★ ★ TIP SHEET ★ ★

Information Partners Can Use on:

MEDICAID SPEND DOWN

New Medicare Prescription Drug Coverage

As of February 21, 2006

If you have Medicare and are eligible for Medicaid because of high medical expenses, you need to know

1. Starting January 1, 2006, Medicare prescription drug coverage became available to everyone with Medicare.

2. You may qualify for extra help paying for a Medicare prescription drug plan.

3. You won't lose your Medicaid if you qualify for this extra help.

4. Even if you don't qualify for extra help, you should join a Medicare prescription drug plan by May 15, 2006.

1. What is a Medicare prescription drug plan?

Medicare drug plans provide insurance coverage for prescription drugs. These plans are offered by insurance companies and other private companies. Plans cover both generic and brand-name prescription drugs. You can choose a plan that meets your needs.

There are two types of Medicare drug plans:

- There are prescription drug plans that add coverage to the Original Medicare Plan (fee-for-service), Medicare Private Fee-for-Service Plans that don't offer prescription drug coverage, and Medicare Cost Plans.

- There are also prescription drug coverage that is part of Medicare Health Plans (Medicare Advantage and other Medicare Health plans). You would get all of your Medicare healthcare and prescription coverage through these plans.

For most people, joining before May 15, 2006 means you will not pay a penalty if you join after May 15, 2006.

2. Do you qualify for extra help paying prescription drug costs?

You automatically qualify for extra help if:

- you have Medicare and Medicaid, or
- you have Medicare and SSI, or
- you have Medicare and a Medicare savings program (extra help from your state paying Medicare premiums and/or cost-sharing such as QMB, SLMB, or QI).

3. Will I lose Medicaid if I also qualify for extra help paying Medicare prescription drug plan costs?

No. However, if you "spend down" to Medicaid because you have high drug costs, you may find that Medicare covers your drug spending and you no longer "spend down" as quickly to become Medicaid-eligible.

Under the "spend down" process, you may become eligible for Medicaid even if you have too much income to qualify otherwise. This option allows you to "spend down" to Medicaid eligibility by having medical expenses that can be subtracted from your income. Subtracting the medical expenses (such as prescription drugs, eyeglasses, etc.) from your income can reduce your income to a level below the maximum allowed by your state's Medicaid plan.

Once you start receiving Medicare prescription drug coverage and, if you qualify, the extra help paying for it, your out-of-pocket expenses for prescription drugs will be reduced, leaving you with more available

	Today	With Extra Help Paying Medicare Prescription Drug Plan Costs	
	Month with High Med. Expenses	Month with Low Med. Expenses	Month with High Med. Expenses
Monthly Income	$700	$700	$700
Medicaid Spenddown Requirement—$200 in Medical Bills to Reach $500 in Monthly Income			
Rebecca's Drug Spending	$150	$10	$10
Other Medical Bills	$75	$75	$210
Rebecca's Total Medical Bills	$225	$85	$220
Meets spenddown requirement and qualifies for Medicaid?	Yes	No	Yes
Rebecca' s Out-of-Pocket Spending for Medical Care	$200 (Medicaid pays $25)	$85	$200 (Medicaid pays $20)
Rebecca's cash available for other expenses	$500	$615	$500

income. Your reduced payments for prescription drugs will in turn reduce the amount of medical expenses you can have deducted from your income. This means your need for Medicaid may be reduced. However, you don't lose your ability to rely on Medicaid in months when you have greater medical expenses.

Note: Medicare doesn't expect extra help eligibility to affect Medicaid coverage for people in nursing homes, because they will continue to have nursing home costs and will therefore have high medical expenses each month, even if Medicare is paying for their prescription drugs.

How does qualifying for extra help affect whether I qualify for Medicaid because of high medical expenses?

Example: Rebecca has Medicare and gets $700 a month in Social Security. Her income is too high for her to qualify for Medicaid in her state. Her state's Medicaid income limit is $500 a month, which means she must have at least $200 a month in medical expenses to spend down to the state's limit. She currently pays $150 a month out-of-pocket for 10 prescription drugs, and $75 every month for visits to her doctors for a total of $225 per month. After she spends $200 on medical bills, she qualifies for Medicaid, which pays the additional $25 of her medical expenses, leaving her with $500 for other expenses.

If Rebecca receives Medicaid she automatically qualifies for extra help paying Medicare prescription drug costs (and doesn't need to apply for extra help) for the rest of the calendar year, even if she doesn't qualify for Medicaid in some later months because she has lower medical expenses.

Once she starts receiving the extra help, she pays no premium, has no deductible, and pays only small copayments. Her copayments will be $1 for each of her 10 generic prescriptions, for a total of $10. Added to her doctor visits, that totals $85 in medical expenses. Her medical bills are no longer high enough to cause a need for Medicaid (she doesn't exceed the $200 limit under spend down). But, the extra help she receives increases the income available to her. She now has $615 available for other expenses, $115 more than she had before receiving the extra help.

During a month where Rebecca's medical expenses for items other than prescription drugs are high, Medicaid will again be available to her once she has medical bills of at least $200. For example, if, in addition to the $10 in total prescription drug copays, she has another $210 in medical expenses, including doctor visits and dental care, she will more than meet her spend down amount and will qualify for Medicaid. She has not lost her ability to rely on the Medicaid program in months when she has higher medical bills.

4. If you don't qualify for extra help

Even if you're not eligible to receive extra help, you can still join a Medicare prescription drug plan that meets your needs. Enrolling in a Medicare prescription drug plan will save the average person more than half on their annual prescription drug costs. You will have to pay a monthly premium (generally around $32 per month in 2006), a deductible, and copayments.

If you don't currently have prescription drug coverage that is at least as good as a Medicare prescription drug plan, you should enroll in a Medicare prescription drug plan by May 15, 2006, to pay a lower premium. If you don't enroll by May 15, 2006, you may have to wait until November 15 to enroll. You will also have to pay at least 1% more per month for your premium for every extra month you waited to enroll. You will have to pay this higher premium for as long as you have Medicare prescription drug coverage.

For more information about Medicare prescription drug coverage…

- Visit www.medicare.gov on the web and select "search tools" to get personalized information.
- Call your State Health Insurance Assistance Program (SHIP). (See your copy of the "Medicare & You 2006" handbook for their telephone number) You can also call 1-800-MEDICARE (1-800-633-4227), or look at www.medicare.gov on the web to get their telephone number. TTY users should call 1-877-486-2048.
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There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.