

MEDICARE PRESCRIPTION DRUGS and LOW-INCOME BENEFICIARIES

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Figure 1

Key Features of the Medicare Prescription Drug Benefit (Part D)

- **Voluntary drug benefit administered through drug-only plans or integrated plans that provide a full set of Medicare benefits**
- **Premium and cost-sharing subsidies for low-income beneficiaries**
- **Medicare beneficiaries with full Medicaid (dual eligibles) get benefits through Medicare, not Medicaid, in 2006**
- **Discount card in April 2004; \$600 debit-like subsidies for low-income people in 2004 and 2005**
- **New law estimated at \$395 billion over 10 years**

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Figure 2

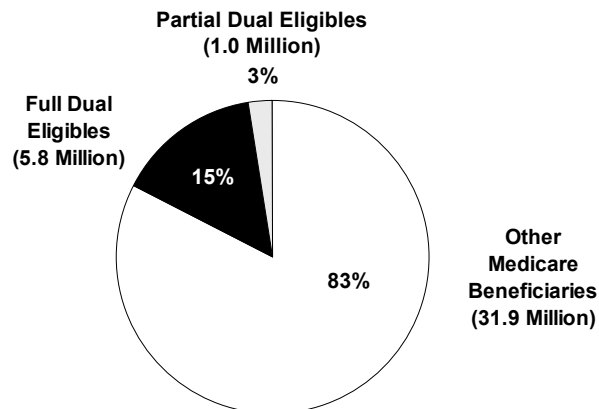
“Dual Eligibles”

- “Dual eligibles” are Medicare beneficiaries who are also enrolled in Medicaid
 - “Full” dual eligibles
 - Medicare serves as primary payor of their health care
 - Medicaid serves as secondary payor, providing services not covered by Medicare (e.g., Rx and LTC)
 - Medicaid also pays Medicare premiums and cost-sharing
 - “Partial” dual eligibles receive assistance only with Medicare premium and, in some cases, cost-sharing obligations
- To qualify for full Medicaid under federal minimum standards, Medicare beneficiaries generally must have income < 74% poverty (approx. \$6,600 for individuals) and assets < \$2,000 (SSI requirements)
- Seniors and people with disabilities above federal minimum levels are covered at state option

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Figure 3

Medicaid Status of Medicare Beneficiaries, 2000



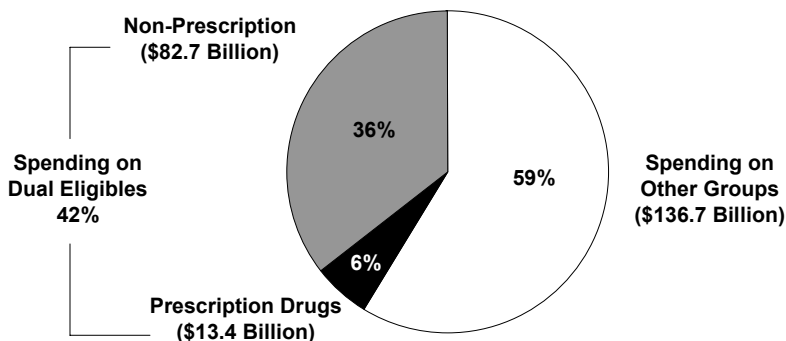
Medicare Beneficiaries = 38.8 Million

SOURCE: Medicare data are from the CMS Office of the Actuary. Medicaid data were prepared by the Urban Institute based on the 2000 MSIS. Note that full dual eligibles are eligible for prescription drug coverage through Medicaid while “partial” dual eligibles receive assistance with Medicare premium and/or cost-sharing obligations. Due to rounding, percentages do not total 100% and data do not sum to 38.8 million.

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Figure 4

Spending on Dual Eligibles as a Share of Medicaid Spending on Benefits, FY2002



Total Spending on Benefits = \$232.8 Billion

NOTE: Due to rounding, percentages do not total 100%.
SOURCE: Urban Institute estimates prepared for KCMU based on an analysis of 2000 MSIS data applied to CMS-64 FY2002 data.

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Figure 5

Treatment of Dual Eligibles

- As of January 1, 2006, dual eligibles can enroll in Medicare Part D plans (drug coverage through Medicaid ends)
- Full dual eligibles qualify for low-income subsidy regardless of income or assets
- No premium if select average or lower cost plan
- Cost-sharing:
 - No deductible
 - No copays for the institutionalized
 - Indexed copay of \$1 per generic / \$3 per brand-name if # 100% of poverty and \$ 2 per generic / \$5 per brand-name if > 100% of poverty
 - No copay above catastrophic limit

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Figure 6

Low-Income Subsidy

- **Individuals < 135% of poverty with assets <\$6,000 per individual or \$9,000 per couple**
 - No premium if select average or lower cost plan
 - No deductible
 - Indexed cost-sharing: \$2 per generic / \$5 per brand-name
 - Above catastrophic limit, no cost-sharing
- **Individuals from 135% to 150% of poverty with assets below \$10,000 per individual / \$20,000 per couple (or below 135% with higher assets)**
 - Sliding scale premium assistance
 - \$50 deductible
 - 15% co-insurance to catastrophic limit
 - \$2 per generic / \$5 per brand-name above catastrophic limit
- **Apply at SSA or state Medicaid offices; states screen and enroll applicants for Medicaid, if eligible**

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Figure 7

Treatment of State Medicaid Programs

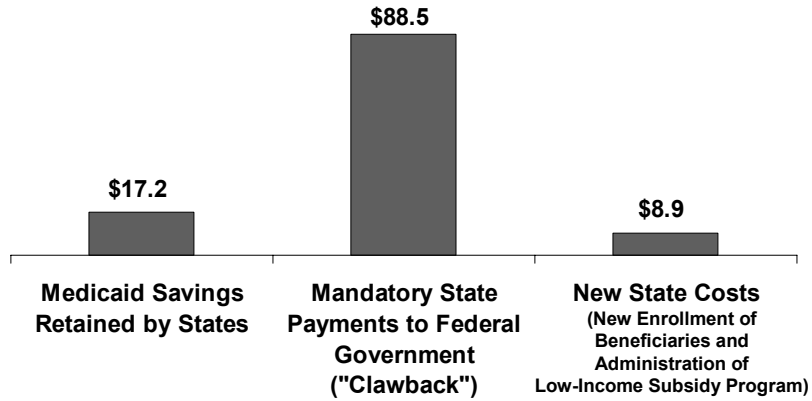
- **As of January 1, 2006, states can use general revenue funds to supplement Part D coverage, but Medicaid matching funds no longer available**
- **States required to finance much of the cost of prescription drug coverage for dual eligibles through “clawback”**
- **Major new responsibilities for administering Medicare’s low-income subsidy program**
- **Net fiscal relief \$17.2 billion over next 10 years with 91% of savings after 2008**

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Figure 8

Estimated Impact of the Medicare Law on State Medicaid Spending (FY2004-2013)

In Billions



Note: Estimates do not include the effects of Medicaid provisions in Title X of H.R. 1.
SOURCE: KCMU analysis of Congressional Budget Office estimates, 2003.

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