January 6, 2006

SUBJECT: Budgeting Drug Expenses Under the New Medicare Drug Program (Part D)

TO: All Regional Directors
Food Stamp Program

On August 26, 2005, the Program Development Division published 18 questions and answers about the Drug Discount Card and the new Medicare Drug Program.

Attached are more questions and answers about the new program, with the first one numbered 19. As stated in Question/Answer 18, we extend to issue further guidance on a Quality Control hold-harmless period in the very near future. If you have any comments about these Questions and Answers, please direct them to the team leader in the Certification Policy Branch who works with your region.

/s/

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Director
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Attachment

## Question 19

Suppose a Food Stamp / Medicare client received the Drug Discount Card and the $600 credits for 2004 and 2005. The state probably prorated the $1200 over 24 months. Suppose the 24th month was July, 2006. What action, if any, must the state take regarding the client's August, 2006 Food Stamp allotment?

- Reduce the August allotment because the client's medical expenses will drop when the prorated credit is no longer deductible?
- Leave the August (and subsequent) allotments alone until the client reports a change or there is a recertification?

## Answer 19

First, the prorated credit continues to be deductible through the entire period of the proration (in the example, through July 31, 2006). Please see Question 16 in the Q's and A's dated August 26, 2005.

Second, the prorated credit expires in the last month of the period of proration (in the example, July, 2006). We published this policy in our first memorandum about the Drug Discount Card, dated June 18, 2004, in which we described one of the options this way:

> State agencies may budget $50 per month until the full value of the annual subsidies is realized. For example, a household certified in July 2004 for 12 months would have a $50 monthly medical expense budgeted July through June 2005. This would account for the CY2004 subsidy. If the household also receives a $600 subsidy for CY2005, then a $50 medical expense would be budgeted from July 2005 to June 2006.

Therefore, the state agency would remove the prorated credit from the household's allotment calculation for August, 2006 and subsequent months and reduce the allotment.

## Question 20

Many Medicare clients who are not entitled to the low-income subsidy will lose drug coverage when their drug expenses rise above $2250 in a year, until those expenses reach $5100 for the year. At $5100 Medicare drug coverage begins again at a different rate. The gap between $2250 and $5100 is known as the doughnut hole. If a household reports the loss of drug coverage at $2250 or the resumption of coverage at $5100 what should the state agency do?

## Answer 20

If reported during the certification period, treat this as a reported change in medical expenses under ordinary program rules. If reported at recertification, handle it as one would handle any other new information about medical expenses. Re-budget the household's medical expenses based on the household's anticipated expenses and then recalculate the household's monthly Food Stamp allotment.

## Question 21

When a client becomes eligible for Medicare by turning 65, the client has a 7-month window of opportunity to enroll in Part D without a penalty and to apply for the low-income subsidy. The 7-month period begins 3 months before the client's 65th birthday and ends 4 months after that birthday.

Does the state agency have any responsibility to do anything regarding the client's Food Stamp allotment?

## Answer 21

Not until the client reports different out-of-pocket drug expenses, either as a change in circumstances or as part of a recertification.

If, at recertification, the state agency notices that the client has not enrolled in Part or has not applied for the low-income subsidy, the state agency should encourage the client to do so.

## Question 22

Some Medicare clients have reported that they have not received identification cards that show their enrollment in a Part D program. How should the state agency handle this situation?

## Answer 22

It probably does not matter, since proof of enrollment by itself means very little to the Food Stamp Program. What mainly concerns the state agency is the amount of the household's out-of-pocket prescription expenses (co-pays and in some cases, a monthly premium). So if the household reports and verifies out-of-pocket expenses, the state agency will consider those to be deductible expenses.

## Question 23

While large numbers of Medicare clients are obtaining prescriptions through Part D, some clients and pharmacists have reported that Medicare's computer will not authorize prescriptions. Many of these pharmacists are giving clients short-term supplies until the system authorizes payment. How should the state agency handle this situation?

## Answer 23

If a client does not actually pay for that short-term supply there is probably no way to determine what the cost will be. Therefore there is no deductible expense as yet. When the Medicare system determines the client's co-pay the expense becomes deductible.