



*Advising the Congress on Medicare issues*

# Financial assistance for low-income Medicare beneficiaries

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# Introduction

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- Commission recommended in 2012 to redesign the FFS benefit, including protection against high out-of-pocket (OOP) costs
- Low-income beneficiaries may still have difficulty with OOP costs
- Commission's 2008 recommendation to increase the income eligibility criteria of the Medicare Savings Programs (MSPs) could help low-income beneficiaries' afford Medicare OOP costs

# Background on Medicare premium and cost-sharing assistance

		Income category			
		Up to 100% FPL	100-120% FPL	120-135% FPL	135-150% FPL
<b>Medicare Parts A and B</b>					
<b>MSP category</b>	<b>QMB</b>		<b>SLMB</b>		<b>QI</b>
Part A premium	X				
Part B premium	X		X		X
Deductibles (Parts A and B)	X				
Coinsurance (Parts A and B)	X				
<b>Medicare Part D LIS</b>					
Premium or deductible	X		X		X
Reduced copayment	X		X		X

# 2008 Commission recommendation

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- “The Congress should raise Medicare Savings Program income and asset criteria to conform to low-income drug subsidy criteria.”
- Implication: Beneficiaries with incomes up to 150% of poverty (instead of up to 135% of poverty) would receive Part B premium assistance

# Rationale for 2008 Commission recommendation

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- Compared to non-Medicare beneficiaries under age 65, beneficiaries aged 65 and older were more likely to be poor or near poor
- They spent a larger percentage of income on OOP health costs
- Those eligible for, but not enrolled in, MSPs were more likely than MSP enrollees to avoid needed care because of cost
- Income and asset eligibility for extra help for low-income beneficiaries would be synchronized between Parts A, B, and D

# Part B premium assistance through the QI program

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- Raising the QI income criteria to 150% was the illustrative example to the 2008 recommendation
- Implications:
  - No increase in state spending because QI program is federally funded
  - Increase in federal spending
  - Maintains cost-sharing incentives at the point of service
  - Directly targets assistance to low-income beneficiaries

# Targeting assistance for low-income beneficiaries

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- Low-income supports more directly and efficiently targeted through MSPs
- Less-targeted approaches
  - Higher payments to Medicare Advantage plans
  - Medigap plans filling in Medicare cost-sharing

# Relationship between the 2008 and 2012 Commission recommendations

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- Under the 2008 recommendation, beneficiaries with incomes up to 150% of poverty would receive a Part B premium subsidy
- In 2014, the Part B premium subsidy would amount to about \$1,300/year
- This additional subsidy would free up discretionary income for paying remainder of OOP costs. For example, average cost-sharing liabilities for QI beneficiaries were about \$1,900 in 2011



# Summary and implications for future work

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- Direct and targeted financial assistance for low-income beneficiaries through MSPs
- Directions for future work: Financial assistance for low-income beneficiaries in context of synchronizing FFS, ACOs, and MA policies
  - Premium assistance only?
  - Cost-sharing assistance could have implications for state financing