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**NEW YORK STATE**  
**OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE**  
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## Administrative Directive

### Section 1

<b>Transmittal:</b>	04-ADM-07
<b>To:</b>	Local District Commissioners
<b>Issuing Division/Office:</b>	Temporary Assistance
<b>Date:</b>	October 4, 2004
<b>Subject:</b>	Food Stamp Medical Deduction for Medicare Prescription Drug Discount Cards
<b>Suggested Distribution:</b>	Temporary Assistance Directors, Food Stamp Directors, CAP Coordinators, TOP Coordinators, Staff Development Coordinators
<b>Contact Person(s):</b>	Eastern Regional Team at 1-800-343-8859, extension 3-1469
<b>Attachments:</b>	None
<b>Attachment Available On – Line:</b>	<input type="checkbox"/>

### Filing References

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
		387.12(c) 387.14	PL 108-173, Sec.101	FSSB 11, P. 6-9 FSSB 5, P. 9-10	

### Section 2

#### I. Purpose

This directive informs local districts of the options chosen by the New York State Office of Temporary and Disability Assistance (OTDA) regarding treatment of discounts and credits, received through Medicare-Approved Prescription Drug Cards, as medical expenses for the Food Stamp Program.

#### II. Background

As a result of the Medicare Prescription Drug Improvement and Modernization Act of 2003, Medicare recipients can choose to enroll in a new program through which private companies offer Medicare-Approved Prescription Drug Discount Cards. These cards result in the enrollees getting a discount on their prescription drugs. If the enrollee's income is below 135% of the poverty level, they also can receive an additional \$600 credit against the cost of their prescription drugs in 2004. Individuals who enroll in 2004 and receive the \$600 credit will automatically be re-enrolled for 2005 and receive a second \$600 credit for 2005. Individuals could have enrolled in the program beginning in May 2004 and could have begun receiving the \$600 credit in July 2004. Individuals who are income qualified for the credit but do not enroll until after March 2005, may receive only a partial credit. The credit is

reduced by \$150 each quarter thereafter. As a result, the credit for January – March 2005 is \$600; for April – June is \$450; for July – September is \$300; and for October – December is \$150. Individuals already enrolled in a Medicare-Approved drug card program prior to receipt of Medicaid, retain their participation in the drug card program even after being found eligible for Medicaid. However, individuals in receipt of Medicaid (MA Only; TA/MA; or SSI/MA) prior to enrollment in a Medicare-Approved drug card program are ineligible to participate in the Medicare prescription drug card program. USDA initially informed states that the discounts and credits received by an individual through this program would not count as income or resources in determining eligibility and benefits for the Food Stamp Program and that only out of pocket expenses could be used when determining the amount of the individual's medical deduction. USDA later revised this policy and informed states that the discounts and credits received by cardholders must be allowed in the determination of the excess medical deduction, in addition to their reported out-of-pocket expenses. USDA offered states several options on how to budget the discounts and credits as medical expenses.

**Discounts** - The Centers for Medicare and Medicaid Services (CMS – a division of the federal Department of Health and Human Services) has estimated the value of the prescription drug discounts received by cardholders to be \$23.00 per month. USDA offered states the option of using this amount as a standard expense allowance, instead of calculating the value of the discount by applying a percentage add-on to the reported out of pocket prescription drug expenses. New York State has chosen to use this standard expense allowance, as provided in this option.

**Credits** – USDA offered states the option of prorating the 2004 \$600 as follows: 1. over the months remaining in 2004; 2. over a 12 month period extending into 2005 (and overlapping with budgeting of the 2005 \$600 credit at the rate of \$50 per month); or 3. prorating both the 2004 and 2005 \$600 credits consecutively at the rate of \$50 per month, until the full value of both credits is realized. The first and second options were determined to be too confusing and error prone, as well as potentially depriving individuals of the full benefit of the credit as a deduction (medical deductions that exceed income to be offset would be squandered). New York has chosen the last option of prorating both the 2004 and 2005 \$600 credits consecutively at the rate of \$50 per month, until the full \$1200.00 value of both credits is realized.

**Automated enrollment** - There was a press release on 9/22/04 announcing that CMS will automatically send drug discount cards in the mail next month to people in Medicare Savings Programs, who receive state help to pay Medicare premiums. Unfortunately the OTDA has learned an electronic file match of Medicare Savings Program enrollees with Food Stamp recipients is not possible.

### **III. Program Implications**

New York State has chosen to budget the discounts and credits for cardholders in the following manner: For the duration of the program, an additional \$73.00 (\$23 for the discount and \$50 for the credit) should be budgeted as a monthly medical expense for each individual identified as being a cardholder in a Medicare-Approved Prescription Drug Discount Card Program, over and above the reported out-of-pocket expenses.

