

**Testimony
For the Hearing Entitled,
“Seniors at Risk: Improving Medicare for Our Most Vulnerable”**

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Chairman Kohl, Senator Smith, and distinguished Members of the Committee, I appreciate the opportunity to testify on the topic of improving Medicare for the most vulnerable beneficiaries.

I am Laura Summer, a senior research scholar at Georgetown University's Health Policy Institute. One of my principal research activities is to analyze how federal and state policies and practices affect enrollment in and use of public benefit programs for seniors and others. Most recently I have been studying these issues with regard to the Medicare Part D drug benefit as well as the Medicare Savings Programs (the QMB, SLMB, and QI programs, known collectively as MSPs).ⁱ The Medicare Savings Programs help low-income beneficiaries with Part B premiums and co-payments.

The addition of a Medicare prescription drug benefit has broadened health insurance coverage for Medicare beneficiaries considerably. The Part D Low-Income Subsidy, also called "Extra Help" or the LIS, offers great potential for low-income beneficiaries to receive substantial help with Part D premiums and cost-sharing. Although they are entitled to this financial assistance, however, millions of beneficiaries do not receive it. In this testimony, I will discuss the reasons for persistent low enrollment in the Low-Income Subsidy, and suggest some program changes that could increase enrollment.

LIS ENROLLMENT

The Low-Income Subsidy is available to Medicare beneficiaries with incomes below 150 percent of the federal poverty line and limited resources. The great majority of the 12.5 million beneficiaries estimated to be eligible for the Low-Income Subsidy are deemed eligible because of their participation in other programs. Low LIS participation rates are occurring among the 4.1 million beneficiaries who must apply separately for the subsidy. According to CMS, almost two-thirds of them (63 percent) were not receiving the subsidy as of January 2008.ⁱⁱ

PROGRAM CHANGES TO INCREASE LIS ENROLLMENT

Simplify the enrollment process

Three of the reasons cited most commonly by beneficiaries and their counselors for low enrollment in the Low-Income Subsidy are that beneficiaries do not know how to apply for the subsidy; they do not understand the financial eligibility rules and therefore think they are not eligible for the subsidy; or they do not complete the application because the process is too complicated.ⁱⁱⁱ

These survey results suggest that confusion persists despite considerable effort on the part of the Social Security Administration, the Centers for Medicare and Medicaid Services, state Medicaid programs, and community organizations to reach beneficiaries and provide program information and assistance. The Part D program can be confusing for low-income beneficiaries who are not automatically deemed eligible for the subsidy; they must complete a two-part process, first submitting an application for the LIS and then enrolling in or being assigned to a prescription drug plan. Changes to simplify the application process could reduce the need for explanation and assistance while improving enrollment rates for the subsidy.

Eliminate the resource test

The elimination of the asset or resource test is a key program change that would make the application process simpler and less time consuming for beneficiaries, those who assist them, and those who process applications. Studies of other programs show that administrative costs decrease when the application process becomes easier.^{iv} There are other administrative advantages. Data currently available from national surveys provide reliable information on income, but limited information on resources for seniors. If income were the sole financial eligibility criterion for the subsidy, government officials could estimate the number of beneficiaries eligible for the LIS with much more specificity. Indeed, CMS estimated in 2007 that 13.2 million were eligible for the Low-Income Subsidy, but the estimate for 2008 was lower by 700,000.^v CMS could also use survey data to more accurately identify areas of the country that could benefit from targeted outreach. Finally, CMS research indicates that beneficiaries who are eligible for the Low-Income Subsidy may be reluctant to apply because they do not want to provide personal information about resources.

