



MEDICARE ENROLLMENT & APPEALS GROUP

DATE: February 21, 2014

TO: All Prescription Drug Plan Sponsors, Medicare Advantage Organizations, Cost Plans, Programs for All-Inclusive Care for the Elderly, and Demonstration Organizations

FROM: Arrah Tabe-Bedward
Director, Medicare Enrollment and Appeals Group

SUBJECT: 2014 Medicare Part D Low-Income Subsidy (LIS) Income and Resource Standards

The purpose of this memorandum is to provide updated income and resource standards for individuals who apply for the low-income subsidy (LIS) for Medicare Part D. The Centers for Medicare & Medicaid Services (CMS) is required by law to update the income and resource limits each year.

Attached are the tables of the 2014 Poverty Guidelines for the 48 contiguous states and the District of Columbia (Attachment 1), Alaska (Attachment 2), and Hawaii (Attachment 3). We have also attached a description of the methodology that CMS used to update resource limits for 2014 (Attachment 4). (These were previously released to plans on November 6, 2013, but are attached here for convenience.) The new income and resource standards will be applied to all LIS applications filed on or after January 1, 2014.

If you have any questions about this information, contact Katherine Pokrzywa at 410-786-5530 or katherine.pokrzywa@cms.hhs.gov; or Amanda Rhee at 410-786-3888 or Amanda.Rhee@cms.hhs.gov.

Attachments

2014 POVERTY GUIDELINES

ALL STATES (EXCEPT ALASKA AND HAWAII) AND D.C.

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
| | 100% | 135% | 140% | 145% | 150% |
| 1 | 11,670.00 | 15,754.50 | 16,338.00 | 16,921.50 | 17,505.00 |
| 2 | 15,730.00 | 21,235.50 | 22,022.00 | 22,808.50 | 23,595.00 |
| 3 | 19,790.00 | 26,716.50 | 27,706.00 | 28,695.50 | 29,685.00 |
| 4 | 23,850.00 | 32,197.50 | 33,390.00 | 34,582.50 | 35,775.00 |
| 5 | 27,910.00 | 37,678.50 | 39,074.00 | 40,469.50 | 41,865.00 |
| 6 | 31,970.00 | 43,159.50 | 44,758.00 | 46,356.50 | 47,955.00 |
| 7 | 36,030.00 | 48,640.50 | 50,442.00 | 52,243.50 | 54,045.00 |
| 8 | 40,090.00 | 54,121.50 | 56,126.00 | 58,130.50 | 60,135.00 |

For family units of more than 8 members, add \$4,060 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|----------|----------|----------|----------|
| | 100% | 135% | 140% | 145% | 150% |
| 1 | 972.50 | 1,312.88 | 1,361.50 | 1,410.13 | 1,458.75 |
| 2 | 1,310.83 | 1,769.63 | 1,835.17 | 1,900.71 | 1,966.25 |
| 3 | 1,649.17 | 2,226.38 | 2,308.83 | 2,391.29 | 2,473.75 |
| 4 | 1,987.50 | 2,683.13 | 2,782.50 | 2,881.88 | 2,981.25 |
| 5 | 2,325.83 | 3,139.88 | 3,256.17 | 3,372.46 | 3,488.75 |
| 6 | 2,664.17 | 3,596.63 | 3,729.83 | 3,863.04 | 3,996.25 |
| 7 | 3,002.50 | 4,053.38 | 4,203.50 | 4,353.63 | 4,503.75 |
| 8 | 3,340.83 | 4,510.13 | 4,677.17 | 4,844.21 | 5,011.25 |

Produced by: CMCS/CAHPG/DEEO

2014 POVERTY GUIDELINES

ALASKA ONLY

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
| | 100% | 135% | 140% | 145% | 150% |
| 1 | 14,580.00 | 19,683.00 | 20,412.00 | 21,141.00 | 21,870.00 |
| 2 | 19,660.00 | 26,541.00 | 27,524.00 | 28,507.00 | 29,490.00 |
| 3 | 24,740.00 | 33,399.00 | 34,636.00 | 35,873.00 | 37,110.00 |
| 4 | 29,820.00 | 40,257.00 | 41,748.00 | 43,239.00 | 44,730.00 |
| 5 | 29,820.00 | 40,257.00 | 41,748.00 | 43,239.00 | 44,730.00 |
| 6 | 39,980.00 | 53,973.00 | 55,972.00 | 57,971.00 | 59,970.00 |
| 7 | 45,060.00 | 60,831.00 | 63,084.00 | 65,337.00 | 67,590.00 |
| 8 | 50,140.00 | 67,689.00 | 70,196.00 | 72,703.00 | 75,210.00 |

For family units of more than 8 members, add \$5,080 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|----------|----------|----------|----------|
| | 100% | 135% | 140% | \$145% | 150% |
| 1 | 1,215.00 | 1,640.25 | 1,701.00 | 1,761.75 | 1,822.50 |
| 2 | 1,638.33 | 2,211.75 | 2,293.67 | 2,375.58 | 2,457.50 |
| 3 | 2,061.67 | 2,783.25 | 2,886.33 | 2,989.42 | 3,092.50 |
| 4 | 2,485.00 | 3,354.75 | 3,479.00 | 3,603.25 | 3,727.50 |
| 5 | 2,485.00 | 3,354.75 | 3,479.00 | 3,603.25 | 3,727.50 |
| 6 | 3,331.67 | 4,497.75 | 4,664.33 | 4,830.92 | 4,997.50 |
| 7 | 3,755.00 | 5,069.25 | 5,257.00 | 5,444.75 | 5,632.50 |
| 8 | 4,178.33 | 5,640.75 | 5,849.67 | 6,058.58 | 6,267.50 |

