

## Improving Low-Income Assistance Programs to Fill Gaps in Medicare

### Financial Assistance Programs for Low-Income Medicare Beneficiaries Need Improvements

Medicare is not free and doesn't cover everything. Low-income assistance programs can help some Medicare beneficiaries who struggle with costs and coverage. However, many who could benefit from these programs are kept out by restrictive income and asset tests – and those who do qualify still incur substantial health care costs. Expanding these programs and streamlining eligibility would enable more people to get the care they need.

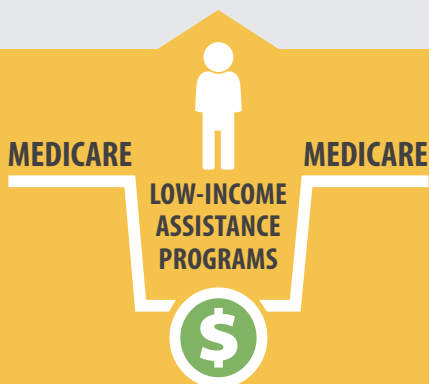
Medicaid, Medicare Savings Programs, and the prescription drug low-income subsidy can help Medicare beneficiaries afford the health care they need. However, these low-income assistance programs have restrictive asset tests and income requirements that can exclude many low-income Medicare beneficiaries. Among people who do qualify, many can still face substantial costs. Improving Medicare's low-income assistance programs so that they cover more people and provide sufficient coverage is essential to protecting beneficiaries from high health care costs and ensuring that they can get the health care they need.

### Low-income assistance programs help with costs and coverage gaps in Medicare.

The traditional Medicare program is an important source of health coverage for 41 million older Americans and 9 million non-elderly Americans with disabilities.<sup>1</sup> However, Medicare's premiums and cost-sharing requirements can be a great burden for low-income Medicare beneficiaries, and the program does not cover all needed services.<sup>2</sup> Low-income assistance programs have been developed to help low-income Medicare beneficiaries pay for their coverage and care. Some beneficiaries are also eligible for additional help through Medicaid.

### Medicare Savings Programs (MSPs)

Administered by state Medicaid agencies, Medicare Savings Programs help low-income beneficiaries with costs. The three programs—the Qualified Medicare Beneficiary (QMB) program, the Specified Low-Income Medicare Beneficiary (SLMB) program, and the Qualified Individual (QI) program—are differentiated by their eligibility criteria and by what costs they cover. (See the table on page 3 to get more information about these programs.)



## The Low-Income Subsidy (LIS) or “Extra Help”

The low-income subsidy for prescription drugs is a separate program that helps Medicare beneficiaries pay premiums and cost-sharing for prescription drug coverage. It is available to most Medicare Part D enrollees who qualify for Medicare Savings Programs, as well as some additional low-income Medicare beneficiaries, and is administered by the federal government.

### Understanding Dual Eligibles and Medicare Savings Programs

#### ■ Full Dual Eligibles:

**Receive all benefits of Medicare and Medicaid**

Medicare beneficiaries who meet the lowest income and asset eligibility thresholds are considered “full dual eligibles.” They can have their Medicare Part A and B premiums and cost-sharing covered through Medicare Savings Programs and are also eligible for additional Medicaid services that Medicare does not cover.

#### ■ Partial Dual Eligibles:

**Medicaid helps cover Medicare costs**

Medicare beneficiaries who have incomes and/or assets that are too high to qualify for full Medicaid coverage but who still have low incomes and need assistance may qualify as “partial dual eligibles.” Partial dual eligibles can receive assistance with some Medicare costs through Medicare Savings Programs, but they are not eligible for full Medicaid services.

