

Your Low-Income Clients May be Overpaying for Part D Prescription Drug Coverage

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Introduction

In 2019, one million Medicare beneficiaries with the Low Income Subsidy (LIS or “Extra Help”) paid an average of nearly \$24/month for Part D premiums because they were not enrolled in a premium-free plan.¹ This constitutes one in ten LIS enrollees who may be overpaying for prescription drug coverage.

In many cases, the reason these individuals are paying premiums is inertia. Advocates can help their clients to make good coverage choices and save money so they can better meet their basic needs.

Background

People who qualify for the full Medicare Part D LIS do not pay premiums if they enroll in plans with “benchmark” prescription drug premiums. Benchmark plans have premiums at or below a cut-off in each region, which is set yearly by the Centers for Medicare and Medicaid Services (CMS). LIS recipients who are enrolled in a Prescription Drug Plan (PDP) or Medicare Advantage plan with Part D premiums above the CMS cut-off must pay the difference between the benchmark premium and the premium charged by the plan.

Sometimes PDPs lose benchmark status. For LIS recipients who were auto-enrolled in a benchmark plan by CMS, CMS will also automatically move them to a different plan when their current PDP loses benchmark status the following year. However, LIS recipients who pick a plan at any point in their Medicare eligibility (called “choosers”) are not moved automatically if their plan’s costs are above the benchmark in any subsequent year. If these LIS recipients do not affirmatively choose a new benchmark plan, they will have to pay the difference between the benchmark premium and the premium charged by their current PDP.

Choosers receive a notice in early November on tan paper (the “[tan notice](#)”) informing them of their new premium and offering them a list of plans available with no premium liability. The tan notice goes to any chooser who will pay a premium for the first time or whose premium will go up. Choosers do not receive the tan notice if they already are paying a premium and that premium stays the same or goes down.

What Advocates Can Do to Help Clients

- Familiarize yourself with the [tan notice](#) so you can help your clients understand their options.
- Ask all your LIS clients whether they are paying a premium. If they are or don’t know, urge them to review their options with a [State Health Insurance Assistance Program \(SHIP\)](#) counselor. Assistance is also available through 1-800-Medicare or on the [Medicare.gov](#) website.

¹ Kaiser Family Foundation, 10 Things to Know About Medicare Part D Coverage and Costs in 2019, available at kff.org/medicare/issue-brief/10-things-to-know-about-medicare-part-d-coverage-and-costs-in-2019/.

- The best time to review coverage options is during the Open Enrollment Period from October 15 through December 7. Remember, however, that LIS beneficiaries can change plans at least once every quarter. If at any time during the year, you learn that an LIS client is paying Part D premiums, urge that client to review all plan options and consider changing plans.

SCENARIO 1

Mrs. T has qualified for full LIS since 2018. CMS originally assigned her to Beta Basic PDP, which didn't require her to pay a premium. A few months later, she changed to Epsilon Extra PDP, with no premium for her and a better formulary for her prescription drug needs. For the 2019 plan year, the premium for Epsilon Extra jumped and she was required to pay a \$10 premium per month. She received a tan notice in November 2018, but was ill at the time and did nothing. For the 2020 plan year, her premium will remain at \$10. Because her premium is staying constant, she will not receive a tan notice in November 2019. At the urging of a local counselor, she consults with her local SHIP program. It appears that, given her prescription drug needs, at least one benchmark plan will work for her with no premium obligation.

SCENARIO 2

Mr. R has had full LIS since 2013. His auto-assigned plan had worked well for him until 2015, but because of changed prescription drug needs, he decided with assistance from his local SHIP to move to Gamma Great PDP, which had premiums above benchmark of \$5. He felt comfortable that he could afford the extra cost in return for a formulary that met his needs. Over the next three years, however, his plan's premiums have risen, and he is now paying \$40 per month for Gamma Great coverage. Every year he gets a tan notice and ignores it, but finally this year he brings it to the service coordinator in the senior housing where he lives. The coordinator helps him to set up an appointment with a SHIP counselor. With SHIP assistance, he decides to change to Alpha Allround PDP, which still is above benchmark but only by \$4, and covers his drug needs. He saves \$36 in monthly premiums—money he can use to stretch his food budget and meet other needs through the end of each month.

Read other tips about using Extra Help most effectively with this [NCLER Practice Tip](#).

When helping your Medicare clients understand their benefits, be sure to use this excellent [new guide to coverage of preventive health services in Medicare](#), released by Medicare Rights Center.

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