



State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

October 30, 2008

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 08-48
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY QMB/SLMB/QI COORDINATORS

SUBJECT: DISCONTINUANCE OF COST AVOIDANCE MEDICARE PART B
PREMIUMS FOR BENEFICIARIES WITH A SHARE-OF-COST (SOC)
OVER \$500

The purpose of this letter is to alert the counties that the Department of Health Care Services (DHCS) will stop paying cost avoidance Medicare Part B premiums for Medicare eligible Medi-Cal applicants and beneficiaries who have a SOC over \$500 until or unless the SOC is met on a monthly basis. This change is a result of budget trailer bill AB 1183, amending W&I 14005.11. This change is effective upon enactment and will be implemented on October 1, 2008, affecting Social Security checks received by the beneficiaries in November, 2008.

Individuals who are eligible for one of the Medicare Savings Programs (MSPs) - Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB), and Qualified Individual (QI-1) are also eligible for payment of Medicare Part B premiums, but are eligible for those payments because the Part B premium payment is an MSP program benefit. This is regardless of whether they are also eligible for Medi-Cal under another program with or without a SOC.

To be eligible for cost avoidance payment of Medicare Part B premiums, a beneficiary must be a full-scope Medi-Cal beneficiary with no SOC or a SOC beneficiary with a SOC at or below \$500 or a certified SOC beneficiary, including individuals in long-term care who are certified on the first of the month.

Effective October 1, 2008, DHCS will no longer request buy-in for an individual reported to the Medi-Cal Eligibility Data System with a SOC over \$500 until or unless that SOC has been met or certified.

AB 1183 requires that, when a county is informed that an applicant or beneficiary is eligible for Medicare benefits, the county shall determine whether that individual is eligible under the QMB program, the SLMB program, or the QI-1 program and enroll the applicant or beneficiary in the appropriate program. In All County Welfare Directors Letter No. 08-21, DHCS clarified that counties must complete MSP eligibility determinations for ALL Medicare eligible Medi-Cal applicants and beneficiaries with or without a SOC. The counties must complete these evaluations immediately.

Requiring MSP eligibility determinations for all Medicare eligible Medi-Cal applicants and beneficiaries will allow:

- The State to comply with federal requirements;
- The State to receive federal financial participation for Medicare premiums;
- Individuals to be auto-enrolled into Medicare Part D, Prescription Drug Plans;
- Individuals to be automatically eligible for the Medicare Part D Low-Income Subsidy; and
- DHCS will continue to pay the Medicare Part B premiums.

Notwithstanding Title 22, California Code of Regulations, Section 50777(b), counties should no longer require individuals with a SOC over \$500 to apply for Medicare Part B, unless the individual is also MSP eligible. This is because Section 50763(a)(1) only requires individuals to apply for other health coverage "when no cost is involved".

When DHCS does not pay the Part B premium, the Social Security Administration (SSA) will deduct the Medicare Part B premium from individuals' SSA checks. Counties must recalculate the SOC of individuals with a SOC over \$500 to include their Medicare Part B premium deductions. Whenever individuals' SOC increases, for whatever reason, to a point where it exceeds \$500, DHCS will no longer pay the premium. Counties are no longer to predict buy-in for individuals who have a SOC above \$500, nor treat reimbursements received from SSA as income in the month of receipt. Reimbursements are property in the month of receipt. However, as is currently the case, if the individual is also MSP eligible, then do not allow a Part B premium deduction beginning in the month for which payment will first be made by the State based on the individual's MSP eligibility.

The counties must immediately recalculate the SOC for individuals with a SOC over \$500 back to the November 2008 month of eligibility because November is the first month the individuals' Social Security payment will be reduced due to the deduction of the Medicare Part B premium. These individuals' SOC will decrease because the Medicare Part B

premium will be a health insurance deduction until the client contacts SSA to disenroll from Medicare Part B, if he or she decides he/she does not want Medicare Part B. Because the SOC is decreased, it is not an adverse action and a ten-day advance notice is not required. However, these individuals must receive the attached notice of action, which shall include the following statement:

“This reduction in your Medi-Cal SOC is because your Medicare Part B premium is no longer being paid by the DHCS. Your Medicare Part B eligibility will continue because the Social Security Administration (SSA) will deduct the Medicare Part B premium from your monthly SSA benefit amount. You are not required to pay for health care coverage to remain eligible for Medi-Cal. If you do not want to continue Medicare Part B coverage, you must contact your local SSA district office to disenroll. Please be aware that, if you stop paying Medicare Part B premiums, you will no longer be entitled to the income deduction and your SOC may increase to what it was before. You will not have Part B coverage and you must pay or obligate to pay your SOC before Medi-Cal will pay for your medical care each month. Disenrolling from Medicare Part B could also affect your ability to receive Medicare Part D prescription drug coverage and the Medicare Part D Low-Income Subsidy. Remember that Medi-Cal no longer covers Part D prescription drugs for Medicare eligible beneficiaries, and this includes those individuals who voluntarily disenroll.”

On an on-going basis, whenever anyone's SOC increases over \$500, the Medicare Part B premium will not be paid by the State from the month of increase forward. If, after deducting the Medicare Part B premium, the SOC still represents an increase over the prior month, then a ten-day notice of adverse action must be provided and shall include the language indicated above.

When beneficiaries receive a deduction because they paid their own Medicare premium and payment of that Medicare premium either

- brings their SOC to \$500 or less, or
 - makes them eligible for the Aged and Disabled Federal Poverty Level program; then
- DHCS will pay their premium for that month retroactively. The beneficiary will be reimbursed for that month through their SSA benefit retroactively. When the reimbursement arrives it will be considered property in the month of receipt. The county cannot go back and increase the SOC without providing ten-day notice of adverse action. The county will have to determine whether the client will pay their premium each month in order to determine how to do the prospective Medi-Cal budget.

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If you have any further questions, please contact Ms. Tammy Kaylor at (916) 552-9496 or by e-mail at tammy.kaylor@dhcs.ca.gov.

Original Signed By

Vivian Auble, Chief
Medi-Cal Eligibility Division

Enclosure

**MEDI-CAL
NOTICE OF ACTION
REDUCTION IN SHARE-OF-COST
DUE TO PAYMENT OF PART B PREMIUM**

(COUNTY STAMP)

Notice date: _____
Case number: _____
Worker name: _____
Worker number: _____
Worker telephone number: _____
Office hours: _____
Notice for: _____

Your share-of-cost has been reduced to \$ _____ per month beginning _____ because of your Medicare Part B premium:

This reduction in your Medi-Cal SOC is because your Medicare Part B premium is no longer being paid by the Department of Health Care Services. Your Medicare Part B eligibility will continue because the Social Security Administration (SSA) will deduct the Medicare Part B premium from your monthly SSA benefit amount. You are not required to pay for health care coverage to remain eligible for Medi-Cal. If you do not want to continue Medicare Part B coverage, you must contact your local SSA district office to disenroll. Please be aware that, if you stop paying Medicare Part B premiums, you will no longer be entitled to the income deduction and your SOC may increase to what it was before. You will not have Part B coverage and you must pay or obligate to pay your share of cost before Medi-Cal will pay for your medical care each month. Disenrolling from Medicare Part B could also affect your access to care, the ability to receive Medicare Part D prescription drug coverage and the Medicare Part D Low-Income Subsidy. Remember that Medi-Cal no longer covers Part D prescription drugs for Medicare eligible beneficiaries, and this includes those individuals who voluntarily disenroll.

Your new share-of-cost was determined as follows:

Monthly gross income	\$ _____
Monthly net nonexempt income	\$ _____
Maintenance need	\$ _____
Excess income/share-of-cost	\$ _____

THE CHANGE IN YOUR SHARE OF COST IS TO COMPLY WITH WELFARE AND INSTITUTIONS CODE, SECTION 14005.11.

TAKE YOUR PLASTIC CARD TO YOUR MEDICAL PROVIDER WHENEVER YOU NEED CARE. DO NOT THROW AWAY YOUR PLASTIC ID CARD.

If you have questions about this action or if there are more facts about your conditions which you have not reported to us, please write or telephone. We will answer your questions or make an appointment to see you.