## Many Medicare beneficiaries still face high health care costs.

- The SLMB and QI programs cover only Medicare Part B premiums—they do not provide any assistance with Medicare’s other substantial cost-sharing requirements.
- In 2010, Medicare beneficiaries with incomes between 100 and 200 percent of poverty spent 15.9 percent of their household expenditures on health care, and those with incomes between 200 and 300 percent of poverty spent 17.1 percent.<sup>3</sup>

## Low-income assistance programs do not help enough Medicare beneficiaries.

- Medicare Savings Programs and the low-income subsidy cover only beneficiaries with incomes up to 150 percent of poverty (\$17,235 per year for an individual in 2013).
- An individual with income of \$18,500—about 160 percent of poverty in 2013—receives no assistance despite facing annual Medicare premiums of \$1,259, high deductibles, prescription drug costs, and 20 percent co-insurance for most doctor services.<sup>4</sup>

## Low-Income Assistance Programs

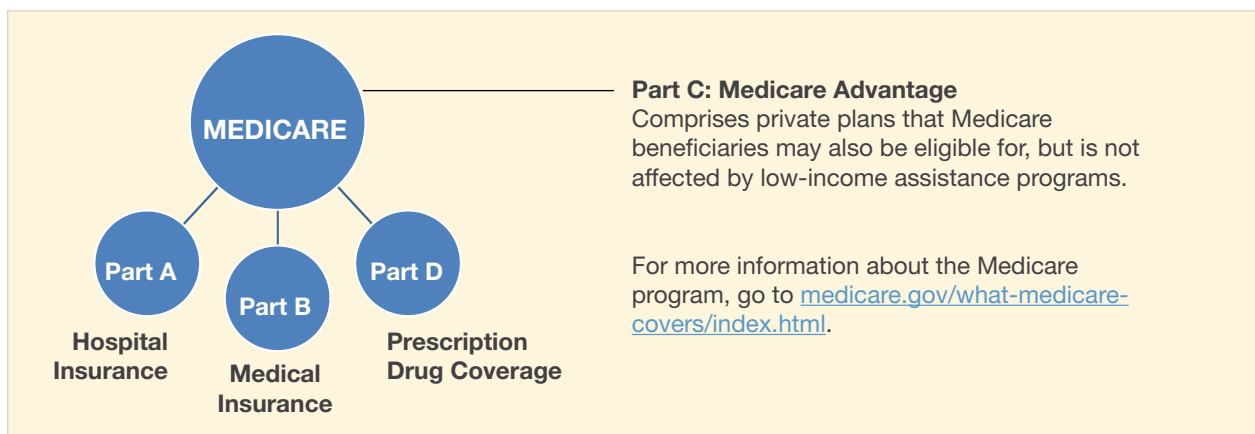
Program Name		Income Level	Asset Limits (2013)*	What It Covers
Medicaid		Eligibility criteria for SSI (74% of poverty) or other state-specified income standard**	\$2,000 for an individual, \$3,000 for a couple**	Medicare Part A and B premiums and cost-sharing, as well as full range of other Medicaid services
Medicare Savings Programs (MSPs)	Qualified Medicare Beneficiary (QMB)	Less than 100% of poverty**	\$7,080 for an individual, \$10,620 for a couple (not including some non-liquid assets such as one home, one car, and personal burial funds)**	Medicare Part A and B premiums and cost-sharing
	Specified Low-Income Medicare Beneficiary (SLMB)	100-120% of poverty**		Medicare Part B premiums
	Qualified Individual (QI)	120-135% of poverty**		Medicare Part B premiums
The Low-Income Subsidy (LIS): Prescription Drug “Extra Help”	Low-Income Subsidy Full Benefit	Less than 135% of poverty	\$8,580 for an individual, \$13,620 for a couple	Monthly Medicare Part D premium and annual deductible, substantially lowers copayments
	Low-Income Subsidy Partial Benefit	Less than 150% of poverty	\$13,300 for an individual, \$26,580 for a couple	Reduces monthly Medicare Part D premium and deductible, lowers co-insurance and some copayments

### Table Notes:

In 2013, 100% of the federal poverty level was \$11,490 for an individual and \$15,510 for a couple.