If the resource test is not eliminated, some steps could still be taken to increase the limit and to simplify the way assets are counted and documented. For example, the requirement that applicants provide information about the cash surrender value of life insurance policies has posed problems since beneficiaries often do not have this information on hand. Recognizing this, at least ten states have established exclusions higher than the standard \$1,500 for life insurance or burial funds to determine program eligibility for the Medicare Savings Programs and some do not require documentation for this resource.^{vi}

Adopt a proactive approach to identifying and enrolling low-income beneficiaries

Eliminating the resource test will help achieve the goal of simplification, but alone, it will not ensure that enrollment increases. In the state of Maine, for example, a policy change early in 2007 to disregard all resources for the Medicare Savings Programs had little effect on program enrollment, but the decision later that year to deem State Pharmacy Assistance Program enrollees eligible for the Medicare Savings Programs caused a dramatic increase in enrollment.^{vii}

Without the resource test, the Social Security Administration could take a more proactive role to identify, inform, and – with their permission – enroll Medicare beneficiaries for the subsidy. Presumably, the tax return data that the Social Security Administration uses to determine the Part B premium amount for higher-income beneficiaries could also be used to identify beneficiaries who are eligible for the LIS.

Currently, SSA automatically enrolls individuals receiving Social Security benefits in Medicare on the first day of the month they turn 65; others may apply for Medicare three months before they are eligible. Almost all are enrolled in Parts A and B, but may opt out of Part B. The Social Security Administration could identify and enroll eligible beneficiaries for the subsidy at the same time, also with an opt-out provision. This approach, which informs beneficiaries of their eligibility rather than requiring that they know about the benefit and apply, would not only be simpler, but would also address the problem that substantial proportions of low-income beneficiaries are not aware that a subsidy is available.^{viii}

Align rules and procedures for the Low-Income Subsidy and the Medicare Savings Programs

The LIS and MSP benefits target similar groups of vulnerable Medicare beneficiaries. Generally, the income and resource limits are somewhat higher for the subsidy than for the Medicare Savings Programs, though a number of states have expanded MSP eligibility by eliminating or amending resource tests.^{ix} All beneficiaries who receive MSP benefits are deemed eligible for the LIS. Many who qualify for the LIS are financially eligible for the Medicare Savings Programs, but even those eligible for both must apply separately for the two programs.

Beneficiaries can apply for the LIS through state Medicaid programs, which handle eligibility determinations for the Medicare Savings Programs. Currently, the Social Security Administration handles the great majority of LIS applications, however. A requirement that specific eligibility information from the subsidy application be forwarded from SSA to the state

Medicaid office for review and processing would likely help increase enrollment in the Medicare Savings Programs.

Two program changes could achieve administrative efficiency and increase enrollment for both benefits. First, mandates that all applicants be screened and – with their permission – enrolled, if eligible, for both LIS and MSP benefits, regardless of where they apply would help. (It is important to note that unlike the LIS, MSP eligibility rules differ from state to state, but the Social Security Administration already has experience enrolling Supplemental Security Income beneficiaries in Medicaid programs for 32 states and the District of Columbia). Second, if the eligibility rules for the two programs were aligned, the task of making eligibility determinations would be easier and beneficiaries eligible for the subsidy could be deemed eligible for MSP benefits.

Reduce coverage loss from year to year

Ensuring that the subsidy continues uninterrupted for eligible individuals is another important factor in achieving high enrollment rates for the LIS. Enrollment may decline at the end of the calendar year as low-income beneficiaries lose their deemed status because they have lost their eligibility for SSI or Medicaid and therefore are no longer automatically eligible for the LIS, though, based on their income and resources, many likely would still qualify for the Low-Income Subsidy. This was the case for more than 447,000 beneficiaries in 2008 who received letters advising them that they had lost their deemed status and that they should apply separately for the LIS.^x The likelihood that individuals deemed eligible initially will “churn” off and on the subsidy program – that is, lose and regain coverage within a short period of time – could be reduced if Medicaid programs were required to re-evaluate subsidy eligibility for those who lose deemed status, either by using information on hand or requesting information from beneficiaries.

