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Date: October 22, 2007

To: Part D Plan Sponsors

From: Abby Block, Director

Subject: Optional Grace Period for Individuals Who No Longer Automatically Qualify for the Part D Low Income Subsidy (LIS) in 2008 – Reminder

The purpose of this memorandum is to remind Part D Plan Sponsors that they may offer up to a 3-month grace period for the collection of premiums and cost-sharing to individuals who will no longer automatically qualify for the low-income subsidy (LIS) in 2008 and are able to demonstrate that they have applied for LIS. In late September, these individuals received a joint mailing from CMS and the Social Security Administration (SSA) that included a personalized letter notifying them that their extra help will end as of December 31, 2007, as well as an LIS application. In addition, on September 12, 2007, CMS reported to Part D plan sponsors those members who were notified about their loss of LIS deemed status.

As established in our memorandum of October 6, 2006, Part D sponsors choosing to offer this grace period make it available to all such individuals. If, after the grace period has expired, the individual still does not appear as LIS eligible according to CMS records, sponsors would then recoup unpaid premiums or cost-sharing amounts consistent with existing CMS guidance.

Sponsor Responsibilities

Sponsors must confirm, either verbally or in writing, that an individual has applied for LIS prior to invoking the grace period. In other words, the grace period may not be applied automatically to all individuals losing LIS; instead, sponsors may apply the grace period only if an LIS application has been submitted. For example, sponsors could send a letter to affected members that instructs them to call the sponsor if they are interested in the grace period. Any communication with members should advise them of the potential for retroactive liability for higher premiums and cost sharing as of January 1, 2008. The letter should also include information regarding the special enrollment period for loss of deemed status (described below) and the need to take action by March 31, 2008, if they do not regain LIS status and wish to change plans. Sponsors should submit these notices to CMS for review and approval according to Medicare marketing guidelines.

Special Enrollment Period

Individuals who lose their LIS eligibility effective January 1, 2008 have a Special Enrollment Period (SEP) beginning January 1, 2008 through March 31, 2008, allowing them to make one Part D enrollment election. Additional information regarding this SEP can be found in section 30.4.4 of Chapter 2 of the Medicare Managed Care Manual and Section 20.3.8 of the PDP Guidance on Eligibility, Enrollment, and Disenrollment. Both documents are available on the CMS website at <http://www.cms.hhs.gov/MedicareMangCareEligEnrol/> and at <http://www.cms.hhs.gov/MedicarePresDrugEligEnrol/>, respectively.

Points of Contact

For **policy** questions pertaining to LIS eligibility, please contact Kay Pokrzywa via email at katherine.pokrzywa@cms.hhs.gov or by telephone at 410-786-5530.

For **policy** questions about the annual process for re-determination of LIS eligibility, please contact Jeff Maready via email at jeffrey.maready@cms.hhs.gov or by telephone at 415-744-3523.