



FACT SHEET FOR ADVOCATES

MEDICARE PART B PREMIUMS AND MEDI-CAL BENEFICIARIES WITH A SHARE OF COST

California's final 2008-2009 budget contained a significant cut in benefits for Medicare eligible Medi-Cal beneficiaries who have an unmet share of cost (SOC). In the past, Medi-Cal has paid Medicare Part B premiums for all Medi-Cal beneficiaries, regardless of how much of a SOC the beneficiary has. The new budget terminates this assistance for those with a SOC of more than \$500, leaving 57,000 Medi-Cal beneficiaries to choose between paying the \$96.40 monthly Part B premiums on their own or going without necessary health coverage.

This fact sheet answers common questions about how we anticipate the cut will be implemented and how beneficiaries will be impacted. Information was provided by the Department of Health Care Services. Unfortunately, some unknowns remain. This fact sheet will be updated as more information becomes available.

1. Who Will Be Affected?

Medi-Cal will no longer pay the Medicare Part B premiums of Medi-Cal beneficiaries who have an unmet share of cost (SOC) of more than \$500 per month. The \$500 SOC limit applies to both individuals and couples; there is no separate, higher limit for couples with a family SOC. Beneficiaries of In-Home Supportive Services will be impacted if their Medi-Cal SOC is over \$500, even if their IHSS SOC is lower.

2. Who Will Not Be Affected?

Medi-Cal will continue to pay the Part B premiums of:

- Medi-Cal beneficiaries with no share of cost (e.g. beneficiaries in the Aged & Disabled FPL program, SSI recipients, Working Disabled Program participants);
- Medicare Savings Program (QMB, SLMB, QI) enrollees;
- Medi-Cal beneficiaries with a SOC of \$500 or less;
- Beneficiaries in long term care who are certified as Medi-Cal eligible on the first of each month; and
- Medi-Cal beneficiaries who meet their SOC (see question #5 for details).

Note that this cut does not impact beneficiaries who are enrolled in a Medicare Savings Program. Many Medi-Cal beneficiaries with a SOC over \$500 are also enrolled in a Medicare Savings Program. Only those beneficiaries who are not also enrolled in a Medicare Savings Program will be impacted by this cut.

3. When Will the Cut Go Into Effect?

November 1, 2008. Medi-Cal paid the October Part B premiums for these beneficiaries. November Part B premiums will be deducted from the December Social Security checks of impacted beneficiaries.

4. What Will Happen to the Part B Coverage of Affected Beneficiaries?

Starting in December and going forward, the Social Security Administration (SSA) will automatically deduct the Medicare Part B premium (\$96.40 in 2008 and 2009) from the Social Security check of any impacted beneficiary. The automatic deduction ensures that Part B coverage will continue uninterrupted for these beneficiaries.

While Part B enrollment is optional, **declining Part B coverage can have serious consequences and is generally not recommended.** Part B medical insurance covers a portion of many important outpatient medical services including doctor's visits, out-patient hospital care, lab tests, ambulance services, out-patient physical therapy, durable medical equipment, prosthetic devices and more. Beneficiaries who drop Part B can only re-enroll during certain times in the year and may be required to pay a late enrollment penalty upon re-enrollment. The late enrollment penalty continues for as long as the beneficiary remains in Part B. Dropping Part B coverage may also impact Medicare Part D and/or Medicare Advantage eligibility and enrollment. For more information on Medicare Part B, visit the website of California Health Advocates, www.cahealthadvocates.org.

If a dual eligible beneficiary declines Part B coverage, Medi-Cal will still cover the cost of her health care in months when she meets her SOC. Medi-Cal only requires beneficiaries to take advantage of other available coverage that is available to them for no cost. Since the Part B premium will no longer be available to these beneficiaries at no cost, the state will not require them to purchase this coverage.

5. What Happens When a Beneficiary Meets Her Share of Cost?

As mentioned above, Medi-Cal will pay the Part B premiums of any beneficiary who meets her SOC. However, the state will only pay the premiums of a beneficiary in the months in which she meets her SOC.