In 2008, an additional 500,000 beneficiaries were required to submit information about changes in income, resources, or household size so that their eligibility for the subsidy could be re-determined by the Social Security Administration. This is done to ensure that these individuals have not experienced a change in status that would make them ineligible. Some 76,000 beneficiaries failed to respond and therefore lost their subsidies. SSA conducts passive renewals, which rely on data available to SSA for most beneficiaries. Overall, the re-determination process would be easier if just income, rather than income and resources, were used as the financial criterion for renewal. Data show that there is little change in the value of resources over time for low-income seniors.^{xi}

The goal of achieving consistent or stable subsidy coverage for eligible beneficiaries is an important one. If they lose their subsidies they will lose their drug coverage as well unless they pay the premiums for the plans in which they are enrolled. Beneficiaries can apply again after the loss of a subsidy, but will likely face new challenges when the subsidy is restored if they are randomly reassigned to a plan; they may be subject to formulary and utilization management procedures in their new plans that differ from their previous coverage.

Do not count the Low-Income Subsidy as income

Beneficiary counselors report that fear of losing other means-tested benefits is a common reason that beneficiaries do not apply for the LIS.^{xii} Thus, a legislative change to ensure that LIS assistance is not counted as income when determining eligibility for other needs-based programs would address an enrollment barrier. Many precedents for this exist in federal public benefits; the most recent is the Prescription Drug Discount Program that preceded Medicare Part D.

Make administrative data more readily available

With the Part D program in its third year of operation, a substantial amount of program data exists and should be made more widely available to further policymakers' understanding of how well the program is working and what types of changes may be warranted. To accurately measure progress in enrolling those eligible for the Low-Income Subsidy, it would be useful to have more information about the methods CMS uses to estimate the number of beneficiaries eligible for the LIS. In addition, data from the Social Security Administration could provide important information about the financial circumstances of those who apply for, receive, or do not qualify for the subsidy. Data on the reasons, both administrative and financial, that subsidy applications are not approved could be instructive. SSA data could be used to show the value of resources relative to income for applicants and the extent to which resources change from year to year for those receiving the subsidy. Finally, to better understand if and why eligible beneficiaries have gaps in their subsidy coverage, it would be helpful to know how many of those whose subsidy was terminated (because they lost deemed status or because they did not respond to requests for information to re-determine eligibility) reapplied and received the subsidy again, and how long this took.

Provide more targeted publicity and enrollment assistance

Much of the emphasis in this testimony is on simplifying the application and enrollment process for the Part D Low-Income Subsidy and the Medicare Savings Programs. It is important to

recognize, however, that no matter how simple an application process is some beneficiaries will need more information to better understand the program and may need assistance.

More culturally and linguistically appropriate messages and materials are needed to help inform beneficiaries about the availability of the subsidy. Medicare beneficiaries, like other segments of the U.S. population, are extremely diverse representing a wide spectrum of cultural backgrounds and languages. The low-income population is especially diverse.^{xiii} A key consideration here is that appropriate materials and assistance are needed for every aspect of the enrollment process. All materials pertaining to the benefit – information, instructions, applications, and correspondence – should be available in numerous languages in order to increase the likelihood of reaching and assisting all eligible beneficiaries. Currently, SSA makes sample subsidy applications available in 15 languages for information purposes, but only has the capacity to accept scannable English and Spanish versions for processing. CMS has an online outreach tool kit, but materials are available only in English and Spanish; much of the information on the MEDICARE.gov website is available only in English and occasionally in Spanish.

Beneficiaries are most likely to seek help from familiar organizations or individuals they trust. One-on-one counseling such as that provided by State Health Assistance Insurance Programs (SHIPs) and other community-based organizations is mentioned consistently as being particularly helpful and necessary in interviews, and surveys pertaining to the Part D program.^{xiv} The federal government has played an important role in providing support for this type of activity. Particularly in the early stages of the Part D program, funds were available to sponsor enrollment assistance by telephone, through the media, and at community events. In case studies of efforts to provide information and assistance effectively to low-income beneficiaries, the individuals who conduct outreach and counseling activities routinely said that without a consistent source of adequate federal support, this type of assistance cannot be sustained.^{xv}

CONCLUSION

Government and private entities have conducted extensive outreach efforts for both the Part D Low-Income Subsidy and the Medicare Savings Programs, yet enrollment remains low. Program changes aimed at simplifying the application and enrollment processes are needed to help boost enrollment. In addition, a shift from the current process, which requires that beneficiaries learn about and seek benefits, to one that relies on programs' use of available data to identify and inform low-income individuals about their eligibility could have a significant positive effect on enrollment.

