
LIS PROCESSING AND CASE MAINTENANCE

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I. INTRODUCTION

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), requires that both Social Security Administration (SSA) and North Carolina Medicaid agencies accept and process applications for the low-income subsidy (LIS).

NC Medicaid agencies are also required to screen and offer subsidy applicants, who apply at the local agency, the Medicare Saving Programs also known as Qualified Medicare Beneficiary (MQB).

II. OVERVIEW

This section only applies to Low Income Subsidy (LIS) applications taken by local agency which are not forwarded to Social Security Administration (SSA) office for processing when the applicant insists that local agency determines eligibility for the LIS.

- The local agency only determines eligibility for the LIS when the Medicare beneficiary requests the agency to process.
- When the agency processes an application, the local agency is responsible for notices, hearings and recertification for the LIS.
- Do not continue to process an LIS application when the Medicare applicant/beneficiary (a/b) becomes authorized for Medicaid in any aid program/category except Qualified Disabled Working Individuals (M-WD) during the processing period. The a/b should be deemed eligible for LIS.
- For LIS applications taken by local agency and forwarded to SSA for processing, see [MA- 2310, Taking the LIS Application](#).

III. DEFINITIONS

A. Family Size

Family size includes the applicant, the applicant's spouse living in the home and any persons related by blood, marriage or adoption, who are living with the applicant and spouse and are dependent on the applicant or spouse for at least one half their financial support.

B. Low Income Subsidy (LIS)

For an a/b with income less than 150% of the federal poverty level, the subsidy provides assistance with the premium payment and a reduction in the deductible and

co-pays. The subsidy may be 100%, 75%, 50% or 25% of the Part D premium depending on the income range. This is also referred to as “extra help”.

IV. POLICY PRINCIPLES

- A.** An a/b must be entitled to Medicare Part A and/or enrolled in Part B to be eligible for the LIS.
 - 1. The a/b must be entitled to Medicare Part A or enrolled in Part B. This means the applicant should have a Medicare card. An a/b who is ineligible for free Part A and who has not yet enrolled in Part B is ineligible for the LIS.
 - 2. Verify Medicare enrollment by viewing the Medicare card or using online verification (OLV) to access SOLQ or BENDEX.
- B.** An a/b must have income less than 150% of the federal poverty level for the family size.
- C.** An a/b must have resources equal to or less than \$16,590 for a single person or \$33,100 for a couple.
- D.** Follow application processing procedures in [MA-2300, Application](#) for verification requirements, requesting information and time frames.
- E.** Use the [SSA-1020](#), Application for Help with Medicare Prescription Drug Plan Costs, and the DHB-1051, LIS Verification Checklist, to document the eligibility determination.
- F.** The applicant must be provided a notice of the eligibility determination and granted an opportunity for appeal through the Medicaid hearing process, when the local agency determines Medicaid eligibility. Reference [MA-2420 Notice and Hearings Process](#).
 - 1. For approvals, send the [DHB-1052](#), Notice of Approval for Extra Help with Medicare Prescription Drug Costs.
 - 2. For denials, send the [DHB-1053](#), Notice of Denial for Extra Help with Medicare Prescription Drug Costs.
 - 3. The county is responsible for all changes, recertifications and hearings unless the a/b subsequently becomes eligible for a Medicaid program. The a/b is then deemed eligible.
- G.** If eligibility is determined by SSA, the applicant must contact [SSA](#) for an appeal.
- H.** Follow recertification procedures in [MA-2320, Recertification](#)

V. INCOME

Unless otherwise indicated in this section, follow rules for determining availability, exclusions and countable income in [MA-2250, Income](#).

A. Income Limit

In order to be eligible for the LIS, a Medicare beneficiary's income must be **less than** 150% of the federal poverty level (FPL).

B. Determine Whose Income is Counted

Count income available to the applicant and the spouse, if living in the home. Do not count income of any dependents who are included in family size.

C. Determine Countable Income

Verify the gross income of the applicant and spouse, if living in the home. Apply the following exclusions, if applicable, to the gross income of the applicant and spouse, if living in the home:

1. Determine countable net unearned income. Apply the following exclusions to gross unearned income, if applicable:
 - a. One-third of support payments made to or for the applicant by an absent parent if the applicant is a child;
 - b. The first \$20 of any unearned income other than in-kind income or needs-based income;

The remainder is countable net unearned income.

