Medicare Rights Center



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May 18, 2009

Honorable Senator Jeff Bingaman
703 Hart Senate Building
U.S. Senate
Washington, DC 20510

Dear Senator Bingaman,

The Medicare Rights Center strongly supports your legislation, the "Medicare Financial Stability for Beneficiaries Act of 2009," which will improve access to medical treatment for low-income people with Medicare. As you are aware, restrictive eligibility criteria and bureaucratic barriers often prevent low-income people with Medicare from receiving assistance paying for medical care or prescription drugs through one of the Medicare Savings Programs (MSPs) and the Part D Extra Help program. Oftentimes these programs are just out of reach for individuals because of modest earnings or retirement savings.

More than 13 million people with Medicare have incomes below 150 percent of federal poverty levels and are potentially eligible for assistance with their Medicare costs. Another six million have incomes under 200 percent of poverty. People with Medicare should not be denied medical coverage or medicine because they cannot afford them. Currently, Extra Help, which provides coverage through the Part D doughnut hole and helps pay premiums and copayments, is available only to individuals earning less than $1,354 with limited assets. Help paying the Part B premium under the Medicare Savings Programs is even more restricted; individuals must earn less than $1,240 and the maximum in allowable assets is even lower than for Extra Help.

One quarter of people with Medicare devote over 30 percent of their household budgets to medical expenses. The average share of spending devoted to medical costs is 14 percent among all people with Medicare, with most of that spent on premiums for Medicare and supplemental coverage. People with Medicare just over the poverty level pay an even higher proportion—16 percent—of their limited incomes on health care.[1]

One quarter of all people enrolled in a Medicare Part D plan who did not receive LIS assistance fell into the doughnut hole in 2007. Twenty percent of people with Medicare who reached the coverage gap in 2007 either stopped taking a medication in that drug class, reduced their medication use by skipping doses or splitting pills, or switched to a different medication in that class when they reached the gap. Among Part D enrollees taking medication for diabetes who reached the doughnut hole in 2007, 10 percent stopped taking their diabetes medication and another 5 percent of people reduced their use of their medication.[2]

Barriers to enrollment in the Medicare Savings Programs and Extra Help include: lack of effective outreach, lack of knowledge of the programs, language issues, social and physical isolation, restrictive asset limits, complex income and asset documentation requirements, and other daunting application requirements. Another major barrier is the lack of alignment of eligibility rules and application processes between MSP and LIS, even though both programs serve the same general population. Your bill takes significant steps to address these barriers.

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Your bill includes provisions that our organization has identified as being important to improving these programs.

- **Stabilization**. Program and enrollment stability allow both states, which administer the MSP programs, and beneficiaries, who use them, to be able to rely on their availability. Your bill makes permanent a program to pay Part B premiums that has limped along for several years on short-term reauthorizations, and assures that the receipt of benefits from both LIS and MSP will not interfere with beneficiaries' eligibility for other programs.

- **Increased access.** Research supports the conclusion that financial assistance results in greater access and better health outcomes for low-income beneficiaries. Currently, full assistance is available only for those beneficiaries with incomes up to 135 percent of poverty (about $1240/month for an individual in 2009) and very limited assets; much more limited assistance is available for those with incomes up to 150 percent of poverty. People with low incomes but some savings may be disqualified entirely. Your bill increases full assistance to people with incomes up to 150 percent of poverty (about $1350/month for an individual in 2009) and partial assistance to 200 percent of poverty (about $1800/month in 2009). It also helps people who have a small amount set aside for retirement by increasing the limit for assets to $27,500 for an individual and $55,000 for a couple. It caps out-of-pocket costs for Medicare Part D prescription drug costs at 2.5% of income for Extra Help recipients. People who get both Medicare and Medicaid and who receive long-term care services in the community will no longer have to pay prescription drug copayments from the very limited amount of income they are permitted to keep for personal needs.

- **Alignment.** Currently, income and asset eligibility rules for MSP and LIS are similar, but not identical. Individuals eligible for MSP benefits are deemed eligible for LIS, without having to apply or take any other action. The reverse, however, is not true. Your bill includes provisions both to align the eligibility rules for the two programs and to actually allow deeming in both directions, so that an individual found eligible for LIS will also receive an MSP, without any further action on their part.

- **Simplification.** Outreach and enrollment for low-income Medicare programs will be significantly simplified through the provision in your bill that allows the Social Security Administration to use information from the Internal Revenue Service to identify potentially eligible beneficiaries so that they can target their outreach efforts more efficiently.

Your bill includes many other provisions that will help make Medicare work better for the nearly 20 million beneficiaries—almost half of all Medicare beneficiaries—with low incomes.

We look forward to working with you to pass this excellent legislation.

Paul Precht
Director of Policy and Communications
Medicare Rights Center

[1] Health Care on a Budget: An Analysis of Spending by Medicare Households, Kaiser Family Foundation, February 2009.
[2] The Medicare Part D Coverage Gap: Costs and Consequences in 2007. Kaiser Family Foundation, August 2008.