



TESTIMONY BEFORE
THE SENATE SPECIAL COMMITTEE ON AGING
ON

HELPING THOSE WHO NEED IT MOST:
LOW-INCOME BENEFICIARIES AND THE NEW MEDICARE LAW

JULY 19, 2004

WASHINGTON, D. C.

WITNESS: THOMAS "BYRON" THAMES, M.D.
AARP BOARD MEMBER

For further information, contact:
Kirsten Sloan/Paul Cotton
Federal Affairs Department
(202) 434-3770

Mr. Chairman and members of the Committee, my name is Byron Thames, and I am a member of the AARP Board of Directors. Thank you for inviting AARP to discuss the provisions in the Medicare Modernization Act (MMA) that provide beneficiaries with limited incomes extra assistance in affording the prescription drugs they need.

The limited-income assistance provisions are among the most important features of the new Medicare drug law. These provisions offer meaningful assistance to over 13 million lower income beneficiaries who need help the most in purchasing prescription drugs. The MMA includes two distinct features to assist those with limited incomes:

- In the short term, a \$600 annual transitional assistance credit is available for the next two years through the Medicare-endorsed drug discount card program for those with incomes below 135 percent of the federal poverty level (and no military or group drug coverage).
- Starting in 2006, comprehensive drug coverage with premium subsidies, low cost-sharing, and no coverage gap is available for those with incomes at or below 150 percent of the federal poverty level.

These provisions are the first critical steps toward providing the comprehensive and affordable prescription drug coverage that all Medicare beneficiaries need and deserve. Through extensive public education efforts, AARP is working to ensure that beneficiaries know about the new benefits and take advantage of the assistance. We are also committed to working with the Congress and the Administration to further improve these low-income programs.

My statement focuses on AARP's outreach efforts, the improvements to the low-income provisions to date, and the further refinements we believe are necessary to make the benefits even better for beneficiaries.

AARP Outreach Efforts

To help our members and other Americans understand the benefits of the limited-income assistance provisions, AARP has undertaken extensive public outreach efforts. Roughly 300,000 of our members and their families have participated in AARP sponsored forums and events over the past few months to learn about the new benefits. We have produced three booklets explaining the new law in plain language that the average reader can understand:

- One, *Medicare Drug Discount Card: Helping Those With Limited Incomes*, focuses specifically on assistance available for people with limited incomes through the discount card program;
- A second, *Medicare Drug Discount Card: What You Need to Know*, explains the discount card program overall; and
- A third, *Medicare Changes That Could Affect You*, addresses the comprehensive drug benefit that begins in 2006, as well as other MMA changes that affect Medicare beneficiaries.

These booklets have been very well received by beneficiaries and are available to (and have been extensively used by) other consumer organizations, Members of Congress, as well as others engaged in outreach efforts.

ABC Coalition Outreach Efforts

AARP is also among the more than 80 groups participating in the Access to Benefits Coalition (ABC), which is working to find and help those eligible for the MMA's extra assistance benefits to understand and enroll in the programs. To meet this challenge, the Coalition is providing grants, education materials and technical

assistance to coalitions of local groups that are forming across the country to help people take advantage of the assistance available to them.

The Coalition also has established a website at www.accesstobenefits.org that provides information on not just the MMA limited-income assistance provisions, but also on a host of other programs offered by drug manufacturers, states, and others to help people of limited means pay for the prescription drugs they need.

To further our outreach efforts, AARP is independently providing additional financial support to groups with established networks and expertise in reaching hard-to-reach populations that will benefit from the new law.

Improvements to the Low-Income Benefits

The roll out of the new limited income benefits is a massive undertaking, and as with any new program, lessons are learned along the way. We are very encouraged by the Center for Medicare and Medicaid Services (CMS) response to issues and concerns AARP and others have raised about the discount card program in particular. For example CMS has:

- Established a standard application form that can be used to enroll individuals in any of the more than 70 different discount card options offered by various sponsors around the country;
- Allowed state pharmacy assistance programs to auto-enroll their members in the drug card program, thus maximizing enrollment as well as savings to both states and individual beneficiaries;
- Made several improvements to the medicare.gov prescription drug price comparison website so it is more accurate and easier to use to get individualized information on potential savings from the various cards; and

- Reduced to about two days the time it takes to verify and approve applications for the drug card and its transitional assistance component so people can begin to take advantage of negotiated discounts and the \$600 annual credit as quickly as possible.

