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ISSUE BRIEF

Proposed Cuts to Medicaid Put Medicare Savings Programs At Risk

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Introduction

Many low-income older adults are only able to participate in Medicare because Medicare Savings Programs help with their Medicare premiums, deductibles and co-pays. These critically important programs reach over 7 million people with Medicare, including 1.7 million older adults who are too poor to be able to afford Medicare but do not qualify for other Medicaid programs.[1] With $772 billion in Medicaid cuts, the Better Care Reconciliation Act now being considered in the Senate could knock many older adults and people with disabilities off these programs, making Medicare unaffordable. As a result, those with the greatest needs will lose access to Medicare benefits because they will be unable to shoulder Medicare costs.

Medicare is Unaffordable for Many Low-Income Older Adults

Medicare gives access to core healthcare services to over 54 million Americans, including over 42 million aged 65 and older.[2] Medicare services include hospital visits, routine check-ups, specialist care, and other basic healthcare services. Medicare also offers prescription drug coverage through Part D plans.

These benefits, however, require a significant contribution from the beneficiary. The Part B benefit has a monthly premium, currently $134/month.[3] In addition to premiums, there is a Part A (hospital insurance) deductible of $1316 and a Part B deductible of $183. Co-payments, typically 20 percent for most Part B services, add to the financial burden. There also are prescription drug premiums and co-payments.

These costs add up and do not even take into account health services not covered by Medicare such as dental, vision and hearing services. In 2011, Medicare beneficiaries on average spent $5,368 out of their own pockets for health care.[4] For a single older adult with an income of 100% of the Federal Poverty Level (FPL), that would mean over 44 percent of their annual income just on out-of-pocket medical expenses.[5]

1 In addition, 1.2 million people under 65 with disabilities are enrolled in Medicare Savings Programs but do not qualify for other types of Medicaid. Medicare Payment Advisory Comm.(MedPAC), Data Book: Beneficiaries Dually Eligible for Medicare and Medicaid, available at macpac.gov/wp-content/uploads/2017/01/Jan17_MedPAC_MACPAC_DualsDataBook.pdf.

2 MedPAC, Report to Congress, Medicare Payment Policy (March 2017), available at medpac.gov/docs/default-source/reports/mar17_entirereport.pdf?sfvrsn=0.

3 Individuals who do not have an adequate work record also must pay a premium for Part A coverage. That premium can be as much as $413/month.

4 Kaiser Family Foundation, An Overview of Medicare, available at kff.org/medicare/issue-brief/an-overview-of-medicare/.

5 In most states, older adults at 100% of the FPL do not qualify for Medicaid.

These costs are beyond reach for many older adults. The median yearly income of Medicare beneficiaries is only $26,200. The oldest are among the hardest hit. More than half of people with Medicare who are 85 and older lived on incomes of less than $18,850 and had savings of less than $30,700.[6] Without assistance from the Medicaid program, many older adults who most need the Medicare benefit would be unable to use it.

