



Information Partners Can Use on:

HOUSING ASSISTANCE FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

New Medicare Prescription Drug Coverage

As of August 19, 2005

If you have Medicare and get housing assistance from HUD, you need to know:

1. Starting January 1, 2006, Medicare prescription drug coverage will be available to everyone with Medicare.
2. You may qualify for extra help paying Medicare prescription drug costs.
3. You won't lose your housing assistance if you qualify for this extra help.
4. Even if you don't qualify for extra help, you should join a Medicare prescription drug plan by May 15, 2006.

1. What is a Medicare prescription drug plan?

A Medicare prescription drug plan provides insurance coverage for prescription drugs and will be available to everyone with Medicare. These plans will be offered by insurance companies and other private companies, and will cover both generic and brand-name prescription drugs. You can choose the plan that meets your needs.

There are two types of Medicare prescription drug plans. There will be prescription drug plans that add coverage to the Original Medicare Plan. There will also be prescription drug coverage that is part of Medicare Health Plans (Medicare Advantage and Medicare Cost Plans). You would get all of your Medicare health care through these plans.

Even if you don't use a lot of prescription drugs now, you still should consider enrolling in a Medicare prescription drug plan. Research shows that as we age, most people need prescription drugs to stay healthy. For most people, joining a Medicare prescription drug plan during the initial enrollment period beginning November 15, 2005 means you will pay a lower monthly premium than if you wait to join after the initial

enrollment period. Others with limited incomes and resources need to apply.

2. Do you qualify for extra help paying for prescription drug costs?

You may qualify for extra help if you have limited income and resources. **If you have Medicaid, a Medicare Savings Program, or SSI, you will automatically receive extra help and do NOT need to apply for it. Others will need to apply for it.**

What are the income limits?

- If your annual income is below \$14,355 (or \$19,245 if you are married and living with your spouse), you may qualify for extra help. These amounts may be higher if:
 - you provide at least half of the support of other relatives living in your household, or
 - you reside in Alaska or Hawaii, or
 - you are working

There are also income exclusions for the working blind and disabled.

What are the resource limits?

- To get the extra help with Medicare prescription drug plan costs, your countable resources generally must be valued below \$11,500 (or \$23,000 if you are married and living with your spouse). The resource limits include \$1,500 per person for burial expenses. Resources include the value of things you own. Some examples of countable resources are:
 - real estate (other than your primary residence)
 - bank accounts, including checking, savings and certificates of deposit
 - stocks
 - bonds, including U.S. Savings Bonds

- IRAs
 - mutual funds
 - cash at home, or anywhere else
- Some things are not counted as resources, such as:
 - your primary residence
 - your vehicle(s)
 - your household goods and personal possessions
 - resources you could not easily convert to cash, such as farm machinery and livestock, jewelry and home furnishings
 - federal income tax refunds
 - property you need for self-support, such as rental property, or land you use to grow produce for home consumption
 - life insurance policies owned by an individual with a combined face value of \$1,500 or less. An individual and spouse could have a total of \$3,000.

Starting the end of May and through August 16, 2005, the Social Security Administration (SSA) is sending people with certain incomes an application for extra help paying for Medicare prescription drug coverage. If you receive this application, fill it out and return it in the postage-paid envelope. If you don't receive an application in the mail but think you may be eligible, you can request one by calling SSA at 1-800-772-1213. Beginning July 1, 2005, you can also go to www.socialsecurity.gov on the web to apply online. You will receive a notice in the mail that tells you if you qualify for extra help. You can have your state decide if you qualify for extra help instead of SSA. You can go to your local Medicaid office and apply using their application and process, but you will get a decision more quickly if you use SSA's application instead of your state's.

If you qualify for extra help

- you need to join a Medicare prescription drug plan in your area that meets your prescription drug needs. You can enroll in a plan beginning November 15, 2005. If you don't choose and enroll in a plan by May 15, 2006, Medicare will enroll you in a plan so you don't miss out on this important coverage.

If you don't qualify for extra help

- you can still join a Medicare prescription drug plan that meets your prescription drug needs. You will have to pay a monthly premium (generally around

\$32 per month in 2006), the deductible, and co-payments. You can enroll in a plan beginning November 15, 2005.

- and you don't currently have prescription drug coverage that is at least as good as a Medicare prescription drug plan, you should enroll in a Medicare prescription drug plan by May 15, 2006, to pay a lower premium. If you don't enroll in a Medicare prescription drug plan by this date, you may have to wait to enroll until the November 15–December 31 enrollment period of each year. You will also have to pay at least 1% more per month for your premium for every month you wait to enroll. You will have to pay this higher premium for as long as you have Medicare prescription drug coverage.

3. If I have a Medicare approved drug-discount card, do I need to sign up for the low-income subsidy and a Medicare prescription drug plan in order to continue receiving help paying for my prescription drugs?

Yes, you need to apply for the subsidy and enroll in a Medicare drug plan. The benefits under the Medicare approved drug-discount card and transitional assistance program will stop on May 15, 2006 or on the date you enroll in a Medicare prescription drug plan, whichever date is earlier. If you do not apply for the low-income subsidy and enroll in a Medicare prescription drug plan, you will not continue receiving Medicare's help paying for your prescription drugs. If you have questions about your Medicare benefits, you can contact one of the sources of help listed at the end of this document.

