



Department of Human Resources
311 West Saratoga Street
Baltimore MD 21201

Family Investment Administration
ACTION TRANSMITTAL

Control Number: #05-04
Replaces #04-36

Effective Date: October 1, 2004
Issuance Date: August 26, 2004

**TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS AND ELIGIBILITY STAFF**

FROM: KEVIN M. MCGUIRE, EXECUTIVE DIRECTOR

RE: MEDICARE-APPROVED PRESCRIPTION DRUG CARD - REVISION

PROGRAM AFFECTED: FOOD STAMP PROGRAM

ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS

SUMMARY:

Action Transmittal 04-36 provided information about the Medicare Drug Card Program and the policy for how to treat the benefit for food stamps. The policy was based on a Food and Nutrition Service interpretation of the federal legislation. This action transmittal revises the action required for food stamps and replaces 04-36.

Reminder: This policy will not affect many food stamp households.

OBSOLETE POLICY:

AT 04-36 stated that households receiving a discount or credit through the drug card could claim only their out-of-pocket costs when determining the amount of their medical deduction. After further review the Food and Nutrition Service (FNS) determined that the policy did not comply with the federal rules.

NEW POLICY:

The revised policy will ensure that no food stamp applicant or recipient who uses the drug discount card will lose food stamp benefits.

To prevent a reduction in a household's food stamp benefits because of the discount drug card, we will treat the discounts and credit each cardholder receives through the drug discount card as standard medical allowances. We will use these standard allowances in determining the household's medical expense deduction. These standard monthly expenses are added to any other medical expenses the household incurs during the month in determining the household's medical expense deduction.

ACTION REQUIRED:

Recipients who Receive a \$600 Credit

- Eligible Medicare beneficiaries with incomes at or below 135 percent of the federal poverty level (\$1,048/month for a single person and \$1,406 for a married couple) are eligible for a \$600 credit in both the remainder of 2004 and throughout 2005.
- Case managers will allow \$50 per month as a medical expense until the full value of the annual credit is realized. For example, a household certified in July 2004 for 12 months would have a \$50 monthly medical expense budgeted July through June 2005. This would account for the CY2004 credit. If the household also receives a \$600 credit for 2005, then a \$50 medical expense would be budgeted from July 2005 to June 2006.

Reminder: Customers who receive the credit do not have to pay for the drug card.

Discounts on Prescriptions

- Credit recipients will also qualify for discounts.
- Individuals or married couples whose income exceeds 135 percent of the federal poverty level will not receive the \$600 credit but they will qualify to receive a discount on drug purchases. We anticipate that very few of this group will be eligible for food stamps. Their higher income would have to be offset by substantial medical and other allowable expenses to qualify under the food stamp net income test.
- Using a Standard Medical Expense Allowance for the discount on prescriptions:
 - The case manager will use a \$23/ month discount allowance for each cardholder in the food stamp household.
 - A cardholder's monthly medical expenses would then equal the cardholder's actual monthly out-of-pocket expenses plus \$23.
 - If the cardholder also received the \$600 credit, his or her monthly expenses would equal actual out-of-pocket expenses plus \$23 plus the \$50 monthly value of the credit.

Examples:

Mr. Adams's income is less than 135 percent of the federal poverty level. He gets a \$600 credit. He does not have the expense of the card. He has some prescriptions that were not covered by the credit and some over-the-counter items. The case manager enters \$50 for the credit, \$23 as a standard for the discount and the actual \$30 for out-of-pocket expenses for prescriptions and over-the-counter items. The case manager enters these amounts on the FSME. Mr. Adam's total medical deduction is \$68 ($\$50 + \$23 + \$30 = \$103 - \$35 = \68).

Mrs. Jones provides verification in June that she has enrolled in a Medicare-Approved Discount Drug Card Program. She paid a \$30 annual fee. She also has a Medicare Premium of \$66 monthly. The case manager uses the \$30 prescription card expense as a one time only expense. Mrs. Jones would receive the \$30 medical deduction in the on-going month for that month only. The case manager also enters \$23 as a standard medical allowance for the discount with a frequency factor of monthly. CARES adds the \$30 to the monthly \$66 Medicare premium and the \$23 discount allowance. The medical deduction for the one month would be \$84 ($\$66 + \$30 + \$23 = \$119 - \$35 = \84).

Mrs. Smith provides verification that she paid a \$30 enrollment fee for a Medicare Approved Discount Drug Card. She also pays a \$66 Medicare premium and \$50.75 for a monthly hospital bill payment and is entitled to the \$23 discount deduction. The case manager decides to prorate the expense for the discount card over the certification period. The case manager divides the \$30 annual fee over the 12-month certification period (\$2.50). CARES allows a \$107.25 monthly medical deduction ($\$66 + \$2.50 + \$50.75 + \$23 = \$142.25 - \$35 = \$107.25$).

Actual Expenses

Cardholders must be permitted to claim the actual out-of-pocket prescription expenses they incurred prior to using the discount card if those expenses exceed the total of their current out-of-pocket expenses plus the amount of all allowances the household receives.

Example: Prior to obtaining the discount card Mr. Baker's prescription expenses were \$300 a month. He now pays \$150 a month using the discount card. He must be allowed to claim the \$300 in medical expenses if his current out-of-pocket prescription costs, discount allowance and credit allowance together total less than \$300. Mr. Baker's current prescription costs with the standards is \$223 (Current amount of $\$150 + \$23 + 50 = \$223$). He is entitled to a \$300 medical expense for his prescriptions. He is not entitled to the \$23 discount allowance or \$50 credit allowance.