\* Asset limits for MSPs and LIS are indexed to inflation; asset limits for Medicaid are not.

\*\* States have the option to implement asset and income disregards, which effectively raise eligibility levels.



## **Medicare Savings Programs and the low-income subsidy have restrictive asset tests.**

- Asset tests penalize people for saving. If seniors save even a modest amount of money for retirement, they cannot get assistance with high health care costs.
- Asset tests for Medicare Savings Programs are burdensome and discourage enrollment, even among those who are eligible.<sup>5</sup> They can require applicants to report and document bank accounts, stocks and bonds, automobiles, jewelry, and more.
- Some low-income subsidy beneficiaries face additional verifications in order to qualify for Medicare Savings Programs.<sup>6</sup> States are permitted to count income and assets differently for Medicare Savings Programs and the low-income subsidy (for example, burial funds and life insurance may be treated differently).

## **Improvements to Medicare Savings Programs and the low-income subsidy would help more people afford health care.**

- Increasing the income eligibility level of Medicare Savings Programs and the low-income subsidy would allow more Americans with serious health needs to get the help they need.
- Eliminating or increasing asset limits would increase enrollment, allow more beneficiaries to receive affordable health care services, and decrease administrative costs.<sup>7</sup>
- Aligning eligibility criteria and measures across programs would simplify the application processes, allow more eligible people to enroll in both the low-income subsidy and Medicare Savings Programs, and decrease burdens for program administrators.<sup>8</sup>

## Endnotes

<sup>1</sup> Juliette Cubanski, *An Overview of the Medicare Program and Medicare Beneficiaries' Costs and Service Use*, statement before the Special Committee on Aging, U.S. Senate (February 27, 2013), available online at [http://www.kff.org/medicare/cubanski\\_testimony\\_022713.cfm](http://www.kff.org/medicare/cubanski_testimony_022713.cfm).

<sup>2</sup> See Families USA, *Low-Income Medicare Beneficiaries Need Better Protection from Health Care Costs* (Washington: Families USA, October 2013), available online at <http://familiesusa2.org/assets/pdfs/medicare/Low-Income-Beneficiaries.pdf>.

<sup>3</sup> Juliette Cubanski, Anthony Damico, Zachary Levinson, Jennifer Huag, and Tricia Neuman, *Health Care on a Budget: The Financial Burden of Health Spending by Medicare Households* (Washington: 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/>.

<sup>4</sup> See details of Medicare costs at <http://medicare.gov/your-medicare-costs/index.html>.

<sup>5</sup> Stan Dorn and Baoping Shang, "Spurring Enrollment in Medicare Savings Programs through a Substitute for the Asset Test Focused on Investment Income," *Health Affairs* 31, no. 2 (February 2012):367-375, available online at <http://content.healthaffairs.org/content/31/2/367.full.html>.

<sup>6</sup> Families USA, *Making the Medicare Improvements for Patients and Providers Act (MIPPA) Work* (Washington: Families USA, February 2010), available online at <http://www.familiesusa.org/assets/pdfs/mippa-making-it-work.pdf>.

<sup>7</sup> Amy M. Tiedemann and Kimberley Fox, *Promising Strategies for Medicare Savings Program Enrollment: Modifying Eligibility Criteria and Documentation Requirements* (New Brunswick, NJ: Rutgers Center for State Health Policy, 2005), available online at [http://www.allhealth.org/briefingmaterials/Promising\\_Strategies\\_Brief\\_2005-312.pdf](http://www.allhealth.org/briefingmaterials/Promising_Strategies_Brief_2005-312.pdf).

<sup>8</sup> Government Accountability Office, *Medicare Savings Programs: Implementation of Requirements Aimed at Increasing Enrollment* (Washington: Government Accountability Office, 2012), available online at <http://www.gao.gov/assets/650/648370.pdf>.

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