For these beneficiaries, Medi-Cal will retroactively pay Part B premiums in months in which the SOC is met. Medi-Cal will send the payment to SSA and SSA will refund the beneficiary the amount of the premium. SSA has not provided a timeframe for retroactive reimbursements.

According to DHCS, any Part B premium reimbursements received from SSA will be counted as a resource, not income, in the month of receipt.

6. How Will the Part B Premium Payment Affect the Beneficiary's Countable Income and Share of Cost Amount?

When a beneficiary pays her own Part B premium, the amount of the premium, like any other health insurance premium, is deducted from the beneficiary's countable income. This lowers the beneficiary's countable income, thereby reducing her share of cost.

In some cases, this deduction will reduce the beneficiary's income to below the income limit for the Aged & Disabled Federal Poverty Level program or will reduce her SOC to below \$500. At this point, of course, the beneficiary becomes eligible for the state to pay her premiums. Once the state begins to pay the premium, the beneficiary may no longer have the premium deducted from her income, and her countable income rises accordingly. This rise in her income may cause her to become ineligible for the A&D FPL program or may cause her SOC to rise again above \$500. It is not yet clear how counties will handle the fluctuating eligibility of these beneficiaries. Medi-Cal has made clear, however, that for any month in which the Part B premium is paid by one of these beneficiaries, Medi-Cal will retroactively pay the Part B premium to SSA and SSA will send a retroactive reimbursement to the beneficiary.

Only beneficiaries with countable incomes between \$1,170 and \$1,196.40 should be affected by this "cycling." Beneficiaries with incomes less than \$1,170 per month are eligible for the Qualified Individual (QI) program (see below). Individuals with incomes above \$1,196.41 will have countable incomes above the A&D FPL limit and a share of cost above \$500 even after paying the Part B premium. For more information about what income is counted and what deductions are available, see the Health Consumer Alliance's fact sheet, www.healthconsumer.org/cs029AgedDisabled.pdf.

7. What if the Beneficiary Receives In-Home Supportive Services with a Share of Cost?

The **In-Home Supportive Services** Program provides beneficiaries who are over 65 or have disabilities with in-home support services so that they can remain safely in their homes. Most beneficiaries who qualify for IHSS with a share of cost have a Medi-Cal SOC and a lower IHSS SOC. In order to get free Medi-Cal, they only have to spend down to the SSI/SSP grant level (\$870/individual; \$1524/couple) instead of the Medically Needy Level (\$600/individual; \$934/couple). The state pays the \$270/\$590 difference as a "buy-out" amount to cover the remaining Medi-Cal SOC.

It is the Medi-Cal SOC, not the IHSS SOC, that determines whether an IHSS beneficiary will be affected by the cut to Part B premium payments. If a person's Medi-Cal SOC is higher than \$500, then she will have to pay her Part B premiums, even if her IHSS SOC is \$500 or lower.

However, payment of the Part B premium will reduce a beneficiary's countable income, and therefore reduce both her Medi-Cal and her IHSS SOC. Furthermore, once the beneficiary meets her IHSS SOC, the state buy-out applies to cover the remaining Medi-Cal SOC. The beneficiary will then qualify for full scope Medi-Cal for that month and retroactive reimbursement of the Part B premium, as described in Question #5. In effect, this means that beneficiaries who meet their IHSS SOC will be reimbursed for their Part B premium payments.

8. What Kind of Notice will Beneficiaries Receive?

Medi-Cal mailed a short notice to beneficiaries on October 27, 2008. That notice told beneficiaries their November Social Security checks would be affected. Medi-Cal learned days later that November checks would not be affected. December checks will be the first to reflect a Medicare Part B premium deduction for these beneficiaries (see above).

Medi-Cal plans to send another, longer notice to beneficiaries near the end of November. Counties will also be required to send affected beneficiaries a Notice of Action (NOA) informing them of a decrease in their SOC because their payment of Part B premiums reduces their countable income.

