

A Medicare Low Income Program Primer

While Medicare provides universal coverage for nearly 44 million senior citizens and people with disabilities, it still requires significant out-of-pocket spending. Congress recognized the need to help low-income beneficiaries with Medicare costs through the creation of the Medicare Savings Programs (MSP), which help cover Medicare premium and cost-sharing charges. Congress also helped low-income Medicare beneficiaries in the new Part D prescription drug program by creating a Low Income Subsidy (LIS). Together, these programs help millions of beneficiaries afford needed medical services and medications. However, millions of beneficiaries who are eligible for these programs are not participating.

Medicare Savings Programs (MSP)

The federal government broadly defines three categories of beneficiaries and programs that comprise the MSP. Individually these programs are known as the Qualified Medicare Beneficiary Program (QMB), the Specified Low-income Medicare Beneficiary Program (SLMB) and the Qualified Individual Program (QI-1). The MSP are a vital safety net for approximately 1.6 million beneficiaries. While federal law sets the income eligibility requirements (see chart below), application procedures and asset limitations to qualify for these programs differ substantially across the states.

Medicare Savings Programs Income Limits and Benefits		
Program	Income	Benefits
QMB	Below 100% FPL but not above full Medicaid eligibility	All Medicare cost-sharing and Part B premiums paid (paid through Medicaid, with regular federal-state match)
SLMB	Between 100 and 120% FPL	Part B premiums paid (through Medicaid, with regular federal-state match)
QI-1	Between 120 and 135% FPL	Part B premiums paid (via a capped appropriation, through the Part B Trust Fund)

Part D Low-Income Subsidy (LIS)

The LIS program helps beneficiaries with limited income and resources pay for Medicare prescription drug plan costs. Over 9 million beneficiaries are currently enrolled in the LIS, but more than 6 million of these were automatically enrolled in the program due to their status as dual-eligibles, MSP beneficiaries or SSI recipients.

For 2007, beneficiaries with incomes below 150 percent of the Federal Poverty Level (FPL), and with assets under \$11,710 (individual) or \$23,410 (couple) -- qualify for the LIS. However, benefits in the LIS differ substantially based on where beneficiaries fall on the income and asset spectrums, though all are exempt from the donut hole (see chart below).

2007 Part D Low Income Subsidy Eligibility and Benefits				
Status, Income, Assets	Enrollment	Premiums	Deductible	Copayment or Coinsurance
Full Benefit Duals, MSP, SSI in nursing homes	Automatic	\$0	\$0	\$0
Full Benefit Duals, MSP, SSI below 100% FPL	Automatic	\$0	\$0	\$1 generic \$3.10 brand \$0 after \$3,850 out of pocket
Full Benefit Duals, MSP, SSI above 100% FPL	Automatic	\$0	\$0	\$2.15 generic \$5.35 brand \$0 after \$3,850 out of pocket
Below 135% FPL & assets below \$7,620 indiv/ \$11,710 couple	Must apply for LIS and enroll in Part D	\$0	\$0	\$2.15 generic \$5.35 brand \$0 after \$3,850 out of pocket

Below 150% FPL & assets below \$11,710 indiv/ \$23,410 couple	Must apply for LIS and enroll in Part D	Sliding Scale Premium	\$53	15% coinsurance up to \$3,850 out of pocket, then \$2.15 generic \$5.35 brand
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ISSUES

Lackluster Enrollment

While the LIS and MSP are helping millions of beneficiaries pay their Medicare out of pocket costs, millions more could be helped. CMS and outside experts estimate that 3-4 million Medicare beneficiaries are eligible but not enrolled in the LIS or any Part D plan. For MSP, estimates suggest that only 40 to 60 percent of eligible beneficiaries are participating.

There is some overlap between the eligible but unenrolled LIS and MSP populations. Onerous application requirements, personal disclosures about income and assets, and lack of awareness of the programs are largely responsible for the low enrollment rates.

Application Confusion

Beneficiaries can sign up for LIS through the SSA or local Medicaid offices. MSP enrollees can only sign up through state Medicaid offices. The LIS application is five pages long and includes one particularly complicated question about the face value of life insurance policies. The model MSP application is four pages of similarly complicated questions, and each state form may vary from the model.

Differing Income and Asset Tests

The charts above show just how confusing it is for low-income Medicare beneficiaries – or friend, family or counselors – to figure out eligibility for these programs. Even policy experts often struggle to explain the different income and asset levels and their matching benefits.