

Medicare and HIV/AIDS

September 2004

Medicare is the federal health insurance program that covers more than 41 million Americans, including 35 million seniors and 6 million people under age 65 with permanent disabilities.¹ Medicare is an important source of coverage for people with HIV/AIDS who are disabled, have sufficient work history to qualify for Social Security Disability Insurance (SSDI) benefits, and live long enough to qualify for Medicare. Although most Medicare beneficiaries with HIV/AIDS are under age 65 and qualify as a result of their disability status, some may also qualify as seniors (approximately 2% of people estimated to be living with AIDS are age 65 or older²).

Medicare is the second largest source of federal spending for HIV/AIDS care in the United States. The Centers for Medicare and Medicaid Services (CMS) estimates that FY 2004 Medicare spending for AIDS care will total \$2.6 billion, or approximately one-quarter (24%) of federal spending on HIV/AIDS care (see Figure 1).^{3,4,5} For FY 2005, CMS projects Medicare spending on HIV/AIDS to rise to \$2.9 billion.^{3,5} Spending on HIV/AIDS, however, represents less than 1 percent of total Medicare spending (\$297 billion in FY 2004⁶).

- Part D will add outpatient prescription drug coverage to the Medicare program, effective January 1, 2006, under the *Medicare Prescription Drug, Improvement, and Modernization Act of 2003* (MMA). Beneficiaries entitled to Part A or enrolled in Part B will be eligible to enroll in Part D. Before 2006, Medicare beneficiaries can get help with their prescription drug costs from Medicare-approved drug discount cards and some low-income beneficiaries will receive subsidies towards the cost of their medications.⁷

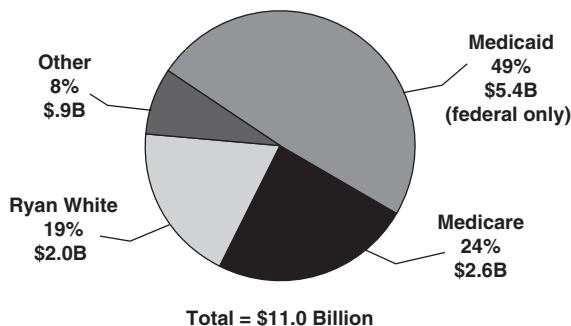
Medicare Eligibility

Most individuals age 65 and older are automatically entitled to Medicare if they are eligible for or receive Social Security payments, which are based on "credits" earned through working (see Figure 2). People under the age of 65 may be eligible for Medicare if:

- They are deemed disabled due to a physical or mental impairment that prevents them from working for a year or more or that is expected to result in death; and
- They have earned enough work credits to receive SSDI payments (the number of credits needed depends on age). Federal law requires a 5-month waiting period after becoming disabled before receipt of SSDI benefits and then a 24-month waiting period before an SSDI beneficiary can receive Medicare coverage, resulting in a total of 29 months before receipt of health benefits through Medicare for SSDI recipients.

Finally, most individuals with End-Stage Renal disease (ESRD) are also entitled to Medicare coverage, regardless of age. HIV disease, as well as some of its treatments, is associated with renal complications, including ESRD,⁸ and some people with HIV may qualify for Medicare due to ESRD.

Figure 1: Federal Spending on HIV/AIDS Care by Program, FY 2004



Sources: KFF, *Trends in U.S. Government Funding for HIV/AIDS: Fiscal Years 1981 to 2004*, March 2004; Medicaid and Medicare estimates from CMS, Office of the Actuary, 2004, and HHS Office of Budget, 2004.

Medicare Benefits

Medicare is comprised of the following parts:¹

- Part A (Hospital Insurance Program): helps pay for inpatient hospital services, skilled nursing facilities, home health services and hospice care.
- Part B (Supplemental Medical Insurance): helps pay for physician services, outpatient hospital services, lab tests, medical equipment and supplies.
- Part C (now Medicare Advantage, formerly Medicare+Choice): managed care plans contract with Medicare to provide both Part A and B services to enrollees.

Figure 2: Medicare Eligibility Pathways for People with HIV/AIDS

| Eligibility Category | Eligibility Criteria |
|--|---|
| Individuals age 65 and older | Sufficient number of work credits to qualify for Social Security payments |
| Individuals under age 65 with permanent disability | Sufficient number of work credits to qualify for SSDI payments due to disability; and Have been receiving SSDI payments for at least 24 months |
| Individuals with End-Stage Renal Disease (ESRD), any age | Sufficient number of work credits to qualify for Social Security payments |

Profile of Medicare Beneficiaries with HIV/AIDS

Few studies have been conducted of Medicare beneficiaries with HIV/AIDS. The HIV Cost and Services Utilization Study (HCSUS), the only nationally representative study of people with HIV/AIDS in care, found that Medicare covered almost one in five (19%) people

with HIV/AIDS in care in 1996, including 6% covered by Medicare alone and 12–13% dually covered by Medicare and Medicaid.^{9,10}

HCSUS found that Medicare beneficiaries with HIV/AIDS:⁹

- Primarily qualify for Medicare through SSDI, as indicated by the large majority (82%) who are below age 50.
- Are largely dual Medicare and Medicaid beneficiaries: approximately two-thirds also qualify for Medicaid.
- Are slightly older than all people with HIV/AIDS in care: 17% of Medicare beneficiaries with HIV/AIDS are 50 or older compared to 11%.
- Are at a more advanced stage of illness: approximately two-thirds (65%) have CD4 counts below 200, compared to 53% of all people with HIV in care.
- Are more likely to be white (53%) and male (84%) compared to the HIV-positive population in care in the U.S.
- Are lower income: 59 percent have household incomes below \$10,000 compared to 46 percent of all people with HIV/AIDS in care, underscoring the importance of Medicaid coverage for this population.

