

**TO:** Local District Commissioners, Medicaid Directors

**FROM:** Betty Rice, Director  
Division of Consumer and Local District Relations

**SUBJECT:** Clarification on the Medicare-Approved Drug Discount Card

**EFFECTIVE DATE:** Immediately

**CONTACT PERSON:** Bureau of Local District Support:  
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In GIS 04 MA/012, districts were informed of the Medicaid implications of the Medicare -Approved Drug Discount Card. We have received new information from the Centers for Medicare and Medicaid Services which changes some of the information that we previously provided in that GIS regarding the spenddown program.

The revised policy is as follows:

Any portion of the \$600 transitional assistance credit that is used by the individual to pay for prescription drugs must be treated as a paid medical expense and applied to meet the individual's spenddown. Any discount received must be treated as a paid medical expense for spenddown purposes. For purposes of establishing the amount of the medical expense, the "pre-discount price" of a prescription is applied to meet the individual's spenddown. The "pre-discount" price is what the individual would have had to pay if he or she were not enrolled in the Medicare-Approved Drug Discount Card Program. In order to determine the amount of the discount and/or credit that should be applied toward the spenddown, a receipt from the pharmacy that shows the "pre-discount" price of the drug should be requested, or call the pharmacy and ask for the "pre-discount" price. If this information is not readily available, receipts for prescriptions which the individual purchased before enrolling for a Medicare-Approved Drug Discount Card may be used to establish the pre-discount price of the prescription. If the actual pre-discount price of a prescription drug cannot be determined, you may use the "imputed" value of the drug based on a national average of \$48.17. However, if the individual can provide evidence that he/she paid more than the \$48.17, that amount will be treated as the paid medical expense.

Medicare beneficiaries may be charged an enrollment fee of up to \$30 per year for the Medicare Approved Drug Discount Card. The annual fee paid by the individual must also be treated as a paid medical expense for spenddown purposes. Under certain circumstances the individual's enrollment fee may be paid by the federal government rather than the individual. In this situation, the fee is not a deductible medical expense for the individual.

The transitional assistance credit, discount and enrollment fees are treated as paid medical expenses and thus are deducted from income in the accounting period in which they are paid. See Administrative Directive 96 ADM-15 for information regarding accounting periods and the use of medical expenses. Further, the treatment of the transitional assistance credits, discounts, and enrollment fees as incurred medical expenses also applies when determining the amount of an institutionalized individual's contribution to his/her cost of care.

For Medicaid third party liability purposes, no portion of the \$600 credit that is used to pay for prescription drugs should be treated as an available resource. This means that the individual does NOT have to use the credit before Medicaid will pay for the drugs.

If the local district becomes aware of any individuals whose Medicaid eligibility was adversely affected since June 1, 2004 because this information was not available, such cases should be reviewed and any corrections made.