Restructuring Medicare Cost Sharing: Exploring Options to Protect Low-Income Beneficiaries

Presented by: Leslie Fried
Director, Policy and Programs
National Center for Benefits Outreach & Enrollment
Medicare Beneficiary Characteristics

- Medicare beneficiaries have low or modest incomes
  - In 2010, half lived on annual incomes less than $22,000
  - One-third have annual incomes less than $16,755
  - Median income for older women is about $15,072
- Nearly half (45%) of Medicare population have 3 or more chronic conditions
- 29% have cognitive or mental impairment
Out-of-Pocket Costs are Substantial

- Average Medicare household spent $4,500 per year on health care
  - Part B premium most significant expense
- Medicare households spend more on health care costs than non-Medicare households
  - 15% of Medicare household spending is on health care costs compared to 5% for non-Medicare household
- Medicare households just above poverty level spend a greater share of income on health care than lowest income or highest income
## 2013 Medicare Parts A and B Cost-sharing Amounts

<table>
<thead>
<tr>
<th>Part A</th>
<th>Beneficiary Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Deductible</td>
<td>$1,184/benefit period</td>
</tr>
<tr>
<td>Hospital Copayment</td>
<td>$296/day for days 61-90</td>
</tr>
<tr>
<td></td>
<td>$592/day for days 91-150</td>
</tr>
<tr>
<td>SNF Copayment</td>
<td>$0/day for days 1-20</td>
</tr>
<tr>
<td></td>
<td>$148/day for days 21-100</td>
</tr>
<tr>
<td></td>
<td>100% of cost for days 101+</td>
</tr>
</tbody>
</table>

### Part B

| Premium          | $104.90/month; higher if income is $85,000/$170,000 or more |

| Deductible       | $147                                               |

| Ambulatory/Outpatient services | 20% of Medicare approved amount for most Part B services if provider accepts assignment |
### 2013 Medicare Parts C and D Cost-sharing Amounts

<table>
<thead>
<tr>
<th>Part C</th>
<th>Beneficiary Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>Varies by plan</td>
</tr>
<tr>
<td>Deductible/Cost-share</td>
<td>Varies by plan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part D</th>
<th>Standard Annual Deductible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>Varies; 2013 average $31.17/month</td>
</tr>
</tbody>
</table>

**Standard Coinsurances**

- **Initial coverage period ($326-$2,970)**: 25%
- **Coverage gap ($2,971-$6,733.75)**: 47.5% brand; 79% generic drugs
- **Catastrophic period ($6,733.75)**: 5% or $2.65/$6.60

**Alternative Deductible/Cost-share**

- Varies by plan
Overview: Four Different Types of Medicare Savings Programs (MSP) Coverage within Medicaid

- **Qualified Medicare Beneficiary (QMB)**
  - Pays Part A premium (if applicable) and Part B premium; also, Part A & B deductibles, copayments and/or coinsurance

- **Specified Low-Income Beneficiary (SLMB)**
  - Pays Part B premium

- **Qualified Individual (QI)**
  - Pays Part B Premium
    - A block grant, if states exceed their allotment, enrollment ceases for the year
    - Congress has not made this program a permanent part of Medicaid – periodically must be reauthorized

- **Qualified Disabled Working Individual (QDWI)**
  - Pays for Part A premium for certain people who lost Social Security Disability Insurance (SSDI) because they can now work
Eligibility Rules for Medicare Savings Programs

- **Financial eligibility criteria (in 2013):**

<table>
<thead>
<tr>
<th></th>
<th>QMB*</th>
<th>SLMB*</th>
<th>QI*</th>
<th>QDWI**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monthly Income</strong></td>
<td>Up to 100% FPL</td>
<td>101-120% FPL</td>
<td>121-135% FPL</td>
<td>&lt; 200% FPL</td>
</tr>
<tr>
<td>$978 single</td>
<td>$1,169 single</td>
<td>$1,313 single</td>
<td>$1,765 married</td>
<td></td>
</tr>
<tr>
<td>$1,313 married</td>
<td>$1,571 married</td>
<td>$1,765 married</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Resource</strong></td>
<td>$7,080 single</td>
<td>$7,080 single</td>
<td>$7,080 single</td>
<td>$4,000 single</td>
</tr>
<tr>
<td>$10,620 married</td>
<td>$10,620 married</td>
<td>$10,620 married</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Type of Benefit</strong></td>
<td>Entitlement</td>
<td>Entitlement</td>
<td>Block grant to states</td>
<td>Entitlement</td>
</tr>
<tr>
<td><strong>Retroactivity</strong></td>
<td>None</td>
<td>90 days if eligible</td>
<td>90 days if eligible</td>
<td>90 days if eligible</td>
</tr>
</tbody>
</table>

- **Note:** *Amounts include $20 income disregard. Also, states may choose to increase these federal guidelines.

