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

NATIONAL CENTER ON LAW & ELDER RIGHTS

PRACTICE TIP • August 2024

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Introduction

Every year, hundreds of thousands of Medicare enrollees with the Low-Income Subsidy (LIS or "Extra Help") overpay for Medicare prescription drug coverage. For example, in 2024 half of LIS enrollees (2.4 million people) in stand-alone prescription drug plans were expected to pay an average of $15 per month for Part D premiums if they didn't switch to a premium free plan.[1] 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.

Before 2024, LIS enrollees with incomes between 135% and 150% FPL had partial LIS assistance. Now, because of the Inflation Reduction Act, they have full LIS coverage, with access to $0 premium plans, no deductibles, and lower fixed co-payments.

Background

People who qualify for the Medicare Part D LIS do not pay prescription drug premiums if they enroll in plans with "benchmark" 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 (MA-PD) with Part D premiums above the CMS cut-off must pay the difference between the benchmark premium and the premium charged by the plan. *Note: MA-PDs can use rebates to lower or eliminate Part D premiums.*

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 if 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" or "choosers 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.

Read more about using LIS most effectively in this NCLER Practice Tip: Are Your Clients Missing Out on Enrollment in the Medicare Low-Income Subsidy?

1 KFF, "Medicare Part D: A First Look at Medicare Prescription Drug Plans in 2024," (Nov. 8, 2023).

What Advocates Can Do to Help Clients

- Familiarize yourself with the tan choosers 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.
- 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.[2] 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 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 2023 plan year, the premium for Epsilon Extra increased and she was required to pay a $10 premium per month. She received a tan notice in November 2022, but was ill at the time and did nothing. For the 2024 plan year, her premium will remain at $10. Because her premium is staying constant, she will not receive a tan notice in November 2023. 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 LIS since 2013. His auto-assigned plan had worked well for him until 2021, but because of changed prescription drug needs, he decided, with assistance from his local SHIP, to move to Gamma Great PDP, which had a $5 premium above benchmark. He felt comfortable that he could afford the extra cost in return for a formulary that met his needs. Over the next few 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 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.

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

This Practice Tip was supported by contract with the National Center on Law and Elder Rights, contract number HHS75P00121C00033, from the U.S. Administration on Community Living, Department of Health and Human Services, Washington, D.C. 20201.

2 Starting in 2025, this Special Enrollment Period will change. For more information on time periods for joining, switching, or dropping a plan, see CMS, Joining a Plan. For more information on how the SEP for LIS enrollees will change in 2025, see Justice in Aging, Upcoming Changes for Dually Enrolled Individuals: The Final 2025 Medicare Advantage Rule.