2. Determine countable net earned income. Apply the following exclusions in the order listed below:
 - a. Payments under Earned Income Tax Credit (EITC) and all other Federal and State tax refunds (excluded for 12 calendar months beginning the month of receipt);
 - b. Any portion of the \$20 monthly exclusion which was not excluded from unearned income;
 - c. \$65 per month of the applicant/spouse's earned income;
 - d. 16.3% of gross earnings for an applicant under 65 for impairment-related work expenses (IRWE);
 - e. One-half of the applicant/spouse's remaining earned income; and
 - f. Twenty-five percent (25%) of gross earnings for an applicant under age 65 who receives disability based on blindness for blind work expenses (BWE).

The remainder is the countable net earned income for the applicant.

3. Combine the net unearned and earned income. This is the countable income

for the applicant.

D. Determine the Family Size and Income Limit

1. Determine the family size. Family size includes:
 - a. The applicant, and
 - b. The applicant's spouse, if living in the home, and
 - c. Any persons who are related by blood, marriage or adoption, who are living with the applicant and the spouse and are dependent on the applicant or spouse for at least one half their financial support.
2. Compare the net countable income from IV. B.3., above the income limit for the family size. Refer to the LIS Income Limits Table 1 below.

VI. RESOURCES

Unless otherwise indicated in this section, follow rules for determining availability, countable value and exclusions in [MA-2230, Financial Resources](#).

A. Determine Whose Resources are Counted

Count resources available to the applicant and the applicant's spouse, if living in the home. See [MA-2230, Financial Resources](#), for availability rules.

1. If the applicant or spouse is the sole owner by the account title and can withdraw and use funds from the account, all of the account's funds are counted as a resource to the applicant/spouse regardless of the source. This presumption is not rebuttable.

This is different from Medicaid where a client has an opportunity to prove a resulting trust exists.
2. Jointly-held Account
 - a. If the applicant/spouse is the only subsidy claimant or subsidy beneficiary who is an account holder on a jointly held account, presume that all of the funds in the account belong to the applicant/spouse. The client may rebut this presumption and provide proof of a resulting trust or amounts that belong to each individual owner.
 - b. If more than one subsidy claimant or subsidy beneficiary are account holders, consider the funds belong to each in equal shares. The client may rebut this presumption.

B. Countable Resources

The following resources are countable for the LIS:

1. Liquid assets; and
2. Real property other than the homesite and contiguous property. Life estate, tenancy-in-common and remainder interests are countable for the LIS.

To determine the value of a tenancy-in-common interest:

- a. Verify the number of owners and the equity value (market value minus any encumbrances) of the property;
 - b. Divide the equity value of the property by the number of owners. This is the countable value of the tenancy-in-common interest to be included in resources for the LIS.
3. Always use the equity value of resources in determining eligibility.

C. Non-Countable Resources

The following resources are excluded in determining eligibility for the LIS:

1. Personal property such as household goods, vehicles, boats, motorcycles, non-cash business property, and personal effects.
2. Cash value of life insurance owned by an a/b when the total face value of all the life insurance policies owned on any person **does not exceed \$1,500.00.**

NOTE: This is different from the Medicaid program which does not count cash value unless the total face value exceeds \$10,000.

3. Funds up to \$1,500 for the a/b and \$1,500 for the spouse who lives with the individual if the funds are intended to be used for funeral or burial expenses. The client may have other non-countable burial resources.
4. Dedicated financial institution accounts consisting of past-due benefits for an SSI-eligible individual under age 18.
5. All Federal and State tax refunds (excludes for 12 calendar months beginning the month of receipt).

D. Determine Countable Reserve

1. Use the equity value of resources. Follow procedures in [MA-2300, Application](#) for verification requirements, requesting information and time frames.
2. Apply any exclusions shown in V. C. above or in [MA-2230, Financial Resources](#).
3. The remainder is countable reserve for the applicant.

E. Resource Limit

The maximum resource limit for the subsidy is \$16,590 for one person and \$33,100 for a couple. The couple limit applies as long as the applicant and the spouse are living in the home, regardless of whether one or both apply. Refer to Table 2 below.

VII. DETERMINING ELIGIBILITY FOR THE LIS

Eligibility for the LIS is calculated using the countable income and reserve. The income must be less than 150% of the federal poverty level.