Produced by: CMCS/CAHPG/DEEO

2014 POVERTY GUIDELINES

HAWAII ONLY

ANNUAL GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|-----------|-----------|-----------|-----------|
| | 100% | 135% | 140% | 145% | 150% |
| 1 | 13,420.00 | 18,117.00 | 18,788.00 | 19,459.00 | 20,130.00 |
| 2 | 18,090.00 | 24,421.50 | 25,326.00 | 26,230.50 | 27,135.00 |
| 3 | 22,760.00 | 30,726.00 | 31,864.00 | 33,002.00 | 34,140.00 |
| 4 | 27,430.00 | 37,030.50 | 38,402.00 | 39,773.50 | 41,145.00 |
| 5 | 32,100.00 | 43,335.00 | 44,940.00 | 46,545.00 | 48,150.00 |
| 6 | 36,770.00 | 49,639.50 | 51,478.00 | 53,316.50 | 55,155.00 |
| 7 | 41,440.00 | 55,944.00 | 58,016.00 | 60,088.00 | 62,160.00 |
| 8 | 46,110.00 | 62,248.50 | 64,554.00 | 66,859.50 | 69,165.00 |

For family units of more than 8 members, add \$4,670 for each additional member.

MONTHLY GUIDELINES

| FAMILY SIZE | PERCENT OF POVERTY GUIDELINE | | | | |
|-------------|------------------------------|----------|----------|----------|----------|
| | 100% | 135% | 140% | 145% | 150% |
| 1 | 1,118.33 | 1,509.75 | 1,565.67 | 1,621.58 | 1,677.50 |
| 2 | 1,507.50 | 2,035.13 | 2,110.50 | 2,185.88 | 2,261.25 |
| 3 | 1,896.67 | 2,560.50 | 2,655.33 | 2,750.17 | 2,845.00 |
| 4 | 2,285.83 | 3,085.88 | 3,200.17 | 3,314.46 | 3,428.75 |
| 5 | 2,675.00 | 3,611.25 | 3,745.00 | 3,878.75 | 4,012.50 |
| 6 | 3,064.17 | 4,136.63 | 4,289.83 | 4,443.04 | 4,596.25 |
| 7 | 3,453.33 | 4,662.00 | 4,834.67 | 5,007.33 | 5,180.00 |
| 8 | 3,842.50 | 5,187.38 | 5,379.50 | 5,571.63 | 5,763.75 |

Resource Limits for the Medicare Part D Low-Income Subsidy: Annual Adjustment for 2014

To apply and qualify for the Part D low-income subsidy, Medicare beneficiaries must have resources no greater than the resource limits established by the Medicare Modernization Act (MMA). In 2013, to qualify for the full low-income subsidy, Medicare beneficiaries are required to have resources below or equal to \$7,080 (\$10,620 if married). Medicare beneficiaries are required to have resources below or equal to \$11,800 (\$23,580 if married) to qualify for other low-income subsidies. When determining whether a beneficiary qualifies for the Medicare Part D low income subsidy, \$1,500 per person in resources is excluded from consideration if the beneficiary indicates that they expect to use some of their resources for burial expenses. Therefore, these resource limits are increased by \$1,500 per person if the beneficiary expects to use some of their resources for burial expenses.

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 2014 low-income subsidy resource limits, and (iii) the 2014 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 2012 and the September 2013 CPI values from the Bureau of Labor Statistics to calculate the annual percentage increase. The annual percentage increase in CPI for contract year 2014 is calculated as follows:

$$\frac{\text{September 2013 CPI}}{\text{September 2012 CPI}} \text{ or } \frac{234.149}{231.407} = 1.01849$$

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

Therefore, the 2013 increase factor for the low-income subsidy resource limits is 1.85%. Per the statute, the resource limits are increased by 1.85% for 2014 and rounded to nearest multiple of \$10. Therefore, the resource limit required for beneficiaries to qualify for the full low-income subsidy is increased from \$7,080 (\$10,620 if married) to \$7,210 (\$10,820 if married) for 2014. The resource limit required to qualify for partial low-income subsidies is increased from \$11,800 (\$23,580 if married) to \$12,020 (\$24,020 if married) for 2014.

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

| LIS Level* | Marital Status | 2013 LIS Resource Limit** | 2014 LIS Resource Limit** |
|-------------------|-----------------------|----------------------------------|----------------------------------|
| Full Subsidy LIS | Single | \$8,580 | \$8,710 |
| | Married | \$13,620 | \$13,820 |
| All Other LIS | Single | \$13,300 | \$13,520 |
| | Married | \$26,580 | \$27,020 |

*Section 3304 of the ACA amends 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 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 1, 2013 guidance, titled “Announcement of Calendar Year (CY) 2014 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter” (2014 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 2014.

2014 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 \leq 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 \leq \$8,710 (\$13,820 if married)** | \$0 | \$2.55 generic, \$6.35 brand | \$0 |
| Applicant $<$ 150% FPL with resources between \$8,710 - \$13,520 (\$13,820 - \$27,020 if married)** | \$63 | 15% | \$2.55 generic, \$6.35 brand |
| *Out-of-Pocket Threshold is \$4,550 for 2014. ** Resource limits displayed include \$1,500 per person for burial expenses. | | | |