



Department of Human Resources  
311 West Saratoga Street  
Baltimore MD 21201

Family Investment Administration  
**ACTION TRANSMITTAL**

Control Number: #06-21

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

**FROM: KEVIN M. MCGUIRE, EXECUTIVE DIRECTOR**

**RE: BUDGETING DRUG EXPENSES UNDER THE NEW MEDICARE DRUG  
PROGRAM**

**PROGRAM AFFECTED: FOOD STAMP PROGRAM**

**ORIGINATING OFFICE: OFFICE OF PROGRAMS**

**SUMMARY:**

Since the middle of 2004, many Food Stamp customers who also receive Medicare have participated in Medicare's Drug Discount Card Program. Medicare will start phasing out its Drug Discount Card on January 1, 2006.

In place of the Medicare Drug Discount Card will be a new program, called the Medicare Prescription Drug Plans, or Part D. Part D differs significantly from the Medicare Drug Discount Card Program. You can find more information about the new program and how it affects Medicare recipients with low incomes at:

<http://www.cms.hhs.gov/medicarereform/lir.asp>.

Implementation of Part D will result in a significant simplification of the food stamp policy relating to the treatment of prescription drug expenses for eligible households. The Food Stamp Program will return to the former policy of considering only unreimbursed out-of-pocket expenses for prescription drugs in determining the household's medical deduction.

The Centers for Medicare and Medicaid Services (CMS) have also published a tip sheet that specifically addresses the Food Stamp Program. You may obtain the tip sheet at:

<http://www.cms.hhs.gov/medicarereform/foodstamps.pdf>

For Medicare customers who have a Medicare Drug Discount Card on December 31, 2005, 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 customer's enrollment in Part D, or
- May 15, 2006.

Therefore, beginning on January 1, 2006, you will be working with some food stamp customers who have a valid Medicare Drug Discount Card, others who are enrolled in Part D, and others who move from the Medicare Discount Card to Part D.

The following questions and answers address the situations that may occur. We have grouped the questions and answers into three categories:

- Households that are newly applying or re-applying for food stamps after January 1, 2006
- Households that are already certified
- Quality Control

These questions and answers concern only the drug expenses of Medicare customers who are applying for or are receiving Food stamps. They do not concern other food stamp customers or other expenses.

### **Households that are newly applying or re-applying for food stamps after January 1, 2006**

#### **Question 1**

What prescription drug expenses should a food stamp/Medicare customer list on the application form?

#### **Answer 1**

The applicant should list the anticipated expenses for which they will not receive reimbursement. These would be:

- Out-of-pocket expenses (co-pays) under the Medicare Drug Discount Card and under Part D, and
- For some customers in Part D, a monthly premium.

Note: Most food stamp/Medicare customers have incomes that are so low that they will pay no monthly premium.

#### **Question 2**

If the applicant **has not enrolled** in Part D and **does not have** a Medicare Drug Discount Card, how would the case manager budget the applicant's out-of-pocket expenses?

#### **Answer 2**

Anticipate the Medicare customer's actual out-of-pocket expenses over the certification period, as required by normal food stamp policy.

#### **Question 3**

If the applicant **has not enrolled** in Part D and **does have** a Medicare Drug Discount Card, how would the state case manager budget the out-of-pocket expenses?

### **Answer 3**

That depends on when the applicant applies for Food Stamps.

- If the applicant applies early enough in 2006 that the certification period will begin between January and May, follow the procedures in Action Transmittal 05-04 – Medicare Approved Prescription Drug Plan for holders of Medicare Drug Discount Cards.
- If the applicant applies later in 2006, so that the certification period will begin in June or later, anticipate the customer's actual out-of-pocket expenses as you would under normal food stamp policy.

### **Question 4**

What if the customer advises the case manager of plans to enroll in Part D?

### **Answer 4**

You should encourage the customer to do so; however, take no action unless and until the customer reports a change in the prescription drug costs.

### **Question 5**

Under the transitional Medicare Drug Discount Card, there was an annual credit of \$600 in 2004. In 2005 there was another credit for \$600 or less (depending upon when the Medicare customer applied for the credit). There was also a discount in the total price of the prescription drug. Suppose a new applicant applies for Food Stamps, states that she has a valid Discount Card, and is not enrolled in Part D. How should the case manager handle the credit and the discount?