Once countable income and resources have been determined:

- A.** Determine the poverty income range by comparing countable net income to Family Size in the LIS Income Limits Table 1 below.

This provides the poverty level range for the family size to determine whether the applicant is potentially eligible.

- B.** Determine the countable resources and use the LIS Countable Resources Table 2 below.

VIII. APPLICATION OUTCOMES

A. Approval

1. Approve assistance for the LIS when all factors of eligibility have been verified and eligibility is established. Document the eligibility factors and verification on the DHB-1051 LIS Verification Checklist.
2. Complete the DHB-1052, Notice of Approval for Extra Help With Medicare Prescription Drug Costs, to notify the client regarding the approval and the level of LIS benefit.

Once the beneficiary is enrolled in a Prescription Drug Plan (PDP), the Plan must track the prescription expenditures and notify the beneficiary when the co-pay PDP changes.

3. For LIS applications the eligibility period is 12 calendar months beginning with the month of application.
4. NC FAST will automatically report on the approval, eligibility and benefit level of LIS applicant to SSA, which includes the Buy-In process.

B. Denial

1. Deny the LIS application if the client does not meet an eligibility requirement, such as income, resources or Medicare enrollment, or fails to provide information to determine eligibility.

2. Complete the DHB-1053, Notice of Denial for Extra Help with Medicare Prescription Drug Costs, to notify the client regarding the denial.
3. NC FAST will automatically report on approval/denial of LIS applicant to SSA, which includes the Buy-In process.

IX. CASE MAINTENANCE

A. Change in Circumstances

1. LIS applicant/beneficiaries (a/b) are **not required** to report changes until recertification.
2. However, if a change is reported, there are two types of changes that can impact the amount of the subsidy:
 - a. Subsidy Changing Events which are effective the month after the month the change is reported. There are six subsidy changing events:
 - (1) Beneficiary marries
 - (2) Beneficiary and spouse divorce
 - (3) Beneficiary's spouse dies
 - (4) Beneficiary and spouse separate
 - (5) Beneficiary and spouse annul marriage
 - (6) Beneficiary and previously separated spouse begin to live together again.
 - b. Other events which may change the subsidy amount, but are effective at the end of the certification period.
 - (1) Document the change in the case record.
 - (2) Process the change at recertification.
3. When a subsidy changing event is reported, the worker must complete an ex parte recertification.
4. Follow the application procedures in this section without changing the certification period.
5. NC FAST will automatically report on the approval/denial of LIS beneficiaries to SSA, which includes the Buy-In process.

B. Recertification

1. The local agency must offer to redetermine eligibility for any a/b who insists on a state determination for the LIS.
2. Begin the recertification in time for the timely notice to be effective prior to expiration of the certification period. The certification period is the 12th month from the month of application. Complete an ex parte recertification.
3. The applicant may choose to have Social Security Administration determine ongoing eligibility or to continue to have the local agency determine ongoing eligibility.
 - a. If the a/b chooses to let SSA determine ongoing eligibility the caseworker can use the on-line application process or use the SSA-1020, Application for Help with Medicare Prescription Drug Plan Costs, paper application. Follow procedures in [MA-2310](#), Taking the LIS Application.
 - b. If the a/b insists DSS process the recertification, the caseworker must follow the application procedures in this section including any changes reported during the year.
 - c. If an a/b appears to be eligible for any other Medicaid program, the caseworker must offer to evaluate for all Medicaid programs. The caseworker must also document the case record that eligibility was explained and the decision to continue to be evaluated was made by the a/b.

TABLE 1: LIS Income Limits Effective April 1st of Year

Family Size	0 thru 150% FPL Full Subsidy
1	1,995
2	2,705
3	3,415
4	4,125
5	4,835
6	5,545
7	6,255
8	6,965

TABLE 2: LIS Eligibility Effective January 1st of Year

	Countable Resources
Single	<16,590
Couple	<33,100

TABLE 3: Medicare Part D Effective January 1st of Year

Subsidy Category	Yearly Deductible	Copayment up to Out-Of-Pocket Threshold	
		Generic	Brand
Full-Benefit Dual Eligible \leq 100% FPL	\$0	\$1.60	\$4.90
Full-Benefit Dual Eligible $>$ 100% FPL	\$0	\$5.10	\$12.65
No Subsidy	\$615	After the Deductible is met, Beneficiary pays 25% of covered costs up to total prescription costs meeting the Initial Coverage Limit.	