SSA will also send a notice to beneficiaries. This notice informs beneficiaries that the Part B premium is being deducted because Medi-Cal will no longer pay the premium. The notice informs the beneficiary of her right to disenroll from Part B, but does not explain the consequences of such a decision.

Going forward, beneficiaries whose status changes from one month to the next (e.g. they met their SOC) will receive a 10 day Notice of Action before any adverse action (e.g. increase in SOC amount, loss of Part B premium payment assistance, etc.) is taken in their case.

9. What Options Exist For Individuals Facing This Cut?

Beneficiaries affected by the cut should explore eligibility for a program that will continue to pay their Part B premiums.

- **Medicare Savings Programs** (QMB, SLMB, QI) pay Part B premiums for beneficiaries with incomes below 135% FPL (in 2008, \$1,170 (individual)/\$1,575(couple)) and resources below \$4k/\$6k. Counties are required to screen all Medi-Cal applicants for MSP eligibility, but many counties have not been doing this screening. As a result, it is likely that a substantial number of the beneficiaries who will see their benefits cut in December are still in fact eligible for Part B premium payment assistance. Beneficiaries with incomes below 135% FPL should contact their eligibility worker as soon as possible to request a MSP eligibility determination.
- **Aged & Disabled FPL Program.** The income limit for the A&D FPL program is \$1,097 (individual)/\$1524(couple) in 2008. Beneficiaries over the limit can reduce their countable income to fall below the limit by purchasing a health insurance policy (e.g. a vision or dental policy).
- The In Home Supportive Services program helps beneficiaries who are in need of support services to meet their Medi-Cal SOC more quickly (see answer to question #7). Beneficiaries will only have to spend down to the SSI/SSP grant level in order to qualify for full-scope Medi-Cal and payment of the Part B premium.

- The **250% Working Disabled** Program provides full scope Medi-Cal (and payment of Part B premiums) to beneficiaries who are disabled and working and have countable incomes below 250% of FPL. Beneficiaries are considered to be working if they have any monthly earnings from work, even if the employment relationship is informal, e.g., income from babysitting. Disability-related income (SSDI, Worker's Compensation, private disability benefits, etc.) is excluded from countable income. Most retirement accounts, including 401K plans, Keogh, and others are not counted as resources for this program. This program requires payment of a relatively small monthly premium.

Other Resources

- All County Welfare Directors Letters 08-48 and 08-48E provide instruction to counties on dealing with this cut. See: www.dhcs.ca.gov/services/medi-cal/eligibility/Pages/2008ACWDLs.aspx.
- The cut was enacted as part of the final 2008-2009 budget. AB 1183 amended Welfare & Institutions Code § 14005.11 to reflect the cut.
- ACWDL 08-21 requires counties to conduct MSP eligibility determinations for all Medicare eligible Medi-Cal applicants are recipients whether they have a SOC or not.
- The Health Consumer Alliance has produced detailed fact sheets on the A&D FPL program, the 250% Working Disabled program and the Medically Needy Share of Cost program. Fact sheets are available at: <http://healthconsumer.org/publications.htm>.
- California Health Advocates has information about Medicare Savings Programs and Medicare Part B coverage, enrollment and eligibility. Visit www.cahealthadvocates.org.
- Advocates with questions about the cut or this fact sheet can contact the Oakland office of the National Senior Citizens Law Center at 510-663-1055.

“Share of Cost” Background

Californians with a Medi-Cal “share of cost,” (SOC), also known as the “medically needy,” have incomes that are too high to receive free or no cost Medi-Cal, but too low to pay for their necessary medical care. The medically needy must incur a “share of cost” or an amount of medical expenses in a given month before Medi-Cal begins to pay for any of their health care services. The share of cost is determined based on the “maintenance need level” (MNL). This is the monthly amount that people are expected to use for all of their living expenses, including housing, food, transportation, etc. Any income over the MNL is expected to be applied toward medical costs. The MNL amounts were established almost two decades ago and have not been increased. They also are not subject to any cost of living adjustment (COLA). The MNL is only \$600 per month for an individual or \$934 for a married couple.

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