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Information Partners Can Use on:

MEDICAID SPEND DOWN

Medicare Prescription Drug Coverage

As of July 2007

People with Medicare who are also eligible for Medicaid because of high medical expenses can get Medicare prescription drug coverage no matter if they are in the Original Medicare Plan or a Medicare Advantage Plan or if they have existing prescription drug coverage.

What do people with Medicare and Medicaid need to know about Medicare prescription drug coverage?

People with Medicare and Medicaid automatically qualify (and don't need to apply) for extra help paying for Medicare prescription drug coverage. This means they may pay only a small copayment when they fill prescriptions covered by their Medicare drug plan. Medicaid will still pay for some or all of a person's health care costs that Medicare doesn't cover (including prescriptions in some limited cases for drugs not covered by Medicare prescription drug coverage). Medicaid won't cover drugs for people who are enrolled, or who could be enrolled, in a Medicare drug plan.

If a person has extra help paying for Medicare prescription drug costs, will the extra help affect his or her eligibility for Medicaid?

Under the "spend down" process, a person may become eligible for Medicaid even if he or she has too much income to qualify otherwise. This process allows someone to "spend down" or subtract medical expenses (like the cost of prescription drugs) from his or her income to become Medicaid eligible. Subtracting medical expenses from income can reduce income to a level below the maximum allowed by a state's Medicaid plan.

Medicare prescription drug coverage and the extra help reduce a person's out-of-pocket costs for prescription drugs and therefore the amount of medical expenses that can be deducted from his or her income. This means the need for Medicaid may be reduced or eliminated. Even if a person with Medicare becomes eligible for Medicaid through "spend down," Medicaid won't pay for most of the person's prescription drugs.



If a person has extra help paying for Medicare prescription drug costs, will the extra help affect his or her eligibility for Medicaid? (CONTINUED)

The example below shows how qualifying for extra help may affect Medicaid eligibility.

Month 1

Rebecca has Medicare and gets \$700 a month in Social Security. Her income is too high for her to qualify for Medicaid in her state. Her state's Medicaid income limit is \$500 a month, which means she must have at least \$200 a month in medical expenses to spend down to the state's limit. She pays \$150 a month out-of-pocket for prescription drugs, and \$75 every month for visits to her doctors for a total of \$225 per month. After she has \$200 in medical expenses, she qualifies for Medicaid. Medicaid pays the additional \$25 of her medical expenses, leaving her with \$500 for other expenses. Since Rebecca paid for her prescriptions after the effective date of extra help, her Medicare drug plan will pay her back for the prescription costs covered by the extra help.

Rebecca gets Medicaid and automatically qualifies for extra help paying Medicare prescription drug costs for the rest of the calendar year, even if she doesn't qualify for Medicaid in some later months because she has lower medical expenses.

Month 2

With extra help and a Medicare drug plan, Rebecca pays no monthly premium, has no deductible, and pays only small copayments. Her copayments will be \$1 for each of her ten generic prescriptions for a total of \$10. She spends \$75 for her doctor visits for a total of \$85 in medical expenses. Her medical expenses are no longer high enough to cause a need for Medicaid (she doesn't exceed her \$200 limit under spend down). But the extra help she gets increases the income available to her. She now has \$615 available for other expenses, \$115 more than she had before getting the extra help.

Month 3

During a month where Rebecca's medical expenses for items other than prescription drugs are high, she will qualify for Medicaid once she has medical expenses of at least \$200. For example, Rebecca has another \$210 in medical expenses (such as doctor visits) and the \$10 in total prescription drug copayments for a total of \$220. She more than meets her spend down amount and qualifies for Medicaid. She hasn't lost her ability to rely on the Medicaid program in months when she has higher medical expenses.



If a person has extra help paying for Medicare prescription drug costs, will the extra help affect his or her eligibility for Medicaid? (CONTINUED)

	Month 1 Month with High Medical Expenses	Month 2 Month with Low Medical Expenses	Month 3 Month with High Medical Expenses
Monthly Income	\$700	\$700	\$700
Rebecca's Medicaid Spend down Requirement--\$200 in Medical Expenses to reach \$500 in Monthly Income			
Rebecca's Drug Spending	\$150	\$10	\$10
Other Medical Expenses	\$75	\$75	\$210
Rebecca's Total Medical Expenses	\$225	\$85	\$220
Meets spend down requirement and qualifies for Medicaid?	Yes	No	Yes
Rebecca's out-of-pocket spending for Medical Care	\$200 (Medicaid pays \$25)	\$85	\$200 (Medicaid pays \$20)
Rebecca's cash available for other expenses	\$500	\$615	\$500



What if a person is notified that he or she no longer qualifies for extra help as of January 1 next year?

Each fall Medicare uses data from the states to decide whether a person will continue to automatically qualify for extra help for the coming year.

Using the example from the previous page, let's say Medicare determines that Rebecca no longer automatically qualifies for extra help. Medicare reviews data from her state for a month where she doesn't qualify for Medicaid (Month 2). Medicare sends her a letter saying she doesn't automatically qualify and encourages her to apply for extra help through Social Security to see if she qualifies based on her income and resources. Even though she no longer automatically qualifies, Rebecca may still qualify for extra help if she applies.

If Rebecca meets spend down and qualifies for Medicaid in a later month (Month 3), her state tells Medicare, and she gets a letter from Medicare saying she automatically qualifies for extra help beginning from the month she qualified for Medicaid at least until December 31 of the same year.

For more information about Medicare prescription drug coverage...

- Visit www.medicare.gov on the web. Under "Search Tools," select "Compare Medicare Prescription Drug Plans" to get personalized information about Medicare drug plans.
- Call your State Health Insurance Assistance Program (SHIP). (See a copy of the "Medicare & You" handbook for the telephone number.)
- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048.