- **** Amounts include disregards
Part D Low-income Subsidy/Extra Help for 2013

- Low-Income Subsidy (LIS)/Extra Help:
  - Income Eligibility:
    - Full subsidy: Income <135% FPL ($1,293/month if single, $1,745/month for married couple)
    - Partial subsidy: Income <150% FPL (up to $1,436/month if single, $1,939/month if married)
  
  Note: People with higher incomes may also be eligible if: they work, support other family member living with them, and/or live in Alaska or Hawaii

  - Resource/Asset Eligibility (2013):
    - Full subsidy: up to $8,580 single/$13,620 married
    - Partial subsidy: up to $13,300 single/$26,580 married

  Note: These numbers include $1,500 per person burial allowance
Part D - LIS/Extra Help Benefit

- Those who qualify for the **full subsidy** in 2013 pay:
  - No premiums
  - No deductible
  - Copays up to $2.65 generic/$6.60 brand-name drugs (based on income) – certain people pay $1.15 generic/$3.50 brand-name drugs
  - No Coverage Gap
  - No copay after reaching $4,750 limit

- Those who qualify for the **partial subsidy** in 2013 pay:
  - No premium or sliding scale premium (based on income)
  - $66 deductible
  - 15% coinsurance for plan covered drugs
  - No Coverage Gap
  - Copays of $2.65 generic/$6.60 brand-name drugs after reaching $4,750 limit

- People with LIS do not have a Coverage Gap, and are excused from paying any Part D plan late-enrollment penalty premiums.
Relationship to Other Benefits: Part D
LIS/Extra Help

- People enrolled in an MSP automatically qualify for the Low-Income Subsidy (LIS)/Extra Help ("deemed eligible")

- Individuals with LIS do NOT automatically qualify for MSPs, rather:
  - When they apply for LIS (unless they decline), Social Security sends their LIS application information to their state Medicaid agency where it triggers an application for MSP
  - Social Security does not send information about people who already have MSP, nor do they process LIS applications from people who already have MSP. Since they are deemed eligible for LIS, they do not have to apply
Eligibility for New Subsidies under the ACA

• Financial assistance to pay premiums: individuals with incomes between 100 to 400% of FPL
• Financial assistance to pay other cost-sharing between 100 to 250% of FPL
• Medicaid expansion: Up to 138% of FPL
• No asset test for subsidies/expansion
• No subsidies for individuals eligible for Medicare. Beneficiaries will lose subsidies. May not be eligible for MSP
Statistics about MSPs and LIS

- As of December 2011, there are:
  - 4 million QMBs
  - 1 million SLMBs
  - Almost 500,000 million QIs

- As of April 2012, there are:
  - 10.8 million enrolled in LIS

- Only 33% of those eligible for QMB are enrolled
- Only 13% of those eligible for SLMB are enrolled
Steps to Improve Enrollment in MSP and Extra Help

Congress has taken various steps to eliminate barriers to increase enrollment, especially under MIPPA:

- Aligned MSP asset test with LIS
- Removed life insurance as a countable asset
- SSA transfers data from LIS applications to states for MSP application
- SSA outreach campaign
- Funding for State Health Insurance Assistance Programs (SHIPs), Area Agencies on Aging (AAAs), and Aging and Disability Resource Centers (ADRCs) to:
  - Help low-income Medicare beneficiaries enroll in Part D Low Income Subsidy (LIS/Extra Help) and Medicare Savings Programs (MSP) and assist rural residents to enroll in Part D
  - Fund National Center for Benefits Outreach & Enrollment
Challenges to Enrollment of Eligible Individuals into MSPs

- Lack of awareness about programs
- Countering negative stereotypes about “welfare” programs
- Reaching rural populations (isolation, transportation)
- Bottlenecks at local offices (SSA, Medicaid, etc.)
- Disincentive for states to enroll in MSPs (not QI) because increase cost to state Medicaid programs
- Some states don’t accept LIS data sent from SSA as verified
Challenges: MSP and Medicaid Applications

- 23 states still have full Medicaid applications; several retain language re: state recovery of assets, even for those just applying for MSPs
- Even in states with short MSP applications work is needed to improve accessibility (language, design) of forms
  - Nevada worked with other state agencies to adopt a simplified Medicaid application
Challenges: MSPs Need Better Promotion

- In 38 states, finding key information about MSPs could challenge even a computer savvy benefits professional.
- Web pages on MSPs often lack key information such as: program types, their benefits, eligibility criteria, where to get help, and how to apply.
- Examples of good MSP pages: Connecticut, Oklahoma, South Carolina, and Wisconsin.
Strengthen Protections for Low-income Beneficiaries

Current protections are inadequate. Options include:

- Increase income eligibility for all programs
  - ACA: 100-400% of FPL for premium subsidy
    - Up to 250% of FPL for reduced cost-sharing
- Eliminate the asset test for all programs
  - ACA: no asset test
- Make the QI program permanent
  - Reliance on funding in annual Doc Fix “extenders package”
  - QI should be made permanent in SGR legislation
Contact Information

Visit us on the web at: www.ncoa.org

Leslie Fried

National Council on Aging, National Center for Benefits Outreach and Enrollment

Leslie.fried@ncoa.org