kaiser commission on medicaid and the uninsured

THE HENRY J. KAISER FAMILY FOUNDATION

MEDICAID FACTS

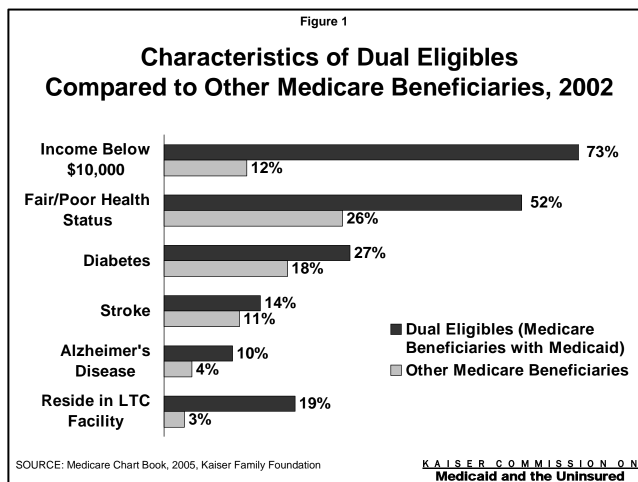
July 2005

Dual Eligibles: Medicaid's Role for Low-Income Medicare Beneficiaries

Almost 7.5 million Medicaid beneficiaries are "dual eligibles," low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. While Medicare covers basic health services, including physician and hospital care, dual eligibles rely on Medicaid to pay Medicare premiums and cost-sharing and to cover critical benefits Medicare does not cover, such as prescription drugs and long-term care. Starting in 2006, prescription drug coverage for dual eligibles will shift from Medicaid to Medicare, but state Medicaid programs will continue to face challenges in financing coverage of dual eligibles.

Who Are Dual Eligibles?

Dual eligibles account for 14% of Medicaid enrollees and 18% of Medicare beneficiaries, including virtually all elderly and over one-third of non-elderly beneficiaries with disabilities in Medicaid. Most dual eligibles have very low-incomes: 73% have annual income below $10,000 compared to 12% of all other Medicare beneficiaries. Most dual eligibles also have substantial health needs: over half are in fair or poor health, twice the rate of others in Medicare. In addition, a third have significant limitations in activities of daily living compared to 11% of other Medicare beneficiaries. Dual eligibles are also more likely to live in nursing homes compared to other Medicare beneficiaries (Figure 1).



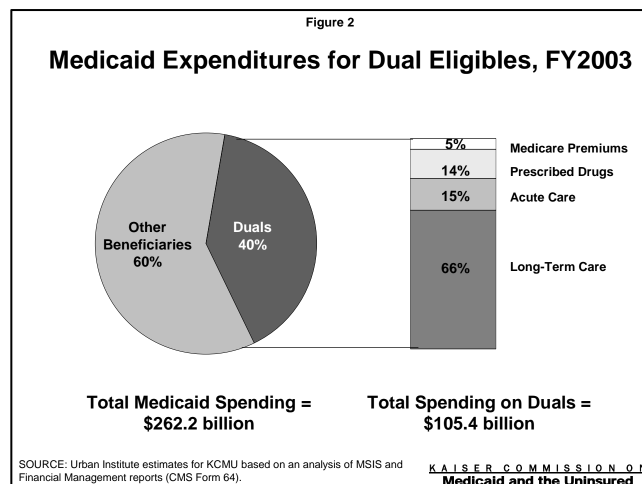
Why Do Medicare Beneficiaries Need Medicaid?

Medicare has significant gaps in coverage that 18% of beneficiaries rely on Medicaid to fill, such as:

- Medicaid pays the Medicare Part B premium ($78/month in 2005);
- Medicaid pays the cost-sharing charged for many Medicare services; and
- Medicaid covers a range of key benefits not covered by Medicare, such as long-term care, dental and vision care, and until 2006, prescription drugs.

The majority of dual eligibles (6.2 million) receive full Medicaid benefits and assistance with Medicare premiums and cost-sharing. The remaining dual eligibles (1.3 million) only receive assistance with their Medicare premiums and cost-sharing. Given their extensive health care needs, dual eligibles require and use more services than others in Medicare. On average, total health care costs for dual eligibles are double those of other Medicare beneficiaries. Medicare covers less than half (43%) of total costs, while Medicaid covers 38% and out-of-pocket spending comprises the remainder.

