

MEDICARE

LOW-INCOME ASSISTANCE UNDER THE MEDICARE DRUG BENEFIT

February 2008

Medicare's 44 million elderly and disabled beneficiaries have access to the Part D drug benefit offered through private plans approved by the federal government (stand-alone or Medicare Advantage drug plans). The drug benefit includes substantial premium and cost-sharing subsidies for Medicare beneficiaries with low incomes and modest resources, including beneficiaries eligible for full Medicaid benefits (dual eligibles). As of early 2008, nearly four in ten Medicare Part D plan enrollees are receiving low-income subsidies.

Low-income subsidies are intended to reduce or eliminate enrollees' out-of-pocket expenses associated with the drug benefit, including premiums, deductibles, copayments, and costs in the coverage gap (also called the doughnut hole). Part D plans are required to offer a statutorily defined standard benefit or one that is actuarially equivalent, or in the case of MA-PD plans, an enhanced plan that is available for no additional premium. The standard benefit for 2008 has a \$275 deductible, then coinsurance of 25% up to \$2,510 in total drug costs, followed by a gap in coverage between \$2,510 and \$5,726 where enrollees pay 100% of the costs of their drugs. After enrollees have incurred \$4,050 in out-of-pocket expenses, they qualify for catastrophic coverage, and pay 5% of drug costs.

WHO QUALIFIES FOR LOW-INCOME SUBSIDIES AND WHAT HELP DO THEY GET?

Dual eligibles who typically qualify for Medicaid based on their income and assets are automatically deemed eligible for Medicare prescription drug low-income subsidies. Additionally, those who receive premium and/or cost-sharing assistance from Medicaid through the Medicare Savings Programs (QMB, SLMB, QI), and those only eligible for SSI cash assistance are also automatically deemed eligible for low-income subsidies and need not apply for them.

Dual eligibles and others deemed eligible for low-income subsidies pay no Part D plan premiums or deductibles, but pay \$1.05 or \$2.25 for generic drugs and \$3.10 or \$5.60 for brand-name drugs, depending on their income. Though nominal, these copayments are an added expense for dual eligibles who may not have been charged for drugs under their state Medicaid programs. Dual eligibles in nursing homes have no drug copayments under Part D plans.

Other low-income Medicare beneficiaries must meet an income and resource test and submit an application to determine if they qualify for low-income subsidies. Those with income below 150% of poverty (\$15,600/individual; \$21,000/couple in 2008) and limited resources (below

\$11,990/individual; \$23,970/couple in 2008) are also eligible for premium and cost-sharing subsidies. These individuals must apply for subsidies through the Social Security Administration (SSA) or their state Medicaid program. In general, greater premium and cost-sharing assistance is targeted to those with lower incomes and resources.

Medicare Prescription Drug Benefit Subsidies for Low-Income Beneficiaries, 2008

Low-Income Subsidy Level	Monthly Premium	Annual Deductible	Copayments
Individuals with Medicare and Medicaid	\$0	\$0	\$1.05-\$2.25/generic \$3.10-\$5.60/brand-name; no copays after total drug spending reaches \$5,726
Individuals with Medicare and Medicaid in nursing homes	\$0	\$0	No copays
Individuals with income <135% of poverty and resources <\$7,790/individual; \$12,440/couple	\$0	\$0	\$2.25/generic \$5.60/brand-name; no copays after total drug spending reaches \$5,726
Individuals with income 135%-150% of poverty and resources <\$11,990/individual; \$23,970/couple	sliding scale up to \$27.93*	\$56	15% of total costs up to \$5,726; \$2.25/generic \$5.60/brand-name thereafter

Note: 2008 poverty level is \$10,400/individual and \$14,000/couple. Resources include \$1,500/individual and \$3,000/couple for funeral or burial expenses. *\$27.93 is the national monthly Part D base beneficiary premium for 2008.

SOURCE: Kaiser Family Foundation summary of Medicare drug benefit low-income subsidies in 2008.

HOW IS ELIGIBILITY DETERMINED?

Eligibility for low-income subsidies under Part D is based on income and resources. Social Security benefits, Veterans benefits, public and private pensions, annuities, and in-kind support are counted as income. Eligibility is based solely on the income of the applicant (and spouse, if applicable), regardless of other household members with income.

