kaiser commission on medicaid and the uninsured
KEY FACTS
THE HENRY J. KAISER FAMILY FOUNDATION
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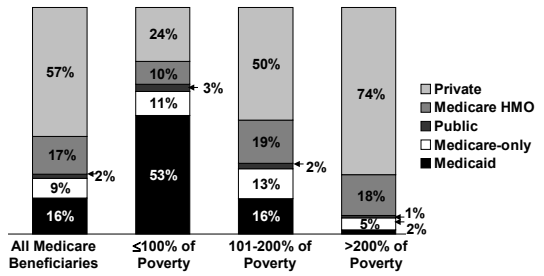
Dual Enrollees: Medicaid's Role for Low-Income Medicare Beneficiaries

Over 6 million of Medicaid's 47 million beneficiaries are "dual enrollees," low-income elderly and individuals with disabilities who are enrolled in both Medicaid and Medicare. While Medicare covers basic health services, including physician and hospital care, dual enrollees 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. Because dual enrollees have significant health needs and few resources to obtain the range of services they require, Medicaid's assistance is crucial. At the same time, coverage of dual enrollees poses a challenge to fiscally-pressed Medicaid programs, as this high-need population accounts for more than a third of program spending.

Who Are Dual Enrollees?

Sixteen percent of Medicare beneficiaries are dual enrollees receiving supplemental coverage through Medicaid; among the 12% of Medicare beneficiaries who live in poverty, one in every two is dually enrolled (Fig. 1). Dual enrollees account for one in six Medicaid enrollees, including virtually all the elderly and about one-third of non-elderly beneficiaries with disabilities in Medicaid.

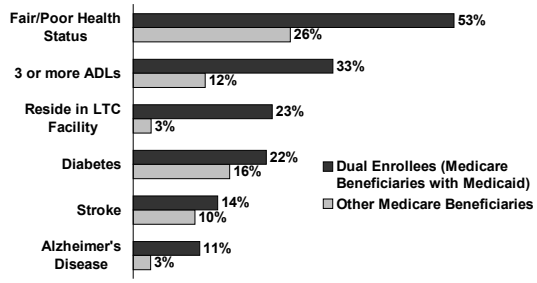
Figure 1
Medicaid Coverage of Medicare Beneficiaries, 1999



Note: Due to rounding, figures may not sum to 100.
Source: Urban Institute analysis of 1999 Medicare Current Beneficiary Survey.

Most dual enrollees are very low-income individuals with substantial health needs: 77% have annual income below $10,000, compared to 18% of all other Medicare beneficiaries. High-cost and sick or frail Medicare beneficiaries are concentrated among the dually enrolled. Nearly one-quarter of dual enrollees are in nursing homes, compared to 3% of other Medicare beneficiaries. Over half are in fair or poor health, twice the rate among others in Medicare. A third of dual enrollees have significant limitations in activities of daily living, compared to 12% of other Medicare beneficiaries. The prevalence of chronic conditions is also higher among dual enrollees (Fig. 2).

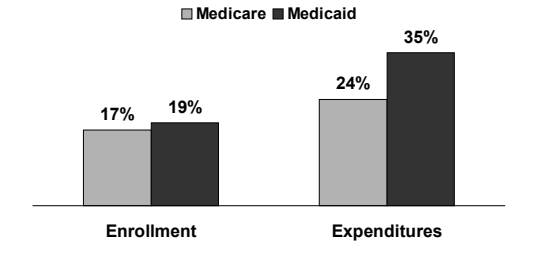
Figure 2
Characteristics of Dual Enrollees Compared to Other Medicare Beneficiaries, 1999



Note: ADLs = Number of limitations in Activities of Daily Living
SOURCE: 1999 Medicare Current Beneficiary Survey.

The distribution of Medicare and Medicaid spending also reveals the concentration of need and costs among the dually enrolled. Dual enrollees comprised 17% of all Medicare beneficiaries in 1999, but they accounted for 24% of total Medicare spending. Similarly, they represented 19% of all Medicaid enrollees but 35% of program spending (Fig. 3).

Figure 3
Dual Enrollees as a Share of Enrollment and Expenditures, 1999



SOURCE: ORDI Medicare Current Beneficiary Survey; Medicaid Office of the Actuary

How Does Medicaid Assist Dual Enrollees?

Medicare beneficiaries can obtain Medicaid through different eligibility "pathways," and the kind of assistance that Medicaid provides varies accordingly (Fig. 4). 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 full assistance with Medicare premiums and cost sharing and coverage of all Medicaid benefits. Most dual enrollees qualify for Supplemental Security Income (SSI) or have incurred nursing home costs and are thus entitled to this comprehensive protection.

For Medicare beneficiaries with more income or resources, 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.