### **IV. Required Action**

During certification or recertification interviews, workers must ask households with any Medicare members, if anyone has enrolled in a Medicare-Approved Prescription Drug Discount Card Program. Households may also voluntarily report enrollment at times other than initial certification or recertification, and if so, reporting must also be budgeted according to these rules. Cardholders need only present a drug discount card with a seal containing the words “Medicare-Approved” to show they are enrolled. If a district becomes aware of an individual's enrollment during 2004, the individual is

entitled to 24 months of the enhanced budgeting. For example, an individual first budgeted with the enhanced medical deduction for the benefit month of December 2004, will be entitled to the enhanced budgeting through November 2006. If a district first becomes aware of an individual's enrollment during 2005, the worker will have to determine the number of months the individual will be entitled to enhance budgeting, as described below. All cardholders are to have the discount and the credit considered as medical expenses (even if there are no other out-of-pocket expenses), and budgeted as a FS medical deduction according to the following rules.

Pending the development and availability of systems support as described below, workers must manually adjust the medical expenses entered into ABEL (Automated Budgeting and Eligibility Logic) to accomplish the correct budgeting. For each individual identified as a cardholder, the worker should add \$73.00 to the household's reported monthly out-of-pocket medical expenses. Any household may choose to document their actual pre-enrollment medical expenses (prior to the Medicare-Approved discount and credit), and have those expenses used to budget their medical deduction if the documented pre-enrollment expenses are higher than the enhanced medical expenses under these Medicare related provisions. In either case, ABEL will allow only the portion of the expenses in excess of \$35 as the excess medical deduction.

Workers should identify the period for which the individual will have the enhanced medical deduction and note the last month for later action when the enhanced deduction is to be discontinued. Upstate workers should use newly developed Anticipated Future Action (AFA) code 230 - "End of Medicare Prescription Drug Discount/Credit" ("ENDMEDPR"), for this purpose. The enhanced budgeting period is 24 months if the district is informed of the enrollment in 2004. During January, February or March 2005, individuals informing the district of their enrollment can be assumed to be entitled to 12 months of enhanced budgeting. However, due to the reductions in the credit for enrollment after March 2005, if the district is informed of the enrollment after March 2005 workers will need to compute the number of months for which the individual is entitled to enhanced budgeting. For these individuals, the period of enhanced budgeting is affected by the amount of the 2005 credit, with the number of months determined by dividing \$50 per month into the credit. For example, if the individual enrolled in June 2005, the credit would be \$450.00 and the period of enhanced budgeting would be 9 months (\$450 divided by \$50 per month equals 9 months). If the card itself does not show an enrollment date and outside documentation, such as an approval notice from the card company, these cardholders should also provide a copy of the outside documentation showing when they enrolled in the program. However, if outside documentation regarding the date of enrollment is unavailable, a statement from the household itself indicating when they enrolled is sufficient to establish the time of enrollment. Individuals who were enrolled in 2004 subsequent to certification for Food Stamps, but did not voluntarily report the enrollment to the district as a change during the course of their certification period until 2005, should receive the enhanced budgeting for only 12 months, representing only the 2005 credit (\$600 divided by \$50 per month equals 12 months).

## **V. Systems Implications**

The OTDA is in the process of developing system support for both Upstate and NYC ABEL. However, the budgeting system changes cannot be in place until November 2004 at the earliest. While a brief description of planned system support is offered below, more details will be released under separate cover (ABEL Transmittals Upstate / HRA Policy Directives in NYC) as the systems support is developed and closer to being available.

Upstate, a new field will be added to the ABEL budget for the worker to enter the number of household members enrolled in a Medicare-Approved Prescription Drug Discount Card Program. Once this new field is in use, ABEL will automatically add \$73.00 per cardholder to the amount of out-of-pocket

medical expenses reported by the household and entered by the worker. (When rebudgeting a case which had the enhanced deduction included manually prior to ABEL support, workers switching to the automated support must take care to first remove the extra \$73 in medical expense that was previously manually entered.) In addition, a new Anticipated Future Action code 230 "ENDMEDPR" is available for the worker to designate the last month for application of the enhanced medical deduction. This new AFA date code became available September 7, 2004 and can be used during the manual implementation period preceding the availability of further system support. Once the new ABEL field for the number of cardholders is available, the AFA code should be used in conjunction with the new worker entered ABEL field for the number of cardholders. If there are multiple cardholders, an individual AFA code 230 and associated date can be used for each individual.

In NYC, a new date field will be added to the ABEL individual budget screen. This field will be used by the worker both to designate the individual as a cardholder in a Medicare-Approved Prescription Drug Discount Card Program, and to enter the last month for the application of the enhanced medical deduction. For individuals identified as eligible for the enhanced medical deduction prior to 2005, this date should be set to 24 months after the enhanced medical expense is first budgeted - for example, November 2006 for individuals first budgeted with the enhanced medical expense in December 2004. Entry of the date will cause ABEL to automatically add \$73.00 to the reported medical expenses entered by the worker for the individual.

**VI. Effective Date**

Effective October 1, 2004 districts must solicit information regarding enrollment in Medicare-Approved Prescription Drug Discount Card Programs from potentially eligible individuals at all initial certifications and recertifications.

**Issued By** \_\_\_\_\_

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**Title:** Deputy Commissioner  
**Division/Office:** Division of Temporary Assistance