

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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MEDICARE PLAN PAYMENT GROUP

Date: November 24, 2015

To: All Part D Plan Sponsors

From: Cheri Rice /s/
Director, Medicare Plan Payment Group

Subject: **2016 Resource and Cost-Sharing Limits for Low-Income Subsidy (LIS)**

The Centers for Medicare & Medicaid Services (CMS) is releasing guidance on the updated resource limits for individuals who apply and qualify for the low-income subsidy (LIS) and announcing 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 in 2016. By statute, CMS is required to update the Part D resource limits, income standards, and cost-sharing amounts for the low-income subsidies each year. The 2016 resource limits are \$7,280 (\$10,930 if married) for the full low-income subsidy and \$12,140 (\$24,250 if married) for other low-income subsidies. If, pursuant to 20 CFR § 416.1231, a beneficiary notified the Social Security Administration (SSA) that he or she expects to use some of his or her resources for burial expenses, the resource limits are \$8,780 (\$13,930 if married) for the full low-income subsidy and \$13,640 (\$27,250 if married) for other low-income subsidies. The attached notice provides the method that CMS used to update the resource limits and cost-sharing amounts for 2016.

CMS will release the 2016 income standards for the low-income subsidies in early 2016 after the 2016 Federal poverty lines (FPL) are released.

Further Information

If you have questions about this guidance, please contact Anne Calinger at anne.calinger@cms.hhs.gov.

Resource Limits for the Medicare Part D Low-Income Subsidy: Annual Adjustment for 2016

The MMA directs CMS to update the resource limits for the low-income subsidy each year. This notice provides: (i) the method for updating the resource limits, (ii) the 2016 low-income subsidy resource limits, and (iii) the 2016 cost-sharing for low-income subsidy eligible enrollees.

I. Calculation Methodology

Section 1860D-14(a)(3)(D) of the Social Security Act (SSA) requires CMS to use the annual percentage increase in the Consumer Price Index, All Urban Consumers (all items, U.S. city average) as of September of the previous year to update the resource limits for the low-income subsidy. CMS used the September 2014 and the September 2015 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2016 is calculated as follows:

$$\frac{\text{September 2015 CPI}}{\text{September 2014 CPI}} \text{ or } \frac{237.945}{238.031} = 0.9996$$

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

The 2015 adjustment factor for the low-income subsidy resource limits is -0.04%. Per the statute, the resource limits are reduced by 0.04% for 2016 and rounded to nearest multiple of \$10. Under this methodology, the 2016 resource limits will be unchanged from the 2015 resource limits. Therefore, the resource limit required for beneficiaries to qualify for the full low-income subsidy remains \$7,280 (\$10,930 if married) in 2016. The resource limit required to qualify for partial low-income subsidies remains \$12,140 (\$24,250 if married) in 2016. As previously mentioned, the 2016 resource limits are \$8,780 (\$13,930 if married) for the full low-income subsidy and \$13,640 (\$27,250 if married) for other low-income subsidies if a beneficiary notified SSA that he or she expects to use some of his or her resources for burial expenses.

II. Table of Resource Limits Used to Determine Eligibility for Low-Income Subsidy (LIS)

LIS Level*	Marital Status	2015 LIS Resource Limit**	2016 LIS Resource Limit**
Full Subsidy LIS	Single	\$8,780	\$8,780
	Married	\$13,930	\$13,930
All Other LIS	Single	\$13,640	\$13,640
	Married	\$27,250	\$27,250

*Section 3304 of the PPACA amends 1860D-14(a)(3)(B) of the SSA by adding a special rule for widows and widowers regarding eligibility for low-income assistance. Effective 1/1/2011, redeterminations of eligibility for an LIS-eligible individual whose spouse has died are extended for one year beyond the date when his/her eligibility would have otherwise ended.

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

III. Low-Income Subsidy Eligible Beneficiary Cost-sharing

As required by statute, each year the co-payments for low-income subsidy eligible beneficiaries under the basic benefit are indexed to the increase in average total drug expenses of Medicare beneficiaries. The maximum copayments below the out-of-pocket threshold for certain low-income full subsidy eligible enrollees as well as the deductible and the maximum copayments

above the out-of-pocket threshold for partial subsidy eligible enrollees are updated by the annual percentage increase in average expenditures for Part D drugs. In addition, the maximum copayments below the out-of-pocket threshold for full benefit dual eligible enrollees with incomes that do not exceed 100% of the Federal poverty line (FPL) are updated by the annual percentage increase in the Consumer Price Index. For additional information on the updating of these Part D benefit parameters, please refer to the April 6, 2015 guidance, titled “Announcement of Calendar Year (CY) 2016 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter” (2016 Rate Announcement and Call Letter) available on the CMS website at <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Announcements-and-Documents.html>. Please see the table below for the updated cost-sharing for low-income subsidy eligible beneficiaries in 2016.

2016 Maximum LIS Beneficiary Cost-Sharing Table

Low-income Subsidy Category	Deductible	Copayment up to Out-of-Pocket Threshold*	Copayment above Out-of-pocket Threshold*
Institutionalized Full-Benefit Dual Eligible; or Beneficiaries Receiving Home and Community-Based Services	\$0	\$0	\$0
Full-Benefit Dual Eligible ≤ 100% FPL	\$0	\$1.20 generic, \$3.60 brand	\$0
Full-Benefit Dual Eligible > 100% FPL; or Medicare Saving Program Participant (QMB-only, SLMB-only, or QI); or Supplemental Security Income (but not Medicaid) Recipient; or Applicant < 135% FPL with resources ≤ \$8,780 (\$13,930 if married)**	\$0	\$2.95 generic, \$7.40 brand	\$0
Applicant < 150% FPL with resources between \$8,780 - \$13,640 (\$13,930 - \$27,250 if married)**	\$74	15%	\$2.95 generic, \$7.40 brand
*Out-of-Pocket Threshold is \$4,850 for 2016.			
** Resource limits displayed include \$1,500 per person for burial expenses.			