

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-22-25  
Baltimore, Maryland 21244-1850



Center for Drug and Health Plan Choice  
Medicare Plan Payment Group

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**Date:** November 16, 2009

**To:** All Part D Plan Sponsors

**From:** Tom Hutchinson, Director  
Medicare Plan Payment Group

**Subject:** 2010 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 informing you of the maximum co-payments LIS eligible beneficiaries, including full-benefit dual eligible and partial dual eligible individuals, will pay as enrollees of Medicare prescription drug plans in 2010. 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 attached notice provides the methodology that CMS used to update the resource limits as well as the cost-sharing amounts for 2010. The 2010 resource limits are \$8,100 (\$12,910 if married) for the full low-income subsidy and \$12,510 (\$25,010 if married) for other low-income subsidies. CMS will release the 2010 income standards for the low-income subsidies in early 2010 after the release of the 2010 federal poverty levels (FPL).

Further Information

If you have questions about this guidance, please contact Meghan Elrington at [Meghan.Elrington@cms.hhs.gov](mailto:Meghan.Elrington@cms.hhs.gov).

**Resource Limits for the Medicare Part D Low-Income Subsidy:  
Annual Adjustment for 2010**

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 2009, to qualify for the full low-income subsidy, Medicare beneficiaries are required to have resources below or equal to \$6,600 (\$9,910 if married). Medicare beneficiaries are required to have resources below or equal to \$11,010 (\$22,010 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 are 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 methodology for updating the resource limits, (ii) the 2010 low-income subsidy resource limits, and (iii) the 2010 cost-sharing for low-income subsidy eligible enrollees.

**I. Calculation Methodology**

Section 1860D-14(a)(3)(D) of the MMA 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 *increase* the resource limits for the low-income subsidy. The annual percentage increase in the CPI is calculated by dividing the September CPI of the preceding year to the September CPI for the year prior. For example, the 2010 annual percentage increase would be calculated by dividing the September 2009 CPI by the September 2008 CPI.

For 2010, the annual percentage increase in the CPI would *reduce* rather than *increase* the LIS resource limits as required by the statute. This is because the September 2009 CPI (215.969) is lower than the September 2008 CPI (218.783). Given that there was no increase in the September CPI from 2008 to 2009, **CMS did not apply an adjustment to determine the 2010 LIS resource levels.** Therefore, the resource limit required for beneficiaries to qualify for the full low-income subsidy remains at \$6,600 (\$9,910 if married) for 2010. The resource limit required to qualify for partial low-income subsidies remains at \$11,010 (\$22,010 if married) for 2010.

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

LIS Level	Marital Status	2009 LIS Resource Limit*	2010 LIS Resource Limit*
Full Subsidy LIS	Single	\$8,100	\$8,100
	Married	\$12,910	\$12,910
All Other LIS	Single	\$12,510	\$12,510
	Married	\$25,010	\$25,010

\*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, 2009 guidance “Announcement of Calendar Year (CY) 2010 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies (2010 Rate Announcement)” available on the CMS website at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/AD/list.asp>. Please see the table below for the updated cost-sharing for low-income subsidy eligible beneficiaries in 2010.

**2010 Maximum LIS Beneficiary Cost-Sharing Table**

<b>Low-income Subsidy Category</b>	<b>Deductible</b>	<b>Copayment up to Out-of-Pocket Threshold*</b>	<b>Copayment above Out-of-pocket Threshold*</b>
Institutionalized Full-Benefit Dual Eligible	\$0	\$0	\$0
Full-Benefit Dual Eligible ≤ 100% FPL	\$0	\$1.10 generic, \$3.30 brand	\$0
Full-Benefit Dual Eligible > 100% FPL; Medicare Saving Program Participant (QMB-only, SLMB-only, or QI); Supplemental Security Income (but not Medicaid) Recipient; Applicant < 135% FPL with resources ≤ \$8,100 (\$12,910 if married)**	\$0	\$2.50 generic, \$6.30 brand	\$0
Applicant < 150% FPL with resources bet. \$8,100- \$12,510 (\$12,910-\$25,010 if married)**	\$63	15%	\$2.50 generic, \$6.30 brand
*Out-of-Pocket Threshold is \$4,550 for 2010.			
** Resource limits displayed include \$1,500 per person for burial expenses.			