Further Improvements

AARP believes the Medicare Modernization Act provides a foundation upon which we will build over time. To that end, we will continue to work with the Congress and the Administration to strengthen the discount card program and the broader drug benefit that begins in 2006.

MSP Auto-enrollment

Many of the lower income Medicare beneficiaries eligible for the \$600 transitional assistance are the hardest to reach. They are the least likely to know about the drug cards or to be found through traditional outreach efforts.

The auto-enrollment of state pharmacy assistance program enrollees was an effective way of enrolling large numbers of those eligible for the new benefits. We believe auto-enrollment is the most effective way of reaching another important group of beneficiaries – those eligible for the Medicare Savings Programs (MSP). The MMA deems MSP enrollees – Qualified Medicare beneficiaries (QMB), Specified Low-Income Medicare Beneficiary (SLMB) or Qualified Individual (QI) who receive some help with Medicare cost sharing requirements – to meet income criteria for the \$600 annual transitional assistance credit.

MSP enrollees generally have incomes below 135 percent of the federal poverty level but do not have comprehensive Medicaid coverage from their state, and thus are among those who most need help with prescription drugs.

Relying on outreach efforts alone to enroll MSP individuals in the transitional assistance program virtually guarantees that many, if not most, of these people will not get the \$600 to which they are entitled. MSP experience underscores how difficult this population is to reach, as less than two thirds of those who are eligible for these MSP benefits are enrolled. Enrollment will be even more difficult for this new temporary program. Auto-enrollment is a proven method to ensure that the substantial and needy population of MSP individuals – which include those for whom the \$600 transitional assistance would be most important – will gain access to it.

AARP and other groups are engaged in ongoing discussions with the Administration and outside experts on the various issues and challenges raised by MSP auto-enrollment. Based on these discussions, we believe several steps are needed to ensure that it is done effectively, efficiently, and in a way that encourages market forces to help drive prices down.

AARP believes that Medicare, not states, should conduct MSP auto-enrollment. Unlike with auto-enrollment of individuals in state pharmacy assistance programs, states will not directly benefit from MSP enrollment, and some states cannot or would not choose to participate in auto-enrollment. Thus relying on them would yield at best only partial success. While some have raised legal questions, we do not believe that the statute prohibits CMS from acting on behalf of beneficiaries in this manner.

Concerns about other coverage that could potentially disqualify MSP enrollees from eligibility for the transitional assistance program must be put into practical perspective. It is clear that the vast majority of those with incomes low enough to qualify for MSP generally do not have other drug coverage, since the retiree drug coverage that would disqualify someone almost always go hand-in-hand with good pensions that put incomes well above MSP eligibility levels.

Waiving the requirement for attestation by these individuals would result in, at most, a negligible amount of ineligible enrollments. Concerns about any such enrollment could be allayed by making clear to auto-enrolled individuals that use of the card constitutes attestation that they have no other drug coverage. If concern remains about potential enrollment of ineligible, MSP auto-enrollees could be required to sign a statement when they first use the card attesting that they do not have other drug coverage.

Concern about choosing the “right” card for auto-enrolled MSP individuals also must be put into practical perspective. For those eligible for the \$600 annual transitional assistance, enrollment in any card is better than enrollment in no card, which is the likely outcome for many MSP enrollees if auto-enrollment does not take place.

Finally, concerns about maintaining free choice and a competitive market can be addressed while conducting auto-enrollment. For example, MSP enrollees could be assigned to cards randomly based on voluntary enrollment in each card, thereby reinforcing choices made by other beneficiaries based on price. Auto-enrolled individuals could be told in advance which specific card they will be assigned to and given time to review its features and switch to a different card if they choose.