Dual eligibles comprise a large share (40%) of total Medicaid spending. The majority of Medicaid expenditures for dual eligibles are for long-term care services (66%); prescription drugs account for 14% and other acute care services to supplement Medicare account for 15% and payment of Medicare premiums accounts for 5% of spending (Figure 2).



1330 G Street, NW, Washington, DC 20005
Phone: (202) 347-5270, Fax: (202) 347-5274
www.kff.org/kcmu

How Do Dual Eligibles Qualify for Medicaid?

Medicare beneficiaries can obtain Medicaid through different eligibility "pathways," and the kind of assistance that Medicaid provides varies accordingly (Figure 3). The poorest Medicare beneficiaries, including those who have exhausted their resources paying for health and long-term care (sometimes known as "medically needy" or "spend-down"), receive assistance with Medicare premiums and cost sharing and coverage of Medicaid benefits. Most dual eligibles qualify for Supplemental Security Income (SSI) cash assistance or have incurred nursing home costs. Dual eligibles who spend down to receive assistance with nursing home care must apply all of their income per month except for a small personal needs allowance toward the cost of their care.

Figure 3

Medicaid Eligibility & Benefits for Medicare Beneficiaries, 2005

Pathway	Income Eligibility*	Asset Limit Individual/Couple	Medicaid Benefits	Medicare Premiums & Cost-sharing
Mandatory				
SSI Cash Assistance**	≤ 74% of poverty (SSI income eligibility)	$2,000 $3,000	√	√
Qualified Medicare Beneficiary (QMB)	≤ 100% of poverty	$4,000 $6,000		√
Specified Low-Income Beneficiary (SLMB)	100-120% of poverty	$4,000 $6,000		premium only
Optional				
Medically Needy	Individuals who spend income down to a specified level	$2,000 $3,000	√ ***	√
Poverty Level	≤ 100% of poverty	$2,000 $3,000	√	√
Special Income Rule for Nursing Home Residents	Institutionalized individuals with income < 300% of the SSI level	$2,000 $3,000	√	√
HCBS Waivers	Must be eligible for institutional care		√	√

*In 2005, the federal poverty level (FPL) is $798/month for individuals and $1,069 for couples
**States that elect the so-called "(209b)" option can set lower levels.
***Medicaid benefits may be more limited than for SSI

KAISER COMMISSION ON Medicaid and the Uninsured

For Medicare beneficiaries with income or resources just above the federal poverty level, Medicaid's assistance is more limited, primarily covering Medicare premiums. This assistance is referred to as the "Medicare Savings Programs" or "buy-in programs," and the beneficiaries who qualify for it are known as Qualified Medicare Beneficiaries (QMB), Specified Low-Income Medicare Beneficiaries (SLMB), and Qualifying Individuals (QI) – after the provisions that added these programs.

Future Challenges

Medicaid's coverage is an important supplement to Medicare. Medicaid helps assure that access to care for dual eligibles, who are substantially sicker and poorer than other Medicare beneficiaries, is not jeopardized by the gaps in Medicare.

The Medicare Modernization Act (MMA) has particular significance for over 6 million dual eligibles who currently rely on Medicaid for prescription drug coverage. Under the law, dual eligibles will no longer receive their drug coverage from Medicaid and instead will select or be autoenrolled in private Medicare prescription drug plans effective January 1, 2006.

State officials maintain that the federal government should take greater fiscal responsibility under Medicare for the health care costs of dual eligibles. Even though the new Medicare law moves coverage of prescription drugs for dual eligibles from Medicaid to Medicare, states are required to make "clawback" payments to the federal government that offset much of the fiscal relief that state policymakers expected from a Medicare drug benefit.

The MMA does not alter Medicaid's other roles for duals; state Medicaid programs will continue to be responsible for paying for long-term care and Medicare's Part B premium and cost-sharing for dual eligibles. Medicaid is the only major source of assistance with long-term care financing in the nation, paying for 1 out of 2 nursing home dollars. Increasingly state Medicaid programs have promoted the development of home and community-based alternatives to institutionalization, but substantial unmet need remains.

Meeting these responsibilities contributes to ongoing Medicaid budget pressures. The tension between the federal and state government over fiscal responsibility for dual eligibles is likely to grow as the population ages and fiscal pressure continues to challenge government budgets. However, given the health needs of dual eligibles, it is important that fiscal constraints do not compromise their access to needed care.

For additional copies of this publication (#4091-04) please visit our website www.kff.org/kcmu.

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.