

Re-assignment of Beneficiaries Who Have the Low Income Subsidy

Overview

In the fall of 2006, CMS will re-assign certain low-income beneficiaries to new Medicare Prescription Drug Plans (PDPs), effective January 1, 2007. Re-assignments will be for individuals who are currently in a plan that, in 2007, will no longer have premiums below the low-income subsidy (LIS) amount, resulting in a premium liability for the beneficiary.

CMS is trying to minimize the number of beneficiaries who will need to be re-assigned. Most notably, CMS established a “de minimis” premium demonstration that will permit plans with monthly premiums that are \$2.00 or less above the LIS premium subsidy amount to retain their current enrollees.

Re-assignment of LIS Beneficiaries Due to Premium Increases

- In general, CMS will re-assign LIS beneficiaries who were assigned into a PDP¹ in 2006 whose premium in 2007 no longer falls within the premium subsidy limit. These individuals will be randomly re-assigned to plans in their region with a premium at or below the premium subsidy amount.
- If a PDP sponsoring organization has another PDP in the same region that qualifies for auto- and facilitated enrollment in 2007 (has a premium at or below the premium subsidy amount), CMS will assign beneficiaries to that PDP. The PDPs in the sponsoring organizations that will receive beneficiaries be within the parent organization that offers their 2006 PDP.

People Who Will Not Be Re-assigned

- Re-assignments due to premium changes are limited to LIS beneficiaries who are still enrolled in the PDP to which CMS originally enrolled them. Thus, if the beneficiary subsequently elected a different plan, CMS will respect that choice and will not re-assign the individual. Individuals will be notified of any potential premium liability by their existing plan.
- Beneficiaries who were enrolled in a plan by authorized representatives such as State Pharmaceutical Assistance Programs (SPAPs) will not be re-assigned because the actions of the SPAPs are treated as beneficiary elections.
- Beneficiaries who lose their LIS status in 2007 will not be re-assigned. CMS notified beneficiaries of that they no longer automatically qualify for the LIS.
- For LIS beneficiaries whose PDP’s premium falls within the “de minimis” range (that is, the premium is within \$2.00 of the premium subsidy amount), the beneficiary will remain in that PDP.

Re-assignment “Algorithm”

Medicare will re-assign people to 2007 PDPs that have premiums at or below the regional low-income premium subsidy amount. Remember, Medicare will not enroll people into PDPs that are sponsored by employers or that have enhanced benefit packages. Medicare will not enroll beneficiaries who live in the territories.

- If the company (sponsor organization) offering a person’s current drug plan offers another

¹ A prescription drug plan (PDP) is an organization that provides prescription drugs as determined by its plan benefit package (PBP). A sponsor organization is an entity that sponsors a prescription drug plan and is represented at the contract number level. A parent organization is an umbrella organization that owns one or more sponsor organization.

PDP 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 company (sponsor organization) offering a person's current drug plan **doesn't** offer another PDP 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 below the regional low-income premium subsidy amount.

Note that starting with auto/facilitated enrollments effective in 2007, Medicare won't enroll people into PDP with premiums that fall in the "de minimus" range (i.e. plans with premiums over the regional low-income premium subsidy amount by \$2.00 or less).

Notification to Beneficiaries

Medicare will mail re-assignment notices by early November **on blue paper**.

The notices will tell beneficiaries the name of the plan to which they will be re-assigned, how to stay in their current PDP, and how to join a new plan. The notice will also include a list of plans in the region with premiums at or below the regional low-income premium subsidy amount and their telephone numbers.

If people who get these notices do nothing (i.e.—people don't tell their current plan that they want to stay or join a new plan on their own by December 31, 2006), coverage in their new plan will begin effective January 1, 2007.

Early Enrollment is Key

We are urging you to encourage people to explore their options no later than December 8th. If beneficiaries want to switch plans on their own, they should do so as early as possible during the open enrollment period so their new Medicare drug plan has time to mail a membership card, acknowledgement letter, and welcome package before the new coverage becomes effective on January 1, 2007. This way, even if they go to the pharmacy on the first day their new coverage begins, they can get their prescriptions filled without delay.

Key Dates

Key dates surrounding enrollment are outlined below:

- **Late October:** CMS sends plans and states the list of beneficiaries to be reassigned
- **Early November:** CMS sends notice to LIS beneficiaries who need reassignment
- **November 15:** Annual open enrollment period begins, in which beneficiaries may change from the plan into which they've been re-assigned or to enroll in a different plan
- **December 8, 2006:** Date by which all beneficiaries and authorized representatives who wish to change plans for 2007 should select their new plan to ensure that their plan application has been processed and they have their new plan card by January 1, 2007
- **January 1, 2007:** Effective date of all 2007 enrollments and plan reassignments for LIS beneficiaries who need reassignment