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MEMO

February 14, 2006

To: LRHA Members

From: Donna Newchurch, LRHA Executive Director

Re: 2006 Federal Poverty Guidelines and Program Implications

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New federal poverty level (FPL) guidelines published January 24, 2006 will affect eligibility levels for many public benefits, including health benefits for older people and people with disabilities. 71 Fed. Reg. 3848-49 (January 24, 2006). The new numbers are effective when published, but each program that relies on them may use a different effective date.

The published poverty levels merely state a dollar figure for different sized family units. They do not address issues of what income is included, what deductions from income are allowed, who is included in a family unit or other use issues. These questions are addressed by the individual programs relying on the poverty guidelines. The amounts given below apply to the 48 contiguous states and Washington, DC. Rates for Alaska and Hawaii are slightly higher.

<b>Persons in Family or Household</b>	<b>48 Contiguous States and D.C.</b>	<b>Alaska</b>	<b>Hawaii</b>
1	\$ 9,800	\$12,250	\$11,270
2	13,200	16,500	15,180
3	16,600	20,750	19,090
4	20,000	25,000	23,000
5	23,400	29,250	26,910
6	26,800	33,500	30,820
7	30,200	37,750	34,730
8	33,600	42,000	38,640
For each additional person, add	3,400	4,250	3,910

The poverty guidelines apply to both aged and non-aged units. The guidelines have never had an aged/non-aged distinction; only the Census Bureau (statistical) poverty thresholds have separate figures for aged and non-aged one-person and two-person units.

Programs using the guidelines (or percentage multiples of the guidelines — for instance, 125 percent or 185 percent of the guidelines) in determining eligibility include Head Start, the Food Stamp Program, the National School Lunch Program, the Low-Income Home Energy Assistance Program, and the Children's Health Insurance Program. Note that in general, cash public assistance programs (Temporary Assistance for Needy Families and Supplemental Security Income) do NOT use the poverty guidelines in determining eligibility. The Earned Income Tax Credit program also does NOT use the poverty guidelines to determine eligibility.

The poverty guidelines (unlike the poverty thresholds) are designated by the year in which they are issued. For instance, the guidelines issued in January 2006 are designated the 2006 poverty guidelines. However, the 2006 HHS poverty guidelines only reflect price changes through calendar year 2005; accordingly, they are approximately equal to the Census Bureau poverty thresholds for calendar year 2005. (The 2005 thresholds are expected to be issued in final form in August 2006; a preliminary version of the 2005 thresholds is now available from the Census Bureau.)

**Federal health programs affecting older people and people with disabilities that rely on federal poverty guidelines:**

- **Full Medicaid:**

**Poverty Level Aged and Disabled (PLAD):** States can choose to provide full Medicaid benefits to aged and disabled individuals with incomes up to 100% of the federal poverty level (FPL). For states choosing 100% FPL as their ceiling, eligibility levels for 2006 will be \$817/month (\$9,800/year) for an individual; to \$1,100/month (\$13,200/year) for a couple.

- **Amounts protected for the at-home spouse of a Medicaid nursing facility resident:** Medicaid law allows for certain levels of income and resources to be protected for the community spouse of a nursing facility resident whose care is paid for by Medicaid and who otherwise would have to pay most of her/his income to the facility. The minimum amount of income protected is 150% FPL for two people (\$1,650/month); states must use this amount beginning July 1, 2006 and they may use it immediately. If they do not use it immediately, they will continue to use \$1,603.75. Other protected amounts for 2006, not linked to FPL, are maximum monthly protected income, \$2,488.50, minimum resource allowance, \$19,908, and maximum resource allowance, \$99,540.

- **Medicare Savings Programs:**

**Qualified Medicare Beneficiaries (QMBs):** States must be responsible for all Medicare cost-sharing for Medicare Beneficiaries with incomes up to 100% FPL and limited resources. For this group, the increase will also be to \$816.67/month (\$9,800/year) for an individual; \$1,100/month (\$13,200) for a couple.

- **Specified Low-income Medicare Beneficiaries (SLMBs):** States must pay the Medicare Part B premium for Medicare beneficiaries with incomes between 100% FPL and 120% FPL and limited resources. The new limit for this group will be \$980/month (\$11,760/year) for an individual; \$1,320/month (\$15,840/year) for a couple.

- **Qualified Individual (QI):** States have a limited amount of money from which they must pay, on a first come, first served basis, Medicare Part B premium for Medicare beneficiaries with incomes between 120% FPL and 135% FPL and limited resources. The limit for this group is \$1,102.50/month (\$13,230/year) for an individual; \$1,485/month (\$17,820/year) for a couple.

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**Qualified Disabled and Working Individual (QDWI):** States must pay the Medicare Part A premium for certain working disabled Medicare beneficiaries who have exhausted their entitlement to premium-free Part A benefits and whose incomes do not exceed 200% FPL. The new limit for this group is \$1,633.34/month (\$19,600/year) for an individual; \$2,200/month (\$26,400/year) for a couple.

- Add \$20 to each of the monthly amounts listed above to determine the actual eligibility limit, since applicants are allowed a \$20 disregard from any income before their income is measured against the poverty levels. Couples only get one \$20 disregard.

- **Part D Low-income Subsidies:**

**Full Subsidy:** Medicare Part D provides a full drug subsidy with low co-payments to Medicare beneficiaries with incomes up to 135% FPL and limited resources. For those individuals, the 2005 eligibility limit is \$1,102.50/month (\$13,230/year) for an individual; \$1,485/month (\$17,820/year) for a couple.

- **Partial Subsidy:** Medicare Part D provides a partial subsidy of premium, deductible and co-insurance to Medicare beneficiaries with incomes up to 150% FPL and limited (but higher than allowed for full subsidy) resources. The income limit for this group is \$1,225/month (\$14,700/year) for an individual; \$1,650/month (\$19,800/year) for a couple.

- Unlike rules for Medicare Savings Programs, which allow for a family unit of only one or two, eligibility rules for Part D subsidies will recognize larger family units, to the extent that those family members rely on the applicant or her spouse for one half of their financial support. To calculate the levels for larger family units, start with the yearly amount for one (\$9,800), add \$3,400 for each additional family member, multiply by the applicable percentage of poverty (135% or 150%) and divide the result by 12 for a monthly amount.

- The 2006 poverty guidelines will be used to compute Part D low-income subsidies for the rest of 2006 and for the early months of 2007, until new guidelines are published.