Medicare Savings Programs Offer Relief

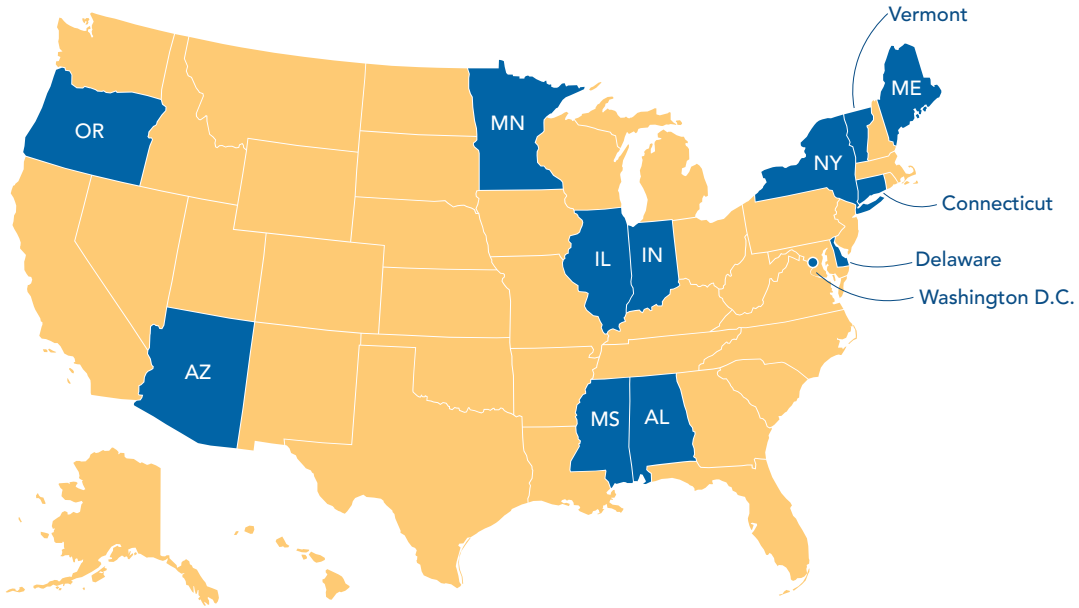
Medicare Savings Programs, which are part of the Medicaid program, help bridge the gap between what Medicare costs and what low-income people with Medicare can afford.

Three Medicare Savings Programs (MSPs) offer significant financial relief to struggling older adults with Medicare.[7] They are:

- The Qualified Medicare Beneficiary Program (QMB) with an income limit of 100% of the FPL;
- The Specified Low-Income Beneficiary Program (SLMB) with a limit of 120% FPL; and
- The Qualified Individual program (QI) with a limit of 135% FPL.

All are administered by state Medicaid agencies. Federal law sets minimum income and asset requirements but states have the option to set more generous levels. Thirteen states have taken advantage of federal flexibility and raised income and/or asset levels to allow more people to qualify. They are: Alabama, Arizona, Connecticut, Delaware, the District of Columbia, Illinois, Indiana, Maine, Minnesota, Mississippi, New York, Oregon, and Vermont. Mississippi, for example, raised the income limits modestly and eliminated the asset test entirely; Indiana left asset limits untouched but raised income limits by about $500 per month. A chart showing qualification levels in every state is available here.[8] A chart showing MSP enrollment levels by category is available here.[9]

States with Asset and/or Income Limits Above Federal Minimums



6 Kaiser Family Foundation, Report on Income and Assets of Medicare Beneficiaries, 2016-2035, available at kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2014-2030/

7 A fourth MSP, the Qualified Disabled Working Individual (QDWI) Program, pays the Part A premium of some people with disabilities who have returned to work.

8 National Council on Aging, Medicare Savings Programs: Eligibility and Coverage (2017), available at ncoa.org/wp-content/uploads/medicare-savings-programs-coverage-and-eligibility.pdf

9 Maura Calsyn and Stacy Sanders, The American Health Care Act Could Chip Away At The Medicare Savings Programs, Health Affairs Blog (June 15, 2017), available at healthaffairs.org/blog/2017/06/15/the-american-health-care-act-could-chip-away-at-the-medicare-savings-programs.

The most comprehensive Medicare Savings Program is the Qualified Medicare Beneficiary (QMB) program. The QMB benefit covers the Part A and B premiums and all Medicare deductibles, copayments, and coinsurance. Providers may not charge QMBs for any amounts beyond what Medicare and Medicaid pay. For an individual with chronic conditions requiring frequent doctor visits, the QMB benefit offers Medicare coverage with protection from hundreds of dollars of co-insurance each month that otherwise would be impossible to pay. When an acute medical condition arises, a QMB can seek care without fear of debt collection agencies. The SLMB and QI programs both cover Part B premiums, but do not include co-payments and deductibles. Both have the same minimum asset limits as QMB. SLMB and QI beneficiaries have approximately $130 additional available per month to pay for rent, food, and utilities that otherwise would have been taken by Social Security for Medicare premiums.

