

**Operations Memorandum - Food Stamp/Medicaid  
OPS051206**

12/30/05

**SUBJECT: Medicare Part D**  
**TO: Executive Directors**  
**FROM: Christine M. Bowser, Director, Bureau of Operations**

**Purpose**

To advise the County Assistance Offices of the implementation of Medicare Part D and the impact on the Food Stamp Program (FSP) and Medicaid. This policy is effective January 1, 2006, but was delayed due to the development of a process for implementation.

**Background/Discussion**

**Food Stamp Program ( FSP )**

Implementation of Medicare Part D may affect food stamp (FS) households that use excess medical expenses as income deductions. Beginning on January 1, 2006 , some FS households will continue to have a valid Medicare Drug Discount Card while other households are enrolled in Medicare Part D. Please review **Operations Memorandum OPS041006** for background on the Medicare Drug Discount Card.

For Medicare clients who have a Medicare Drug Discount Card on January 1, 2006 and who have not enrolled in Part D, the Medicare Drug Discount Card will remain in effect until the earlier of:

- The effective date of the client's reporting enrollment in Part D; or
- The FS renewal.

The FS policy for a household's excess medical deduction will revert to considering only non-reimbursed out-of-pocket expenses for prescription drugs.

**Applicants and renewals after January 1, 2006 :**

<b>CAO Responsibilities:</b>	
<b>If</b> the client has no prescription drug card or prescription coverage under a non-Medicare plan, has not enrolled in Medicare Part D and does not have the Medicare Drug Discount Card,	<b>Then</b> anticipate the client's actual non-reimbursed out-of-pocket drug expenses over the certification period.
<b>If</b> the client is covered under any other discount drug program such as Pharmaceutical Assistance Contract for the Elderly (PACE),	<b>Then</b> anticipate the actual non-reimbursed out-of-pocket drug expenses over the certification period.
<b>If</b> the client has a Medicare Drug Discount Card,	<b>Then</b> anticipate the actual non-reimbursed out-of-pocket expenses over the certification period.
<b>If</b> the client is enrolled in Medicare Part D,	<b>Then</b> use the individual's reasonably anticipated non-reimbursed out-of-pocket expenses (co-pays) and any monthly Part D premiums* over the certification period.

\* The Part D enrollment notice that a client receives will specify the monthly premium amount, if any. Most FS/Medicare clients will not have to pay a monthly premium due to their low income.

CAO Responsibilities:	
<p><b>If</b> the client reports enrollment in Part D or other change in medical expenses during the certification period,</p>	<p><b>Then</b> use the reasonably anticipated non-reimbursed out-of-pocket expenses and any applicable monthly premium for the remainder of the certification period and adjust the FS allotment.</p>
<p><b>If</b> the client does not report enrollment in Part D or the end of the Medicare Drug Discount Card coverage during the certification period.</p>	<p><b>Then</b> continue to adjust the current medical expense deduction until renewal since the client has no obligation to report changes in drug expenses.</p>

**NOTE :** Continue to apply the standard \$35 deductible when calculating the FSP household's medical expenses.

The Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003 contained a specific provision that individuals would not lose FS benefits because of reduced medical expense deductions resulting from use of their Medicare-approved Drug Discount Card. The MMA does not contain the provision for the new Medicare Part D Program. In most cases, the FS recipient's allotment will decrease when Part D replaces the Medicare Discount Drug Card. Any decrease or loss of FS benefits will be more than offset by the value of the drug benefit's low-income subsidy.

The CAO should encourage the recipient to apply for Medicare Part D and the low-income subsidy if it appears they have not applied unless they have comparable coverage through PACE or a non-Medicaid private prescription plan.

## **Medicaid**

### **The Impact of Medicare Part D on Medicaid**

#### **Effect on Recipients**

The implementation of Medicare Part D on January 1, 2006 means that individuals who have Medicare and Medicaid will no longer receive prescription drug coverage through Medicaid. However, individuals enrolled in Medicaid will receive "Extra Help." This means they will not have to pay a monthly premium or deductible and co-pays will be lower.

**NOTE :** Those individuals who are receiving Medicare and Medicaid and are enrolled in a plan have the option to select a different plan, including a plan with a higher premium. If the individual chooses an enhanced plan with a higher premium, the individual will pay the difference between the national average monthly premium and the premium for the plan chosen. The national average monthly premium is referred to as a "benchmark." In Pennsylvania, the "benchmark" is \$32.59. Plan information for each county can be found at [www.cms.hhs.gov/center/people.asp](http://www.cms.hhs.gov/center/people.asp). Click on Landscape of Local Plans.

Some individuals who are not Medicaid recipients, but who have limited resources and income below 150 percent of the FPIGs, are eligible to get Extra Help with premiums, deductibles and the cost of prescriptions. Refer to **Operations Memoranda** [050502](#) and [050609](#).

### **Medicare Prescription Drug Plan and Medical Expenses**

#### **CAO Responsibilities:**

The paid or unpaid medical expenses for premiums, deductibles, coinsurances and co-pays may be allowable medical expenses.

Apply existing procedures in **Medicaid Eligibility Handbook Sections** [360.6](#) and [361.5](#) when using paid or unpaid medical expenses as income deductions.

#### **Next Steps**

1. Review this Operations Memorandum with appropriate staff.
2. Implement the FSP provision under the new Medicare Part D Program on January 1, 2006.
3. This Operations Memorandum will become obsolete when the appropriate handbook pages are updated.