

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

Date: November 10, 2016

To: All Part D Plan Sponsors

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

Subject: **2017 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). CMS is also 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 2017.

CMS is required by statute to update the Part D resource limits, income standards, and cost-sharing amounts for the low-income subsidies each year. The 2017 resource limits are \$7,390 (\$11,090 if married) for the full low-income subsidy and \$12,320 (\$24,600 if married) for other low-income subsidies. If a beneficiary notified the Social Security Administration (SSA) that he or she expects to use some of his or her resources for burial expenses, pursuant to 20 CFR § 416.1231, the 2017 resource limits are \$8,890 (\$14,090 if married) for the full low-income subsidy and \$13,820 (\$27,600 if married) for other low-income subsidies. The attached notice provides the methodology that CMS used to update the low-income subsidy resource limits and cost-sharing amounts for 2017.

CMS will release the 2017 income standards for the low-income subsidies in early 2017, after the 2017 Federal poverty lines (FPL) are released.

Further Information

If you have questions about this guidance, please contact Raghav Aggarwal at raghav.aggarwal@cms.hhs.gov.

Resource Limits for the Medicare Part D Low-Income Subsidy: Annual Adjustment for 2017

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) directs CMS to update the resource limits for the low-income subsidy each year. This notice provides: (i) the calculation methodology for updating the low-income subsidy resource limits, (ii) the low-income subsidy resource limits in 2017, and (iii) the cost-sharing for low-income subsidy eligible beneficiaries in 2017.

I. Calculation Methodology

Section 1860D-14(a)(3)(D) of the Social Security Act (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 to update the resource limits for the low-income subsidy. CMS used the September 2015 and the September 2016 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2017 is calculated as follows:

$$\frac{\text{September 2016 CPI}}{\text{September 2015 CPI}} \text{ or } \frac{241.428}{237.945} = 1.0146$$

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

The 2016 adjustment factor for the low-income subsidy resource limits is 1.46%. Per the statute, the resource limits are increased by 1.46% for 2017 and rounded to nearest multiple of \$10. Therefore, the resource limit that must not be exceeded for beneficiaries to qualify for the full low-income subsidy increases from the 2016 amount of \$7,280 (\$10,930 if married) to \$7,390 (\$11,090 if married) in 2017. The resource limit that must not be exceeded for beneficiaries to qualify for partial low-income subsidies increases from the 2016 amount of \$12,140 (\$24,250 if married) to \$12,320 (\$24,600 if married) in 2017. As mentioned above, if a beneficiary notified SSA that he or she expects to use some of his or her resources for burial expenses, the applicable 2017 resource limits are \$8,890 (\$14,090 if married) for the full low-income subsidy and \$13,820 (\$27,600 if married) for other low-income subsidies.

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

LIS Level*	Marital Status	2016 LIS Resource Limit**	2017 LIS Resource Limit**
Full Subsidy LIS	Single	\$8,780	\$8,890
	Married	\$13,930	\$14,090
All Other LIS	Single	\$13,640	\$13,820
	Married	\$27,250	\$27,600

* Section 3304 of the Affordable Care Act (ACA) amends section 1860D-14(a)(3)(B) of the Act 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 section 1860D-14 of the Act, the cost-sharing for low-income subsidy eligible beneficiaries under the basic benefit are indexed either to the increase in average annual drug expenditures of Medicare beneficiaries or to the increase in the Consumer Price Index (CPI).

The maximum copayments below the out-of-pocket threshold for certain low-income full subsidy eligible enrollees and the deductible and the maximum copayments above the out-of-pocket threshold for partial subsidy eligible enrollees are updated using the annual percentage increase in average expenditures for Part D drugs per eligible beneficiary. 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 CPI.

For additional information on the updating of these Part D benefit parameters, please refer to the April 4, 2016 guidance titled “Announcement of Calendar Year (CY) 2017 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter” (2017 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 2017.

2017 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, \$3.70 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 ≤ \$8,890 (\$14,090 if married)**	\$0	\$3.30 generic, \$8.25 brand	\$0
Applicant < 150% FPL with resources between \$8,890 - \$13,820 (\$14,090 - \$27,600 if married)**	\$82	15%	\$3.30 generic, \$8.25 brand

*Out-of-Pocket Threshold is \$4,950 for 2017.

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