DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, California 95814

February 27, 2006

ALL COUNTY INFORMATION NOTICE NO. I-12-06

REASON FOR THIS TRANSMITTAL

[ ] State Law Change
[ ] Federal Law or Regulation Change
[ ] Court Order
[ ] Clarification Requested by One or More Counties
[X] Initiated by CDSS

TO: ALL COUNTY WELFARE DIRECTORS
ALL FOOD STAMP COORDINATORS
ALL QUALITY CONTROL COORDINATORS

SUBJECT: QUESTIONS AND ANSWERS REGARDING THE DRUG DISCOUNT CARD AND THE NEW MEDICARE DRUG PROGRAM (PART D)

This transmits a list of questions and answers regarding the budgeting of medical expenses under the New Medicare Drug Program (Part D). As authorized by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) and Section 1860D-31(g)(6) of the Social Security Act, as amended by the MMA, 42 USC 1395w -141(g)(6), the prescription drug discount card provides Medicare beneficiaries with negotiated prices that should be lower than the regular price of prescription drugs. The attached questions and answers provide clarification in the Food Stamp Program on the phasing out of the Drug Discount Card and Medicare's implementation of the new Medicare Prescription Drug Program.

A 120-day Quality Control (QC) variance exclusion period is in effect for implementation of the revised policy on implementation of the Medicare Part D. The QC 120-day variance exclusion period is from January 1 through April 30, 2006. For questions concerning the hold harmless case review procedures, see Transmittal 02-01 (FS).

If you have any questions regarding this notice these, please contact Rosie Avena, Analyst, at (916) 654-1514. For questions concerning the QC hold harmless period, please contact Michael Bowman-Jones, Analyst, at (213) 833-2260.

Sincerely,

Original Document Signed By

RICHTON YEE, Chief
Food Stamp Branch

Attachment

DRUG DISCOUNT CARD AND NEW MEDICARE DRUG PROGRAM QUESTIONS AND ANSWERS

QUESTION 1:

Suppose a Food Stamp client received the Drug Discount Card and the $600 credits for 2004 and 2005. The counties prorated the $1,200 over 24 months. Suppose the 24th month was in July, 2006. What action, if any must the state take regarding the client's August, 2006 Food Stamp allotment?

- Reduce the August allotment because the client's medical expenses will drop when the prorated credit is no longer deductible?
- Leave the August (and subsequent) allotments alone until the client reports a change or there is a recertification?

ANSWER:

First, the prorated credit continues to be deductible through the entire period of the proration (in the example, through July 31, 2006).

Second, the prorated credit expires in the last month of the period of proration (in the example, July, 2006). Please refer to Question 16 in the ACIN I-63-05 dated October 3, 2005.

> Counties shall budget $50 per month until the full value of the annual subsidies 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 2004 subsidy. If the household also receives a $600 subsidy for 2005, then a $50 medical expense would be budgeted from July 2005 to June 2006. Counties must budget the anticipated medical expense reduction over the QR Payment Quarter when a $50 medical deduction ends mid-quarter.

QUESTION 2:

Many Medicare clients who are not entitled to the low-income subsidy will lose drug coverage when their drug expenses rise above $2,250 in a year, until those expenses reach $5,100 for the year. At $5,100 Medicare drug coverage begins again at a different rate. The gap between $2,250 and $5,100 is known as the "doughnut hole". If a household reports the loss of drug coverage at $2,250 or the resumption of coverage at $5,100 what should the county agency do?

ANSWER:

If reported during the certification period, treat this as a reported change in medical expenses under ordinary program rules. If reported at recertification, handle it as one would handle any other new information about medical expenses. Re-budget the household's medical expenses based on the household's anticipated expenses and then recalculate the household's monthly Food Stamp allotment.

QUESTION 3:

When a client becomes eligible for Medicare by turning 65, the client has a 7-month window of opportunity to enroll in Part D without a penalty and to apply for the low-income subsidy. The 7-month period begins 3 months before the client's 65th birthday and ends 4 months after that birthday.

Does the county have any responsibility to do anything regarding the client's Food Stamp allotment?

ANSWER:

Not until the client reports different out-of-pocket drug expenses, either as a change in circumstances or as part of a recertification.

If, at recertification, the county notices that the client has not enrolled in Part D or have not applied for the low-income subsidy, the county should encourage the client to do so.

QUESTION 4:

Some Medicare clients have reported that they have not received identification cards that show their enrollment in a Part D program. How should the county handle this situation?

ANSWER:

It probably does not matter, since proof of enrollment by itself means very little to the Food Stamp Program. What mainly concerns the county is the amount of the household's out-of-pocket prescription expenses (co-pays and in some cases, a monthly premium). So if the household reports and verifies out-of-pocket expenses, the county will consider those to be deductible expenses.

QUESTION 5:

While large numbers of Medicare clients are obtaining prescriptions through Part D, some clients and pharmacists have reported that Medicare's computer will not authorize prescriptions. Many of these pharmacists are giving clients short-term supplies until the system authorizes payment. How should the county agency handle this situation?

ANSWER:

If a client does not actually pay for that short-term supply there is probably no way to determine what the cost will be. Therefore, there is no deductible expense as of yet. When the Medicare system determines the client's co-pay, the expense becomes deductible.