To claim their pre-discount medical costs, cardholders must provide documentation of their prior prescription drug expenses. If the cardholder is a continuing food stamp participant, the case manager may use case record information on prior expenses.

ONGOING POLICY:

- Do not count any discount and/or credit households receive through the drug discount card program as income or resources in determining eligibility and benefits for the Food Stamp Program (FSP).
- Allow as a medical expense the charge for the Medicare prescription drug card. The charge can be up to \$30 per year.

QUESTIONS AND ANSWERS:

Question 1. How will I know when someone gets a card? If someone has a card but does not tell me about it what responsibility do I have to investigate?

Answer 1. Although it is the customer's obligation to report that they are participating in the program, it is important that you ask **all** households with members who are eligible for the excess medical deduction whether they have applied for and received a Medicare-Approved Drug Discount Card. Since they are not paying for it, they may not be aware that they will get extra deductions for the credit and discount.

Note: Maryland has a statement on the application that informs applicants that a household that does not report a deductible expense will be considered to have rejected the deduction. If the household does not report the card and the case is reviewed by Quality Control there should be no error.

Question 2. Can I assume that if someone receives a card in 2004 that the person will also receive it in 2005?

Answer 2. Yes, unless there is evidence to the contrary, you should anticipate that individuals who receive the card in 2004 would renew their participation for 2005. The renewal process is automatic for people who receive the \$600 credit. Only people who are not eligible for the credit will have to renew and pay the 2005 enrollment fee, if applicable. Once a person signs up, he or she is signed up for the remainder of the year. The person may choose another card during the open enrollment period, which is November 15 through December 31, 2004.

Question 3. How do I verify that a cardholder is receiving a credit?

Answer 3. Most cardholders that document their income for food stamps at no more than the gross income test will receive the credit. The case manager is not required to verify the credit for cardholders with income below 130 percent of the federal poverty level but will assume the customer is getting the credit.

Question 4(a). When cardholders do not have any out-of-pocket prescription expenses, do they still get the standard discount allowance?

Answer 4(a). Yes

Question 4(b). When a cardholder gets the credit, but does not have any out-of-pocket prescription expenses, could they still get the credit allowance?

Answer 4(b). Yes.

Question 5. If a person is eligible for the credit, is the amount always \$600 or can it be less?

Answer 5. In 2004, the amount of the credit is \$600. In 2005, a person who is newly applying for the prescription card loses \$150 with every quarter that passes. Someone applying for the card in April, May or June of 2005 will only qualify for a credit of \$450. The amount will continue to decrease each quarter. You would prorate the amount at \$50 per month until the amount of the credit is used.

Example: Mr. Smith applied for the discount card May 2005. The amount of his credit is \$450. He reports this at his recertification interview. His new certification period begins July 1. The case manager would enter \$50 for 9 months of the certification period. In this situation it is important to set a 745 alert as a reminder to remove the credit allowance beginning in April 2006.

Question 6. Are we required to give restored benefits?

Answer 6. Yes. Any case that was adversely affected because the new policy was not applied is eligible for restored benefits. The time frame for restoration would be actions that took place between June 1, 2004 and October 1, 2004.

Question 7. If the household's certification period ends in calendar year 2006 beyond the credit allowance, are we expected to remove the deduction?

Answer 7. You should set a 745 alert to remind you to remove the drug discount card allowances.

Question 8. What happens if someone comes in for recertification in January 2005 and has never reported the receipt of the discount card or credit?

Answer 8. They do not get credit for the subsidy or discount from the prior certification period or prior year.

CARES PROCEDURES:

List on the FSME screen:

- All allowable out-of-pocket medical expenses with the correct frequency factor.
- The \$50 standard monthly medical deduction for households that have the \$600 credit.
- The \$23 standard medical deduction for all household members that have a Medicare approved drug card.

Do not enter the credit as income or resources.

ACTION DUE:

This policy became effective June 1, 2004. However, we are implementing the policy effective October 1, 2004. Restore benefits to any household that you become aware of that lost benefits because the new policy was not applied to the medical expense deduction. The time frame for restoration would be actions that took place between June 1, 2004 and October 2004.

INQUIRIES:

Please direct questions to Kay Finegan at 410-767-7939.

cc: FIA Management Staff Constituent Services DHR Help Desk

Medicare Prescription Drug Card

IF...	THEN ENTER ON THE FSME SCREEN:
The recipient receives the credit - \$600 for 2004 and \$600 for 2005... (Income at or below 135% of poverty)	A \$50 credit allowance as a monthly amount.
The recipient has a drug discount card to account for the discount...	A \$23 discount allowance as a monthly amount.
The recipient pays for the drug discount card...	The cost of the card either as a one-time only expense or prorate it over the certification period. If entered as a one time only expense, be sure you remove it for the next month.
The recipient has current out of pocket prescription expenses...	The actual expenses for the prescriptions.
The applicant or recipient claims that his or her pre-discount prescription expenses were higher than the amount of the current prescription expenses plus the appropriate allowances...	The documented pre-discount amount of prescription expenses. If a recipient provided documentation/verification of the higher expenses for a prior certification, the case manager may use this information for the new certification.