### **Answer 5**

Follow the policy outlined in Action Transmittal 05-04 – Medicare Approved Prescription Drug Card that was issued August 26, 2004.

### **Question 6**

What special rules apply to food stamp customers who are enrolled in Part D?

### **Answer 6**

**There are no special rules.** Budget these customers' prescription costs following normal rules by reasonably anticipating the customer's un-reimbursed out-of-pocket expenses (co-pays and premiums).

### **Question 7**

How will a case manager know what a customer's anticipated out-of-pocket drug expenses will be?

### **Answer 7**

Ask the customer and then verify according to the normal rules for handling applications and re-applications.

### **Question 8**

For those customers whose premiums are not waived, how will a local department know

what a customer's Part D premium will be?

**Answer 8**

Ask the customer. Each customer who enrolls in Part D will receive a notice that specifies the monthly premium, if the customer must pay one. However, most Medicare customers who receive food stamps will pay no monthly premium because of their low incomes.

**Question 9**

Low-income Medicare customers pay lower co-pays and pay no monthly premiums because CMS subsidizes them. Does the Food Stamp Program budget these subsidies as income?

**Answer 9**

No. These subsidies fall under the Food Stamp Program's definition of excluded income.

**Question 10**

Is there a requirement under the new Part D program, to hold food stamp customers harmless (not reduce their Food Stamp benefits), as there was under the Medicare Drug Discount Card?

**Answer 10**

No.

**Question 11**

Doesn't this mean that a food stamp recipient's allotment will fall when Part D replaces the Medicare Drug Discount Card?

**Answer 11**

Yes, in most cases. However, these customers will almost always be better off participating in Part D. Think of how the RSDI and SSI cost-of-living adjustments (COLA's) affect food stamp allotments. Every year these COLA's cause food stamp allotments to fall. However, the customers are much better off over-all because the COLA's increase exceeds the drop in food stamps.

**Households that are already certified**

**Question 12**

What must a food stamp customer report about out-of-pocket drug expenses?

**Answer 12**

Nothing. The customer has no obligation to report changes in drug expenses during the certification period.

**Question 13**

What should the case manager do if the household reports that a Medicare customer has enrolled in Part D or that the Medicare customer's Medicare Drug Discount Card is no longer effective?

### **Answer 13**

The case manager should determine what the Medicare customer's out-of-pocket (and possible premium payment) would likely be over the remainder of the certification period, and change the allotment, if appropriate.

If it appears that the customer did not apply for the low-income subsidy, the local department should encourage the customer to do so.

### **Question 14**

What should the local department do if the household reports that a Medicare customer's Medicare Drug Discount Card is no longer valid and that the customer has not enrolled in Part D?

### **Answer 14**

If the Medicare customer **has not enrolled** in Part D, determine whether the currently budgeted drug expenses are a reasonable anticipation for the rest of the certification period, and change the allotment, if appropriate.

The case manager should also encourage the customer to enroll in Part D and to apply for its low-income subsidy.

### **Question 15**

Under the transitional Medicare Drug Discount Card there was an annual credit, \$600 for 2004. The 2005 credit was \$600 or less for individuals applying in 2005. How should the case manager handle that credit?

### **Answer 15**

The case manager probably prorated that credit over specific months, such as the household's certification period. Once prorated, that monthly amount continues to be a medical expense in each of those months, even if the customer reports participation in Part D or that the Medicare Drug Discount Card is no longer effective.

### **Question 16**

If a Medicare customer **does not** report the end of participation in the Medicare Drug Discount Card Program, what should the local department do when that Discount Card Program ends on May 15, 2006?

### **Answer 16**

Do nothing. Leave the customer's drug costs alone. When the customer is recertified for Food Stamps, determine the customer's prescription drug costs under normal rules, that is, without the special treatment that the Medicare Drug Discount Card Program.

## **Quality Control**

### **Question 18**

Will there be a 120-day QC hold harmless period for implementation of the replacement of the Drug Discount Card program with the new Part D?

**Answer 18**

Yes, there will be a hold harmless period for QC errors in the new policy.

**Note:** See sections 212.8 and 213.4 of the Food Stamp Manual for policy about medical expense.

**ACTION DUE:**

This policy is effective January 1, 2006.

**INQUIRIES:**

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

cc: FIA Management Staff  
Constituent Services  
DHR Help Desk