

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

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E-NAHMA Analysis 2004-1107: Medicare Prescription Drug Cards and Transitional Assistance

HUD has issued a notice to provide guidance on the “Income calculation and verification guidance regarding Medicare Prescription Drug Cards and Transitional Assistance” The notice was issued from HUD-PIH and HUD-Multifamily as PIH-2004-24 and H2004-24. Some general highlights of the notice follow.

HUD programs subject to this guidance are:

Public housing programs	Section 8 Housing Choice Voucher Program
Section 221 (d)(3) BMIR	Section 236
Rental Assistance Program (RAP)	Section 101 Rent Supplement
Section 202/8	Section 202 PAC
Section 202 PRAC	Section 811 PRAC
Section 8 New Construction, Substantial Rehabilitation, State Agency, Rural Housing Loan Management Set-Aside and Property Disposition Set-Aside	

Participants and applicants in public and assisted housing programs who are receiving Medicare and have enrolled in the Medicare Prescription Drug Discount Card and Transitional Assistance programs must not have their income determinations, assistance or rents affected in any way by this Medicare benefit.

Exclude any assistance or benefit received from the Medicare prescription discount card or the transitional assistance as annual income in calculating any rent or assistance.

Treat the Medicare prescription drug discount cards and transitional assistance received by a family as a standard medical deduction when determining the family's medical expense deduction.

“PHAs and Owners and Management Agents must verify the cost of the drugs without the Medicare negotiated price benefit for eligible drugs rather than verifying the out-of-pocket cost of the drugs to the tenant.”

“The standard medical deduction as described at 24 CFR 5.611(a)(3) continues to be the sum of allowable medical expenses that exceed three percent of annual income. Where all or part of the cost for prescription drugs is covered by the Medicare prescription drug discount or transitional assistance, neither the drug discount nor the transitional assistance should be considered a reimbursement for the purpose of calculating the medical expense deduction.”

If Medicare does not pay the enrollment fee for a person's prescription drug discount card, he / she may claim the fee as a medical deduction.

As of June 1, 2004, when the Medicare Prescription Drug Discount Card and Transitional Assistance programs began, PHAs, Owners and Agents must:

“Exclude from annual income the \$600 transitional assistance subsidy, for applicants and tenants enrolled in the Medicare transitional assistance program, effective the date of receiving the benefits.”

“Exclude from annual income any negotiated drug discount pursuant to the Medicare prescription drug discount card.”

“In cases where medical expenses are normally deducted from a HUD participant's income, include as a medical deduction the Medicare assistance provided for the cost of drugs pursuant to prescription drug discount cards, negotiated drug price, or transitional assistance subsidies.”

The notice includes an example of how PHAs and Owners and Management Agents are to implement this new income exclusion and deduction.

Verification that the tenant has a Medicare-approved drug discount card is required of PHAs, Owners and Agents.

“Only discounts received under a Medicare-approved discount drug card are included as a medical expense.”

Instructions related to verifying the amount of the benefit are taken directly from the notice:

“PHAs and Owners and Management Agents must verify the amount the individual would have had to pay for each prescription in absence of the negotiated discount provided by the Medicare-approved drug discount card or any payments made by the \$600 transitional assistance credit. Verification must also include a determination that the prescription drug is eligible for the discount since not all drugs are eligible. PHAs and Owners and Management Agents must use third party verification when possible or document in the file why such third party verification was not available. To insure that the best estimate is obtained, any of the methods below will be considered as having satisfied HUD's regulatory requirements:

- Information on the receipt the individual receives when paying for a prescription if the pre-discount cost of the drug is included.
- If information for the pre-discount price of the prescription cannot be determined with current information, use receipts showing the amount paid for the prescription prior to the individual enrolling for the Medicare-approved drug discount card.
- If the beneficiary cannot obtain a receipt with the pre-discount cost of the drug, the PHA or Owner and Management Agent may call the pharmacy to obtain the pre-discount cost. The information provided on the Medicare website at www.medicare.gov may also be used to determine the pre-discount cost of the prescription.
- When the pre-discount price of a prescription cannot be determined, use an imputed value of \$48.17 per prescription as a substitute for the actual pre-discount price. The imputed value of \$48.17 represents the national average cost per prescription for the cash-paying customer in 2003 based on Centers for Medicare and Medicaid Services' Office of the Actuary analysis of data from IMS Health, National Prescription Audit for 2003. However, in all instances, if a beneficiary can provide satisfactory evidence that he or she paid more than the imputed amount for the prescription, the higher amount is used. An example of the use of the imputed amount is as follows: an individual presents documentation that he/she purchases an eligible drug monthly but the pre-discount cost of the drug cannot be obtained. The individual would receive credit for a medical

expense of \$48.17 X12 or \$578.04 annually. The imputed amount of \$48.17 is used for each eligible prescription that cannot be verified through one of the other methods.”

NAHMA will review this notice and consider its implications through the Senior Housing and Regulatory Affairs Committees.

To read the notice in its entirety, please see:

[http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=04-24\\$\[NO\]&SECT5=HSGN&SECT1=TXTHLB&l=50&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G](http://hudclips.org/sub_nonhud/cgi/nph-brs.cgi?d=HSGN&s1=04-24$[NO]&SECT5=HSGN&SECT1=TXTHLB&l=50&u=../cgi/newsdoc_run.cgi&p=1&r=1&f=G).

The Department of Health and Human Services website has additional information regarding the Medicare Prescription Drug Discount Card and Transitional Assistance at:

<http://www.cms.hhs.gov/media/press/release.asp?Counter=990>.