

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-16-16  
Baltimore, Maryland 21244-1850



Center for Beneficiary Choices  
Medicare Plan Payment Group

**Date:** September 27, 2007

**To:** All Part D Plan Sponsors

**From:** Tom Hutchinson, Director  
Medicare Plan Payment Group

**Subject:** Elimination of 2008 Late Enrollment Penalty for Low-Income Subsidy Eligible Beneficiaries

CMS has amended the Medicare payment demonstration entitled “Elimination of the 2006 Late Enrollment Penalty”, such that Medicare beneficiaries who qualify for the low-income subsidy for Medicare prescription drug coverage may enroll in a Medicare prescription drug plan with no penalty through December 31, 2008. Originally, this payment demonstration, as announced on June 14, 2006, allowed certain Medicare beneficiaries to enroll in a Medicare prescription drug plan through December 31, 2006 with no late enrollment penalty. Specifically, CMS did not collect the late enrollment penalty from beneficiaries who enrolled in Medicare Part D in 2006 and were either eligible for the low-income subsidy or lived in an area affected by Hurricane Katrina.

In January 2007, this payment demonstration was amended to include beneficiaries who are eligible for the low-income subsidy and enroll in Medicare Part D in 2007. To continue to encourage the enrollment of low-income beneficiaries, CMS has amended this payment demonstration to also include low-income subsidy eligible beneficiaries who enroll in Medicare Part D in 2008. Under this payment demonstration, CMS will not charge these individuals a late enrollment penalty as long as they remain continuously enrolled in Medicare Part D. However, should these individuals disenroll after 2008 and then have a continuous period of 63 days or more without creditable prescription drug coverage, they will incur a late enrollment penalty upon re-enrollment into a Medicare drug plan. Their uncovered months in 2006, 2007, and 2008, however, will not be a factor in determining their late enrollment penalty.

Further Information

If you have questions about this demonstration, please contact Meghan Elrington at (410) 786-8675 or Deondra Moseley at (410) 786-4577.