

Low-Income Medicare Beneficiaries Need Better Protection from Health Care Costs

Many Medicare beneficiaries struggle with out-of-pocket costs.

- Many Medicare beneficiaries have low incomes and few assets
- Many Medicare beneficiaries require a high level of care
- The cost of Medicare coverage and services are a burden for Medicare's low-income beneficiaries
- Beneficiaries have to pay out of pocket for what Medicare doesn't cover
- Some help is available—but not enough

The Medicare program is a trusted and valued program that helps 41 million older Americans and 9 million non-elderly Americans with disabilities pay for their health care.¹ Medicare is especially critical for its low-income beneficiaries, many of whom have serious health needs and few financial resources. Although supports like Medicare Savings Programs can help some of these beneficiaries with costs, many are still struggling to pay for their health care. Any future changes to Medicare need to include stronger protections for low-income beneficiaries.

Many Medicare beneficiaries have low incomes and few assets

- Half of Medicare beneficiaries had incomes of less than \$22,500 a year in 2012.² One-quarter of them had incomes of less than \$14,000 a year.³
- Three-quarters of black and Hispanic Medicare beneficiaries had incomes of less than \$26,000 per year in 2010.⁴
- Half of female Medicare beneficiaries, age 65 and older, had incomes of less than \$15,100 in 2010.⁵
- More than a quarter of Medicare beneficiaries 65 and older had less than \$12,000 in savings in 2010. More than half of black and Hispanic beneficiaries 65 and older had less than \$10,000.⁶



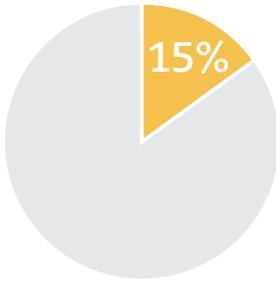
In 2012, half of Medicare beneficiaries made less than \$22,500 a year

Many Medicare beneficiaries require a high level of care

- More than two-thirds of Medicare beneficiaries have two or more chronic conditions.⁷
- 23 percent have a cognitive or mental impairment.⁸
- 15 percent have two or more limitations in activities of daily living (ADLs), such as difficulty bathing themselves or eating on their own.⁹

The cost of Medicare coverage and services are a burden for Medicare's low-income beneficiaries

Medicare coverage includes considerable cost-sharing for beneficiaries, such as the following:

- Annual basic premiums of \$1,259 for most beneficiaries.
 - 20 percent copayments for most doctor services.
 - Average annual prescription drug coverage premiums of \$374, plus copayments for each prescription.
 - A hospital deductible of \$1,184, which beneficiaries can face multiple times per year.¹⁰
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- In 2010, Medicare beneficiaries spent nearly 15% of their household incomes on health care costs**
- The average Medicare household spent more than \$4,500 on health care in 2010—nearly 15 percent of household spending. For households with someone age 80 or older, nearly 18 percent of household spending was on health care.¹¹
 - In 2010, the average monthly social security payment was \$1,151. A Medicare beneficiary who received this help and had average out-of-pocket costs for their health care, would have spent more than a quarter of their social security payment on Medicare Parts B and D alone.¹²
 - 16 percent of Medicare beneficiaries age 65 and older and 46 percent of non-elderly disabled beneficiaries reported delaying care because of cost concerns in 2008.¹³

Beneficiaries have to pay out of pocket for what Medicare doesn't cover

- Traditional Medicare does not cover dental, vision, or hearing services.¹⁴
- 62 percent of Medicare beneficiaries have additional job-based retiree coverage or Medigap coverage, for which they typically pay additional premiums.¹⁵
- Medicare does not cover expensive long-term services and supports. The national average cost of nursing home care in a semi-private room was \$81,030 in 2012.¹⁶
- Medicare does not cap out-of-pocket spending. Beneficiaries requiring extensive health care can face catastrophic expenses.¹⁷

Some help is available for low-income Medicare beneficiaries—but not enough

- Medicaid covers out-of-pocket costs for the lowest-income Medicare beneficiaries, but it has restrictive asset limits.
- Other programs—Medicare Savings Programs and the Part D low-income subsidy—help with premiums and some other out-of-pocket costs for those whose costs aren't wholly covered by Medicaid. However, these programs have restrictive income and asset limits.¹⁸
- In addition, enrollment in Medicare Savings Programs has typically been low.¹⁹
- 17 percent of those in traditional Medicare have no supplemental coverage of any kind, and are thus responsible for all costs Medicare doesn't cover.²⁰

Endnotes

¹ Juliette Cubanski, *An Overview of the Medicare Program and Medicare Beneficiaries' Costs and Service Use*, statement before the Special Committee on Aging: Strengthening Medicare for Today and the Future, U.S. Senate (February 27, 2013), available online at http://www.kff.org/medicare/cubanski_testimony_022713.cfm.

