

MEDICARE PART D LIMITED INCOME SUBSIDY 1/1/2016

- The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), established the Medicare Prescription Drug Program, also known as Medicare Part D, making prescription drug coverage available to Medicare beneficiaries. The new program went into effect on January 1, 2006. The MMA also provides for extra help (a subsidy) with prescription drug costs for eligible individuals whose income and resources are limited.
- This help takes the form of subsidies paid by the Federal government to the drug plan in which the Medicare beneficiary enrolls. The subsidy provides assistance with the premium, deductible and co-payments of the program. Beneficiaries may apply for the Low-Income Subsidy (LIS) with the Social Security Administration (SSA) or with their State Medicaid agency
- If the employer contributes a percentage of the premium, the percentage should be based off of the total contracted rate, and the member should be billed the outstanding amount less the low income subsidy.
- There are different levels of subsidy. The 100% subsidy amount is \$31.3, the 75% subsidy is \$23.40 etc.
 - EXAMPLE – Using \$376 as the Tufts Med Preferred Supplement premium and employer contribution of 50%:
 - LIS amount is \$31.30
 - Employer billed \$344.70 (which is $\$376 - \$31.30 = 344.70$)
 - Employer pays 50% of full premium = \$188 (50% of \$376)
 - Retiree contributes \$148.7 ($\$344.70 - \$188.00 = \156.70)
 - CMS requires that the retiree receive the full benefit of the rate reduction and it is not shared with the employer. The employer must contribute the same dollar amount as it would if the rate had not been reduced.
- GBS will invoice the employer with the reduced rate. The employer must contribute the same dollar amount that it does towards the full rate.