4. Will I lose my housing assistance if I apply and qualify for extra help paying for the new Medicare prescription drug plan costs?

No. You won't lose eligibility for housing assistance, but your portion of the rent may be increased as your prescription drug spending decreases. Even with the increase in your rent, the amount you save because you have the extra help paying for your Medicare prescription drug plan costs is greater than the decrease in your rental assistance. No one will be worse off if he/she has the extra help paying for the Medicare prescription drug plan costs.

After you learn the amount of extra help you qualify for, you should discuss how this may affect your rent with the agency that handles your rent determination.

By doing this, you will know whether or not your rent may increase at your next recertification. You are not required to report your participation in the Medicare prescription drug plan program until your family income and composition are recertified. There is no need to report your participation prior to that time.

5. How will my housing assistance be affected if I qualify for extra help?

Below are examples of how two households would be affected by the new Medicare prescription drug plan coverage.

Mrs. Smith gets Medicare’s extra help: her monthly prescription drug bill is \$200.

Mrs. Smith has Medicare, lives alone, and receives \$798 per month in Social Security benefits. She doesn’t receive Medicaid. She receives both food stamps and HUD housing assistance. She regularly pays \$250 monthly for medical expenses, \$200 of which is for three prescription drugs. Her HUD subsidized rent is \$162 a month.

Under a Medicare prescription drug plan, Mrs. Smith will pay no monthly drug plan premium, no deductible, and her co-payments for her three prescription drugs total \$9. Her monthly medical spending is now \$59 (\$50 for other medical bills + \$9 for prescription drug co-payments) for a monthly savings of \$191.

Because Mrs. Smith’s out-of-pocket medical costs have gone down, her food stamps will be \$5 less than they were when she paid for all of the cost of her prescriptions out of pocket and her HUD subsidized rent will increase to \$219 a month (a \$57 increase). Even though her food stamps decreased and her HUD subsidized rent increased, she has \$129 more cash in her pocket each month.

Lucy gets Medicare’s extra help: her monthly prescription drug bill is \$51.

Lucy has Medicare, lives alone, and receives \$798 per month in Social Security benefits. She doesn’t receive Medicaid or food stamps. She regularly pays \$147 monthly for medical expenses, \$51 of which is for three prescription drugs. She receives HUD housing assistance and her HUD subsidized rent is \$193 a month.

Under the Medicare prescription drug plan, Lucy will pay no monthly prescription drug plan premium, no deductible, and her co-payments for her three prescription drugs total \$9. Her monthly medical spending is now \$105 (\$96 for other medical bills + \$9 for prescription drug co-payments) for a monthly savings of \$42. Because Lucy’s out-of-pocket medical costs have gone down, her HUD subsidized rent will increase to \$205 a month (a \$12 increase). Even though her HUD subsidized rent increased, she has \$30 more cash in her pocket each month.

Mrs. Smith’s Household

| | Without Extra Help Paying Medicare Rx Drug Plan Costs | With Extra Help Paying Medicare Rx Drug Plan Costs | |
|-------------------|--|---|---|
| Income | \$798 | \$798 | |
| Food stamps | +\$15 | +\$10* | (food stamps decrease \$5) |
| Medical spending | -\$250 | -\$59 | (medical spending declines by \$191) |
| Rent payment** | -\$162 | -\$219 | (rent increases by \$57) |
| Net impact | \$401 | \$530 | (bottom line: \$129 more cash in her pocket) |

* \$10 is the minimum monthly benefit for eligible people living alone.

** Rent payment reflects rent as 30% of adjusted income.

Lucy’s Household

| | Without Extra Help Paying Medicare Rx Drug Plan Costs | With Extra Help Paying Medicare Rx Drug Plan Costs | |
|-------------------|--|---|--|
| Income | \$798 | \$798 | |
| Medical spending | -\$147 | -\$105 | (medical spending declines by \$42) |
| Rent payment* | -\$193 | -\$205 | (rent increased by \$12) |
| Net impact | \$458 | \$488 | (bottom line: \$30 more cash in her pocket) |

* Rent payment reflects rent as 30% of adjusted income.

For more information about Medicare prescription drug coverage...

Read the "Medicare & You 2006" handbook you get in the mail in October 2005. It will include more detailed information about Medicare prescription drug plans, including which plans will be available in your area. After that time, if you need help choosing a Medicare prescription drug plan that meets your needs, you can

- Visit www.medicare.gov on the web and select "search tools" to get personalized information.
- Call your State Health Insurance Assistance Program (SHIP). (See your copy of the "Medicare & You 2006" handbook for their telephone number) You can also call 1-800-MEDICARE (1-800-633-4227), or look at www.medicare.gov on the web to get their telephone number. TTY users should call 1-877-486-2048.
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There are programs for people with limited income and resources who live in Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. Programs vary in these areas. To find out more about their rules, call your State Medical Assistance Office, visit www.medicare.gov on the web or call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.