premium, if the household member must pay one. However, most Medicare clients who receive food stamps will pay no monthly premium because of their low incomes.

9. Low-income Medicare clients pay lower co-pays and pay no monthly premiums because they are subsidized. Does the Food Stamp Program budget these subsidies as income?

No. These subsidies fall under the Food Stamp Program's definition of excluded income. 63-502.2(a) specifically excludes any "gain or benefit which is not in the form of money payable directly to the household...". These Medicare subsidies are not otherwise payable directly to the household.

10. Is there a requirement under the new Part D program, to hold food stamp households harmless (not reduce their Food Stamp benefits), as there was under the Medicare Drug Discount Card?

Answer: No.

11. Doesn't this mean that a food stamp household's allotment will fall when Part D replaces the Medicare Drug Discount Card?

Yes, in most cases. However, these clients will almost always be better off with more money in-pocket when participating in Part D.

12. Why is there no hold-harmless under Part D?

The Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003 contained a specific provision that precludes the Food Stamp Program, and other assistance programs, from reducing benefits because of the Medicare Discount Drug Card. However, the MMA did not contain a similar provision or the new Part D Program.

For households that are already certified

13. What must a food stamp household report about out-of-pocket drug expense?

Nothing. The household has no obligation to report changes in drug expenses.

14. What should the CWD do if the household reports that a Medicare client has enrolled in Part D or that the Medicare client's Medicare Drug Discount Card is no longer effective?

The CWD should determine what the Medicare client's out-of-pocket (and possible premium payment) would likely be over the remainder of the certification period.

15. What should the CWD do if the household reports that a Medicare client's Medicare Drug Discount Card is no longer valid and that the client has not enrolled in Part D?

If the Medicare client has not enrolled in Part D, determine whether the currently budgeted drug expenses are a reasonable anticipation for the rest of the certification period, and change the allotment if necessary. The CWD should also encourage the food stamp household member to enroll in Part D and to apply for its low-income subsidy.

16. Under the transitional Medicare Drug Discount Card, there was an annual credit, \$600 for 2004. The 2005 credit was \$600 or less for individuals applying in 2005. How should the CWD handle that credit?

The CWD probably prorated that credit over specific months, such as the household's certification period. Once prorated, the monthly amount continues to be a medical expense in each of those months, even if the household reports participation in Part D or that the Medicare Drug Discount Card is no longer effective.

17. If a Medicare client does not report the end of participation in the Medicare Drug Discount Card Program, what should the CWD do when that Discount Card Program ends on May 15, 2006?

Do nothing; leave the client's drug costs alone. When the client re-applies for food stamps, determine the client's prescription drug costs under normal rules, that is, without the special treatment that the Medicare Drug Discount Card Program required.

Quality Control

18. Will there be a 120-day QC hold harmless period for implementation of the replacement of the Drug Discount Card program with the new Part D?

Yes, there will be a hold harmless period. Additional information on the hold harmless procedures will be provided at a later date.