2017 Federally Required Minimums for Medicare Savings Programs
(States may allow higher levels)

Program	% of FPL	Income if Single	Income if Married
QMB	100%	$1,025/month	$1,375/month
SLMB	120%	$1,226/month	$1,644/month
QI	135%	$1,377/month	$1,847/month
Countable Resources: $7,390 if single and $11,090 if a couple			

Enrollment in any of the Medicare Savings Programs also creates automatic enrollment in the Medicare Low Income Subsidy, also known as "Extra Help," which provides significant relief from prescription drug premiums and co-payments.

Consider an older adult who qualifies for SLMB with an income of just $1,226 a month. Without the SLMB benefit, the Medicare Part B premium alone would consume over 10 percent of that senior's monthly income.

Current Health Legislation Proposals and Proposed Budget Cuts Could Restrict Access to Medicare Savings Programs

The Congressional Budget Office projects that the Better Care Reconciliation Act under consideration in the Senate will cut more than $772 billion from Medicaid. These cuts will affect every Medicaid program, including the Medicare Savings Programs.

Medicare Savings Programs have been carved out of the per capita caps in the current version of the legislation but that carve-out does not protect MSP beneficiaries. They will be in the crosshairs. With huge gaps in Medicaid budgets, states will need to cut wherever they can. States can reduce access to these programs in a variety of ways:

- **Paring back programs:** With Medicaid spending cut to the bone, any non-mandatory program coverage will be at risk. The 13 states—ranging from Alabama to Maine—that expanded eligibility for Medicare Savings Programs will be under pressure to cut back eligibility to the bare minimum required by law and drop seniors from their rolls.

Mrs. C, an older adult in the District of Columbia, lives on her Social Security income of about $1,100 per month, putting her slightly above the Federal Poverty Level. She was losing her sight because she could not afford Medicare coverage for the cataract surgery she needed. But because DC had expanded Qualified Medicare Beneficiary limits beyond the mandated minimum, she could enroll as a Qualified Medicare Beneficiary and afford the surgery. If the District of Columbia and other jurisdictions that expanded coverage shrink their programs, people like Mrs. C could once again find Medicare out of reach.

- **Discouraging rather than encouraging uptake:** CMS in recent years has encouraged states to improve access to MSPs through a variety of measures such as simplifying application and redetermination procedures and modifying procedures for income and asset counting and verification.[10] States surviving on near starvation Medicaid budgets are unlikely to take any steps to improve program access. States will be struggling with financial incentives that discourage any efforts to increase enrollment or even maintain current enrollment levels.
- **Less outreach:** Medicare Savings Programs are chronically undersubscribed. Many who need the programs and would qualify do not know they exist or need assistance with the paperwork. Outreach by State Health Insurance Assistance Programs (SHIPS) is imperiled by proposed cuts in the program in the President's Budget. States themselves will have no incentive to publicize these programs since all the incentives will be for states to shrink, not expand, membership.

The inevitable result will be fewer people covered. Many low-income people with Medicare who were able to keep their head above water financially and take care of their health with their Medicare coverage will be casualties of the budget cuts. For them, the Medicare program will change from a valuable benefit to an inaccessible one.

Conclusion

For low income older adults, being eligible for Medicare and actually being able to use their Medicare benefits are two very different things. Medicare Savings Programs have made it possible for millions to get access to Medicare-covered care, but those programs are threatened by health proposals and potential budget cuts in the Congress. The draconian cuts to Medicaid will force states to trim the rolls and backtrack from advances in making the Medicare Savings Programs easier to navigate and more available. As a result, Medicare beneficiaries could both lose Medicaid benefits and be priced out of accessing Medicare.

10 See, e.g., CMS Informational Bulletin Enrollment and Retention Flexibilities to Better Serve Medicare-Eligible Medicaid Enrollees, (Jan. 23, 2015), available at medicaid.gov/Federal-Policy-Guidance/Downloads/CIB-01-23-2015.pdf.