² Ibid.

³ Ibid.

⁴ Kaiser Family Foundation, *Projecting Income and Assets: What Might the Future Hold for the Next Generation of Medicare Beneficiaries?* (Washington: Kaiser Family Foundation, June 2011), available online at <http://www.kff.org/medicare/upload/8172.pdf>.

⁵ Saadia Greenberg, *A Profile of Older Americans: 2011* (Washington: Administration on Aging, U.S. Department of Health and Human Services, 2011), available online at http://www.aoa.gov/aoaroot/aging_statistics/Profile/2011/docs/2011profile.pdf.

⁶ Savings include retirement accounts and other financial assets. Harriet Komisar, Juliette Cubanski, and Tricia Neuman, *Key Issues in Understanding the Economic and Health Security of Current and Future Generations of Seniors* (Washington: Kaiser Family Foundation, March 2012), available online at <http://www.kff.org/medicare/upload/8289.pdf>.

⁷ Centers for Medicare and Medicaid Services, *Chronic Conditions among Medicare Beneficiaries* (Baltimore, MD: CMS, 2012), available online at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Chronic-Conditions/Downloads/2012Chartbook.pdf>.

⁸ Juliette Cubanski, op. cit.

⁹ Ibid.

¹⁰ Centers for Medicare and Medicaid Services, *Medicare Costs 2013* (Baltimore, MD: CMS, 2012), available online at <http://www.medicare.gov/Pubs/pdf/11579.pdf>.

¹¹ Kaiser Family Foundation, *Health Care on a Budget: The Financial Burden of Health Care Spending by Medicare Households: An Updated Analysis of Health Care Spending as a Share of Total Household Spending* (Washington: The Kaiser Family Foundation, March 2012), available online at <http://kff.org/medicare/issue-brief/health-care-on-a-budget-the-financial-burden-of-health-spending-by-medicare-households/>.

¹² This includes only premiums and cost-sharing for Medicare Part B and Part D; few people pay premiums for Part A. Medicare Advantage (Part C) is not included in this calculation. Juliette Cubanski, op. cit.

¹³ Juliette Cubanski and Patricia Neuman, "Medicare Doesn't Work as Well for Younger, Disabled Beneficiaries as it Does for Older Enrollees," *Health Affairs* 29, no 9 (August 2010): 1725-1733, available online at <http://content.healthaffairs.org/content/29/9/1725.full.pdf+html>. Also see Juliette Cubanski and Adrienne Dulio, *Living Close to the Edge: Financial Challenges and Tradeoffs for People on Medicare* (Washington: The Kaiser Family Foundation, June 2011), available online at <http://www.kff.org/medicare/upload/8200.pdf>.

¹⁴ Juliette Cubanski, op. cit.

¹⁵ Ibid.

¹⁶ MetLife Mature Market Institute, *Market Survey of Long Term Care Costs: The 2012 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs* (New York: Metropolitan Life Insurance Company, November 2012), available online at <https://www.metlife.com/assets/cao/mmi/publications/studies/2012/studies/mmi-2012-market-survey-long-term-care-costs.pdf>.

¹⁷ Juliette Cubanski, op. cit.

¹⁸ Centers for Medicare and Medicaid Services, *Low-Income Medicare Savings Programs* (Baltimore, MD: CMS, 2012), available online at <http://www.medicare.gov/your-medicare-costs/help-paying-costs/medicare-savings-program/medicare-savings-programs.html>.

¹⁹ Government Accountability Office, *Medicare Savings Programs: Implementation of Requirements Aimed at Increasing Enrollment* GAO-12-871 (Washington: GAO, September 2012), available online at <http://www.gao.gov/products/GAO-12-871>.

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