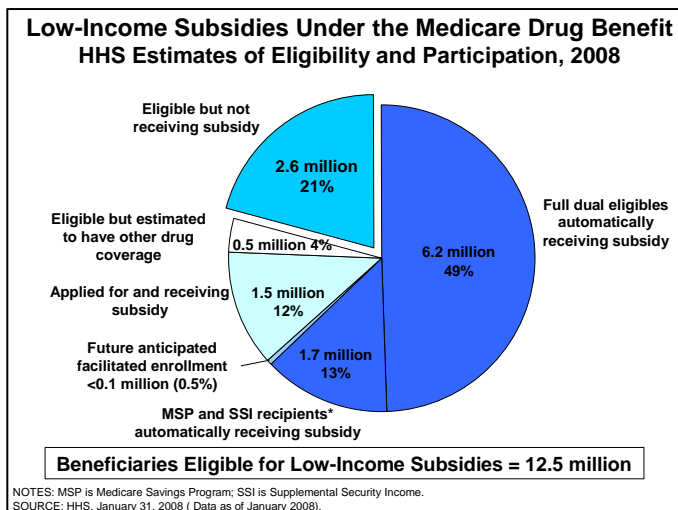
Resource levels used to determine eligibility for low-income subsidies are higher (more generous) than those used for SSI and Medicaid. Resources are defined as assets that can typically be converted to cash within 20 days, such as stocks, bonds, and checking, savings, and retirement accounts. An applicant's principal home, car, and life insurance policies (with a face value up to \$1,500) do not count toward the resource limit. An additional \$1,500/individual and \$3,000/couple in savings for funeral or burial expenses are permitted.

HOW MANY ARE RECEIVING LOW-INCOME SUBSIDIES?

According to CMS, 12.5 million Medicare beneficiaries are eligible for low-income assistance under Part D in 2008. Based on this total, nearly 8 million are receiving subsidies because they automatically qualify as full dual eligibles, Medicare Savings Program recipients, or SSI recipients. Another 1.5 million beneficiaries receive low-income

subsidies because they applied and were determined eligible, and 0.5 million are estimated by the Administration to be eligible for low-income subsidies but not receiving them because they have drug coverage other than Part D (e.g., VA or from a former employer).

However, 2.6 million low-income Medicare beneficiaries (21%) are eligible for low-income subsidies, but not receiving them, according to the Administration's estimates of the population eligible for low-income subsidies. A recent survey of seniors found that half of all seniors potentially eligible for low-income subsidies (based on income), but not receiving them, were enrolled in a Part D plan (Neuman et. al, 2007).



Because eligibility is based on income and resources, some beneficiaries with incomes below 150% of poverty do not qualify for additional assistance. According to the SSA, more than half (57%) of low-income subsidy applicants who have been determined ineligible would have qualified based on income alone, but had excess assets.

HOW DO BENEFICIARIES APPLY FOR SUBSIDIES?

Beneficiaries who are not automatically eligible for low-income subsidies must apply through SSA or their state Medicaid programs. Signed applications (even those not entirely complete) may be submitted in person, by mail, by phone, or online through the SSA website. Documenting income or resources is not required. Applicants found eligible for low-income subsidy assistance retain eligibility throughout the calendar year in which they qualify.

If beneficiaries apply for Part D low-income subsidies through their state Medicaid program, Medicaid must also screen for eligibility for benefits under the Medicare Savings Programs (MSP). However, SSA is neither required to screen for MSP eligibility nor refer applicants to Medicaid for screening. Since SSA has processed the vast majority of low-income subsidy applications, many beneficiaries may have missed a key opportunity to learn about MSP benefits

for which they might also qualify. CMS shares SSA information monthly with state Medicaid agencies on who qualifies for LIS to assist states' efforts screening individuals for Medicaid or MSP benefits.

HOW DOES DRUG PLAN ENROLLMENT WORK?

Beneficiaries who apply and are found eligible for low-income subsidies must also enroll in a Medicare drug plan for the subsidies to take effect. CMS facilitates enrollment in stand-alone Medicare drug plans for beneficiaries who qualify for low-income subsidies but do not sign up for a plan on their own. Beneficiaries receiving low-income subsidies, including dual eligibles, and nursing home residents, are permitted to switch plans throughout the year, unlike other Part D enrollees who generally may switch plans only during the annual coordinated enrollment period at the end of each year. Because CMS subsidizes up to a specific premium amount for LIS-eligibles, and plan premiums may change each year, CMS reassigns some LIS recipients to different plans so they can continue to receive drug benefits with no or low Part D premiums. In 2008, 2.1 million low-income beneficiaries were reassigned to a new plan.

CONSIDERATIONS FOR DEEMED POPULATIONS

Beneficiaries who were deemed eligible for low-income subsidies in 2007 by having qualified for Medicaid, Medicare Savings Programs, or SSI benefits, kept their deemed status and low-income subsidies through 2007. Those who were designated as full or partial dual eligibles, according to state records as of July 2007, had their low-income subsidy deemed status extended through 2008. Those who were not identified in state records in July 2007 or subsequent months, lost their deemed status for 2008. To continue to be eligible for low-income subsidies in 2008, these beneficiaries had to re-apply through SSA or Medicaid for low-income subsidies, or reapply for Medicaid, to regain their dual eligibility status. Otherwise, they would not receive low-income subsidies under Part D.

FUTURE CHALLENGES

The Medicare drug benefit offers substantial help to low-income Medicare beneficiaries, who tend to be sicker than higher-income beneficiaries and therefore use more health care services and prescription medications. Yet one in five low-income Medicare beneficiaries eligible for this assistance are not receiving it, and many individuals with low incomes do not qualify because their resources are just above the allowable threshold. Identifying beneficiaries who are eligible for this assistance and implementing policies that guard against churning from plan to plan are critical to the success of the program.

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