Figure 4

Medicaid Eligibility for Medicare Beneficiaries, 2003

Pathway	Income Eligibility	Asset Limit	Medicaid Benefits
	Mandatory		
SSI Cash Assistance*	≤ 73% of poverty (SSI income eligibility)	$2,000 (individual) or $3,000 (couple)	"Wrap-around" Medicaid benefits, Medicare Part B premium and cost sharing
Qualified Medicare Beneficiary (QMB)	≤ 100% of poverty	$4,000 (individual) or $6,000 (couple)	Medicare Part B premium and cost sharing
Specified Low-Income Beneficiary (SLMB)	100-120% of poverty	$4,000 (individual) or $6,000 (couple)	Medicare Part B premium
	Optional		
Medically Needy	Individuals who spend their income down to a specified level	$2,000 (individual) or $3,000 (couple)	Benefits may be more limited than for SSI Cash Assistance
Special Income Rule for Nursing Home Residents	Individuals in institutions with income ≤300% SSI level	$2,000 (individual) or $3,000 (couple)	"Wrap-around" Medicaid benefits, Medicare Part B premium and cost sharing
Home- and Community-Based Services Waivers	Individuals who would be eligible if resided in an institution		Home- and Community-Based Services

Note: Under the Qualifying Individuals (QI) program, Medicaid pays the Medicare Part B premiums for individuals with income between 120 and 135% of poverty. The QI program is funded under a block grant that has been extended to September 30, 2003.
** States that elect the so-called "(209b)" option can set lower levels. Also, states have the authority to expand eligibility up to 100% of poverty.*

Why Do Medicare Beneficiaries Need Medicaid?

As important as Medicare is to the seniors and people with disabilities whom it covers, the program's premiums, cost sharing and significant service gaps leave beneficiaries exposed to considerable health care costs. In 2002, the average elderly enrollee spent 22% of her income on health care. Particularly for the 40% of Medicare beneficiaries living below 200% of poverty ($16,518 per individual or $20,838 per couple in 2000), these costs may impose a heavy financial burden and impede access to care.

Medicaid helps relieve the financial burdens facing low-income Medicare beneficiaries in several ways. First, it pays their monthly Medicare Part B premium, which now amounts to over $700 per year. Second, Medicaid pays the cost sharing charged for many Medicare services. Finally, Medicaid covers a range of important benefits excluded from Medicare, such as prescription drugs, long-term care, dental and vision care, and other key services.

Because of their extensive health care needs, dual enrollees require and use more services than others in Medicare. On average, total health care costs for dual enrollees are double those of other Medicare beneficiaries. Medicaid covers 39% of total health care costs for dual enrollees – nearly as much as the 43% that Medicare covers – with out-of-pocket spending comprising most of the remainder. Much of Medicaid's spending is for services not covered by Medicare. Nearly 90% of dual enrollees use the Medicaid prescription drug benefit, and, on average, in 1998, dual enrollees filled more than 30 prescriptions a year at a cost of nearly $1,200. In addition, Medicaid plays an enormous role as a payer of long-term care for Medicare beneficiaries. Because nursing home costs can reach $60,000 per year and quickly exhaust the means of most Medicare beneficiaries who need long-term care, many become eligible for Medicaid. Medicaid finances this care for 60% of all nursing home residents and pays nearly half of all nursing home costs in the nation.

What Is Medicaid's Impact?

By both lowering financial barriers and providing essential acute care benefits that Medicare lacks, Medicaid substantially improves Medicare beneficiaries' access to care. While out-of-pocket costs consume about 20% of the average Medicare beneficiary's income, dual enrollees who receive full Medicaid benefits spend 5%, and those who receive only premium and cost-sharing assistance spend 13%. In addition, dual enrollees spend a much smaller fraction of their income on needed prescription drugs than Medicare beneficiaries without drug coverage.

Dual enrollees are also much more likely to have a usual source of care and much less likely to report delaying care due to cost than Medicare beneficiaries with no supplemental insurance. Further, research shows that the rates of important screening services are substantially higher among dual enrollees than those with Medicare only.

Finally, Medicaid provides a last resort for nearly 2 million people who rely on the program for long-term care. Medicaid is the single largest source of financing for nursing home care in the nation, and the program has also played a forceful role in promoting quality in nursing homes by tying payment to quality standards. Medicaid has also been a key source of coverage and payment for home and community-based care, helping seniors and people with disabilities who would otherwise face institutionalization to maintain their independence and remain in the community.

Future Challenges

Medicaid extends financial protection and access to needed services for over 6 million Medicare beneficiaries. Still, it reaches only half of those living in poverty. Steps to improve Medicaid for low-income Medicare beneficiaries—such as expanding eligibility for full benefits, increasing program awareness, and simplifying enrollment—have been identified as successful strategies that can be adopted under current law.

Today, the high cost of health care and pressures on state budgets present Medicaid with challenges that pose special risks for dual enrollees. Efforts to control spending in areas of high and steeply rising costs – in particular, prescription drug and long-term care costs – could disproportionately affect dual enrollees. Similarly, proposals to alter Medicaid coverage or restructure Medicare, add a prescription drug benefit to Medicare, or shift responsibility for dual enrollees to the federal government should receive careful consideration, as this population includes many of Medicare and Medicaid's most needy and vulnerable beneficiaries.

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