Applying HCSUS findings⁹ to the Centers for Disease Control and Prevention's estimate that approximately 445,000 people living with HIV/AIDS are in care in the U.S.¹¹ yields approximately 85,000 Medicare beneficiaries with HIV/AIDS, including approximately 55,000 dually covered by Medicaid and Medicare.

Filling the Gaps in Medicare Coverage

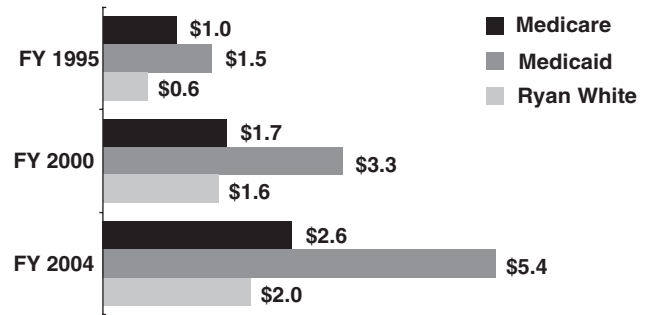
Although Medicare provides broad coverage of basic health care services, it has high cost-sharing requirements, no cap on out-of-pocket spending, and doesn't cover services such as long-term care and, until 2006, has no prescription drug benefit. Medicare beneficiaries must rely on supplemental sources of coverage to fill in gaps. Medicaid, the nation's major health insurance program for low-income Americans, is a particularly critical source of coverage for the approximately 55,000 Medicare beneficiaries with HIV/AIDS who also qualify for Medicaid, which provides them with prescription drugs and other important benefits. The AIDS Drug Assistance Program (ADAP) of the Ryan White CARE Act is an important source of prescription drugs for Medicare beneficiaries with HIV/AIDS who do not qualify for Medicaid and have no other coverage source, or have coverage limits. In June 2003, 8% of ADAP clients had Medicare coverage.¹² It is unclear how the implementation of Medicare Part D in 2006 will affect the scope of drug coverage for Medicare beneficiaries with HIV/AIDS.

Medicare Spending and Caseload

Forecasting the growth in the number of Medicare beneficiaries with HIV/AIDS is difficult. On the one hand, the number may grow as more people with HIV/AIDS live longer; on the other, the success of combination antiretroviral therapy may keep people with HIV from meeting the SSDI eligibility criteria needed to receive Medicare coverage. In addition, those newly infected with HIV are more likely to be low-income¹³ and may therefore be less likely to have sufficient work history to meet eligibility criteria.

CMS estimates that Medicare spending for AIDS care has increased from \$1.0 billion in FY 1995 to \$2.6 billion in FY 2004, a slower rate of growth than spending under Medicaid and the Ryan White CARE Act.^{3,4} It is likely that Medicare spending for beneficiaries with HIV/AIDS will increase when the Medicare Part D drug benefit goes into effect in 2006.

Figure 3: Federal Spending for HIV/AIDS Care through Medicare, Medicaid, and Ryan White, FY 1995–2004 (in billions)



Sources: KFF, *Trends in U.S. Government Funding for HIV/AIDS: Fiscal Years 1981 to 2004*, March 2004; Medicaid and Medicare estimates from CMS, Office of the Actuary, 2004, and HHS Office of Budget, 2004.

Future Outlook

Medicare will continue to be an important source of coverage for people with HIV/AIDS, particularly with the start of the new drug benefit in 2006. Among the ongoing policy challenges and issues concerning Medicare for people with HIV/AIDS are: the waiting period before SSDI recipients can obtain Medicare benefits; gaps in existing coverage; and, the potential difficulty in meeting federal disability criteria.

Additional challenges and questions raised by the new drug benefit include: the adequacy of drug formularies for people with HIV/AIDS, including whether new drugs will be added as they become available; potential lapses in prescription drug coverage for dual eligibles, as their drug benefit shifts from Medicaid to Medicare; a gap (the “doughnut hole”) in prescription drug coverage for many beneficiaries until their out-of-pocket costs reach catastrophic coverage thresholds; and, for those who use ADAP to fill the doughnut hole, uncertainty about whether ADAP spending will count as “true out-of-pocket” expenses towards the catastrophic threshold, potentially straining ADAPs further.^{7,14} These issues require close monitoring to assess how the new law may benefit or pose challenges to people with HIV/AIDS.

References

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Prepared by Jennifer Kates and Alyssa Wilson of the Kaiser Family Foundation (KFF). Additional copies of this publication (#7171) are available on the Kaiser Family Foundation's website at www.kff.org.

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