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- ⁱ The Qualified Medicare Beneficiary (QMB), the Specified Low-Income Medicare Beneficiary (SLMB), and the Qualifying Individuals (QI) comprise the Medicare Savings Programs (MSP). All cover Medicare Part B premiums and the QMB program also covers some cost-sharing. The QMB and SLMB programs are entitlement programs, financed with Federal and State funds, but the QI program is not. Federal QI funding is capped each year and is due to expire June 30, 2008, unless Congress passes new legislation.
- ⁱⁱ Centers for Medicare and Medicaid Services, “Medicare Prescription Drug Benefit’s Projected Costs Continue to Drop,” Press Release January 31, 2008.
- ⁱⁱⁱ Laura Summer, Patricia Nemore, and Jeanne Finberg, *Medicare Part D: How Do Vulnerable Beneficiaries Fare?* The Commonwealth Fund, April 2008.
- ^{iv} Laura Summer, *Administrative Costs Associated with Enrollment and Renewal for the Medicare Savings Programs*, Rutgers Center for State Health Policy, 2004.
- ^v Centers for Medicare and Medicaid Services, “Medicare Prescription Drug Benefit’s Projected Costs Continue to Drop,” January 31, 2008 Press Release. Centers for Medicare and Medicaid Services, “Medicare Drug Plans Strong and Growing,” January 30, 2007 Press Release.
- ^{vi} Patricia Nemore, Jacqueline Bender, and Wey-Wey Kwok, *Toward Making Medicare Work for Low-Income Beneficiaries: A Baseline Comparison of the Part D Low-Income Subsidy and Medicare Savings Programs Eligibility and Enrollment Rules*, Kaiser Family Foundation, May 2006.
- ^{vii} Medicare Payment Advisory Commission, Report to Congress: Medicare Payment Policy, March 2008
- ^{viii} Patricia Neuman, Michelle Kitchman Strollo, Stuart Guterman, William Rogers, Angela Le, Angie Mae Rodday, and Dana Gelb Safran, “Medicare Prescription Drug Benefit Progress Report: Findings From a 2006 National Survey of Seniors,” *Health Affairs* Web Exclusive, August 2007.
- ^{ix} Patricia Nemore, Jacqueline Bender, and Wey-Wey Kwok, *Toward Making Medicare Work for Low-Income Beneficiaries: A Baseline Comparison of the Part D Low-Income Subsidy and Medicare Savings Programs Eligibility and Enrollment Rules*, Kaiser Family Foundation, May 2006.
- ^x Centers for Medicare and Medicaid Services, *Year 2007 Re-Deeming Data-Losing Deemed Status*, available at: <http://www.cms.hhs.gov/limitedincomeandresources/>
- ^{xi} Laura Summer and Lee Thompson, *How Asset Tests Block Low-Income Medicare Beneficiaries from Needed Benefits*, The Commonwealth Fund, May 2004.
- ^{xii} Laura Summer, Patricia Nemore, and Jeanne Finberg, *Medicare Part D: How Do Vulnerable Beneficiaries Fare?* The Commonwealth Fund, April 2008.
- ^{xiii} Laura Summer, Ellen O’Brien, Patricia Nemore, and Katharine Hsiao, *State and Local Efforts to Assist Vulnerable Beneficiaries*, The Commonwealth Fund, May 2008.
- ^{xiv} Laura Summer, Patricia Nemore, and Jeanne Finberg, *Medicare Part D: How Do Vulnerable Beneficiaries Fare?* The Commonwealth Fund, April 2008. Laura Summer, Ellen O’Brien, Patricia Nemore, and Katharine Hsiao, *State and Local Efforts to Assist Vulnerable Beneficiaries*, The Commonwealth Fund, May 2008.
- ^{xv} Laura Summer, Ellen O’Brien, Patricia Nemore, and Katharine Hsiao, *State and Local Efforts to Assist Vulnerable Beneficiaries*, The Commonwealth Fund, May 2008.