



Center for Medicaid and State Operations  
Disabled and Elderly Health Programs Group (DEHPG)

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December 18, 2006

Dear State Medicaid Director,

The purpose of this memorandum is to give you an update on two important developments in the Medicare Part D Low-Income Subsidy (LIS) Program. The Centers for Medicare & Medicaid Services (CMS) is (1) releasing updated resource standards for 2007 for the purposes of making LIS eligibility determinations, and (2) informing you of the maximum co-payments that LIS eligible beneficiaries, including full-benefit dual eligible and partial dual eligible individuals, will pay as enrollees of Medicare prescription drug plans. States making LIS determinations should be prepared to begin using the updated resource standards in 2007. The updated income standards (Federal Poverty Level tables) are expected to be released in late January.

**2007 Resource Standards**

Section 1860 D-14(a)(3) of the Social Security Act (the Act) provides the methodology for recalculating the resource standards each year and the percentages of the Federal Poverty Level that indicate income eligibility for LIS. In order to qualify for LIS, Medicare beneficiaries must have resources no greater than the resource limits established under the Act. In 2006, to qualify for the full low-income subsidy, Medicare beneficiaries are required to have resources equal to or below \$6,000 (\$9,000 if married and living together). In 2006, to qualify for other low-income subsidies, Medicare beneficiaries are required to have resources equal to or below \$10,000 (\$20,000 if married). These resource limits are increased by \$1,500 per person if the beneficiary indicates that s/he expects to use his/her \$1,500 allowable for burial expenses.

The statute directs CMS to update the resource limits for LIS each year. Provided below are (i) the methodology for updating the resource limits, and (ii) the 2007 low-income subsidy resource limits.

I. Calculation Methodology

Section 1860D-14(a)(3)(D) of the Act requires CMS to use the annual percentage increase in the Consumer Price Index (CPI), All Urban Consumers (all items, U.S. city average) as of September of the previous year (rounded to the nearest multiple of \$10) to update the resource limits for the low-income subsidy. CMS used the September, 2005 and the September, 2006 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2007 is calculated as follows:

$$\frac{\text{September 2006 CPI}}{\text{September 2005 CPI}} \text{ or } \frac{202.9}{198.8} = 1.0206$$

(Source: Bureau of Labor Statistics, Department of Labor)

Thus, the 2007 increase factor for the low-income subsidy resource limits is 2.06%. This means that the resource limit required for beneficiaries to qualify for the full low-income subsidy is increased from \$6,000 (\$9,000 if married) to \$6,120 (\$9,190 if married) for 2007. The resource limit required to qualify for partial low-income subsidies is increased from \$10,000 (\$20,000 if married) to \$10,210 (\$20,410 if married) for 2007.

## II. Table of Resource Limits Used to Determine Eligibility for Low-income Subsidy

LIS Level	Marital Status	2006 LIS Resource Limit*	2007 LIS Resource Limit*
Full Subsidy LIS	Single	\$7,500	\$7,620
	Married	\$12,000	\$12,190
All Other LIS	Single	\$11,500	\$11,710
	Married	\$23,000	\$23,410

\*These resource limits include \$1,500 per person for burial expenses.

### Availability of New SSA Applications

SSA will revise its applications accordingly. Please contact the Directors of Communications in the following SSA regions if you need LIS applications with the new resource levels:

[ATL.ORC.RPA@ssa.gov](mailto:ATL.ORC.RPA@ssa.gov)

[BOS.RCD@ssa.gov](mailto:BOS.RCD@ssa.gov)

[CH.RPA@ssa.gov](mailto:CH.RPA@ssa.gov)

[DA.RPA@ssa.gov](mailto:DA.RPA@ssa.gov)

[DEN.RCD@ssa.gov](mailto:DEN.RCD@ssa.gov)

[KC.RPAO@ssa.gov](mailto:KC.RPAO@ssa.gov)

[NY.RPA@ssa.gov](mailto:NY.RPA@ssa.gov)

[PHI.RPA@ssa.gov](mailto:PHI.RPA@ssa.gov)

[SEA.ORC.RPA@ssa.gov](mailto:SEA.ORC.RPA@ssa.gov)

[SF.RPA@ssa.gov](mailto:SF.RPA@ssa.gov)

### 2007 Copayments

As required by statute, the Medicare prescription drug benefit parameters are updated each year using one of two indexing methods, either the annual percentage increase in average expenditures for Part D drugs per eligible beneficiary, or the annual percentage increase in the Consumer Price Index (all items, U.S. city average). Thus, effective January 1, 2007, the maximum cost-sharing amounts for LIS eligible beneficiaries, including full-benefit dual eligibles, are as follows:

**Maximum LIS Eligible Cost-Sharing\***

<b>Income Category</b>	<b>Deductible</b>	<b>Copayment up to Out-of-Pocket Limit (\$3,850)</b>	<b>Copayment above Out-of-pocket Limit</b>
Institutionalized Full-Benefit Dual Eligible	\$0	\$0	\$0
Full-Benefit Dual Eligible ≤ 100% FPL	\$0	\$1 generic, \$3.10 brand	\$0
Full-Benefit Dual Eligible > 100% FPL; Medicare Saving Program Participant (QMB-only, SLMB-only, or QI); Supplemental Security Income (but not Medicaid) Recipient; Applicant < 135% FPL with resources ≤ \$7,620 (\$12,190 if married)**	\$0	\$2.15 generic, \$5.35 brand	\$0
Applicant < 150% FPL with resources bet. \$7,620-\$11,710 (\$12,190-\$23,410 if married)**	\$53	15%	\$2.15 generic, \$5.35 brand

\*Please note that only the \$1 copayment for full-benefit dual eligible individuals with income at or below 100% FPL and the \$0 copayment for institutionalized full benefit dual eligibles are unchanged from 2006 to 2007.

\*\* Resource limits displayed include \$1,500 per person for burial expenses.

**Point of Contact**

For questions pertaining to the methodology for updating the resource standards, please contact: Meghan Elrington at [meghan.elrington@cms.hhs.gov](mailto:meghan.elrington@cms.hhs.gov) or (410) 786-8675.

For questions pertaining to LIS eligibility, please contact:

Kay Pokrzywa      [katherine.pokrzywa@cms.hhs.gov](mailto:katherine.pokrzywa@cms.hhs.gov)      410-786-5530  
 Jill Gotts          [jill.gotts@cms.hhs.gov](mailto:jill.gotts@cms.hhs.gov)                      410-786-7794

Sincerely,

/s/

Gale P. Arden  
 Director