In addition, the legislation authorizes the HHS Secretary to establish a special election period, which could give auto-enrolled individuals further opportunity to review options and change cards. Auto-enrolled individuals can also be given the opportunity to decline participation altogether, so that the program remains voluntary in nature.

Asset Test Elimination

For the comprehensive drug program, the most important needed improvement to the low-income provisions is elimination of the asset test. Under the MMA, if the total amount of certain types of assets exceeds certain thresholds, \$6,000 for singles and \$9,000 for couples, beneficiaries receive less help with premiums and cost

sharing. If the total amount of assets exceeds \$10,000 for singles and \$20,000 for couples, they are not eligible for any extra assistance at all.

This asset test sends the wrong message. It penalizes individuals who, despite having very limited incomes, have managed to save a modest sum for retirement. In return for having saved these modest sums, they are denied the comprehensive drug coverage available to those of similar means who have not saved for retirement.

The asset test can also involve massive amounts of documentation. Guidance from Medicare for people applying for limited-income assistance in a demonstration project that mimics the Medicare drug benefit provides a good illustration. Rather than list all the types of assets that have to be reported, the guidance instead includes a list of more than 20 types of assets that do not have to be reported. This is in addition to a two-page list of various types of income that do not have to be reported. The complexity of determining what must be included, along with the threat of sanctions if applications are inaccurate, may well dissuade many people from applying even though they need and would qualify for extra assistance.

Finally, the asset test creates a welfare stigma that could discourage some people who need and are eligible for extra assistance from applying for it. Many Medicare beneficiaries struggling to make ends meet on limited incomes take great pride in their self-sufficiency, and simply would not apply for a benefit they perceived to be part of a welfare program.

One of Medicare's greatest strengths is that it does not carry such a stigma. Medicare is a social insurance program. An asset test for the drug benefit begins to erode that great strength.

Medicaid-to-Medicare Transition

The statute specifically provides for auto-enrollment of Medicare beneficiaries who now get full health care coverage from Medicaid. It also requires states to pay to Medicare a large share of what the states would have paid for these “full dual” eligible individuals’ drug costs. As people now receiving drug benefits through state Medicaid programs move to the new Medicare drug benefit, there should be a smooth transition.

In making this transition, it is critical that there be no gap in coverage. The statute calls for auto-enrollment only if a full dual beneficiary “has failed to enroll” in a Medicare drug plan. However, since states will likely discontinue Medicaid drug coverage right away, auto-enrollment of affected individuals should be effective no later than January 1, 2006.

Grandparents Raising Grandchildren

Finally, we want to ensure that there is fair treatment for grandparents raising grandchildren in determining eligibility for limited-income assistance in the full Medicare drug benefit. The statute bases eligibility for limited-income assistance on the federal poverty level, which varies by household size. For example, a married couple raising two grandchildren currently can have an income up to \$24,840 and be under 135 percent of poverty, which is substantially greater than the \$16,362 income that constitutes 135 percent of poverty for a two-person household. That makes sense because a larger household, such as a couple that is supporting grandchildren or dependent children, has greater economic needs.

However, in the discount card program, Medicare officials have based eligibility solely on whether an individual beneficiary is married or not, and ignored the fact that those with larger households can have larger incomes and still meet the statutory federal poverty level criteria.

We believe it is critical that the entire household size be taken into account when evaluating eligibility for limited income assistance to ensure fair treatment for Medicare beneficiaries who have taken on the added responsibility of raising grandchildren.

Conclusion

The extra assistance provided by the MMA for people with limited incomes results in comprehensive coverage for those who need it most, and is among the most important features in the Medicare drug benefit legislation. The limited-income provisions establish a foundation and model for providing comprehensive drug coverage to all Medicare beneficiaries – a goal that we all share. We greatly appreciate the efforts of the Administration and Congress to reach out to those who are eligible for this extra assistance and to make refinements as the program is implemented. And we look forward to continuing these efforts through full implementation of the new law in 2006 and beyond.