

Lifting the Asset Test for Medicare Savings Programs in New York State

The Center for Medicare and Medicaid Services (CMS) recently explained that the New York State Department of Health (NYSDOH) incorrectly interprets income eligibility determination for the QI-1 program, as a result people below 120% of FPL who have assets more than \$4,000 will no longer qualify for help with their Part D Premiums. To move ahead, New York should keep all people who are income eligible for Medicare Savings Programs (MSP) on an MSP by eliminating the asset test for all three MSPs. Other States have found that coordinating the SPAP with MSP eligibility reduces administrative costs and takes advantage of any federal dollars and reduces State financial support. The way to make this financially viable for New York is to coordinate MSP eligibility with eligibility for EPIC, as MSP recipients automatically get LIS under Part D, reducing EPIC and the State's costs.

I. Background

The Medicare Savings Program (MSP) consists of three programs: Qualified Medicare Beneficiary (QMB), Special Low-Income Medicare Beneficiary (SLMB), and Qualified Individual-One (QI-1).

All three programs pay the full cost of the Medicare Part B premium (\$93.50 in 2007). These programs also automatically enroll individuals into the Low-Income Subsidy, also known as "Extra Help"—a federal entitlement program that significantly lowers Part D copay, premium, and deductible costs.

Eligibility for these programs is based on monthly income and allows applicants to be receiving up to 135% of the Federal Poverty Level in 2007. The following chart outlines 2007 income and eligibility requirements in New York for all three programs:

Program	2007 Gross Monthly Income Limits		2007 Asset Limits	
	Individuals	Couples	Individuals	Couples
QI-1	\$1,169	\$1,560	No limit	No limit
SLMB	\$1,041	\$1,389	\$4,000	\$6,000
QMB	\$ 871	\$1,161	\$4,000	\$6,000
Medicaid	\$ 720	\$920	\$4,200	\$5,400

The federal government funds 50 percent of QMB/SLMB and 100 percent of QI-1. State and local government funds the remaining 50 percent of QMB/SLMB (25 percent each).

The eliminated asset test for QI-1 in NY State enables beneficiaries with assets above the modest Extra Help limit (\$11,710 for individuals, \$23,410 for couples) to save thousands in Part B premium and drug costs. As long as the applicant's income is below 135% of the Federal Poverty Level, the New York State Department of Health (NYSDOH) places individuals with high assets into the QI-1 program regardless of his/her income.

Example 1 - an individual receiving \$700 per month (QMB-level income) who has \$10,000 in savings will be placed into the QI-1 program.

Recently, the Center for Medicare and Medicaid Services (CMS) explained that NYSDOH incorrectly interprets the Social Security Act **regarding income eligibility determination** for the QI-1 program. According to CMS, the correct interpretation of the law precludes low-income/high asset individuals (see example 1 above) from receiving the Medicare Savings program.

II. Current Federal law that dictates eligibility for Medicare Savings Programs

In order to qualify for enrollment in an MSP, section 1905(p) of the Social Security Act requires that an applicant's resources "do not exceed twice the maximum amount of resources that an individual may have and obtain benefits under that program [supplemental security income]." However, under section 1902(r)(2) of the Act, states may apply for a state plan amendment to disregard resources and/or apply more liberal methods of treating resources.

III. Reasons for eliminating the asset test for all three Medicare Savings programs

The solution is to apply for a State Plan amendment and remove the asset test for all three Medicare Savings Programs and to align income eligibility for QI-1 with the EPIC fee plan. If MSP eligibility is coordinated with EPIC eligibility and having an MSP automatically qualifies you for Extra Help (paid for with 100% federal dollars), **this solution would greatly reduce EPIC's costs**. Several additional reasons for this change include:

- A 2004 Commonwealth study entitled "How Asset Tests Block Low-Income Medicare Beneficiaries from Needed Benefits," found that older people with low incomes generally have few assets and that these assets do not change substantially over time.
- Simplified program administration. Eliminating the need for asset review both at the time of application as well as the time of recertification would significantly decrease time and administrative costs. According to the Commonwealth's report, "reviewing asset information is the most time-consuming task in the enrollment process."
- The New York State Pharmaceutical Assistance Program (EPIC) has recently required that all people with EPIC enroll in Medicare Part D and if they are eligible for Extra Help they must apply for it. This offers New York State substantial savings that can be applied to any increases in costs related to QMB and SLMB.
- Low-income beneficiaries concerned about jeopardizing their assets and savings would be more inclined to seek help. Commonwealth states that applicants "have misperceptions about eligibility rules regarding assets. Some people do not know that certain assets, such as the home, are not counted in determining eligibility. As a result, they may not apply for benefits even though they are eligible." (p. 2)
- Many DSS offices are short-staffed and have difficulty managing large application volumes. Eliminating the need to conduct asset tests would reduce staffing needs at the local DSS office level, thus saving the county DSS money. As a result, local offices could better meet the needs of low-income individuals.
- QI-1 is the most tenuous of the three Medicare Savings Programs and requires federal annual reauthorization. Increasing the number of people on QMB/SLMB will stabilize the benefit for those people eligible.

IV. Other States

The Commonwealth report outlines the recent trend toward complete elimination or extreme relaxation of the asset test for all three Medicare Savings Programs.

- Maine and Vermont have both eliminated the asset test for all three programs. This change was offset by savings to their State Pharmaceutical Assistance Program due to increased LIS enrollment.
- Alabama, Arizona, Delaware, and Mississippi have modified the tests to effectively eliminate them for Medicare Savings Programs. According to the report, "Arizona eliminated the asset test for Medicare Savings Programs in QI-1 after conducting a fiscal impact study. The study found that savings on administrative costs related to documenting assets roughly equaled the costs of benefits for additional persons who would enroll in the programs." (p. 7)

V. Conclusion

The program saves enrollees approximately \$1,122 in annual Part B premiums and, through Extra Help, an estimated \$3,300 in drug costs—income that program recipients use toward food, housing, and other basic living expenses. Without the Medicare Savings Program, many of these individuals may be forced to choose between these necessities and the cost of drugs or medical care. Rather than exclude low-income individuals with modest savings from the program, the State of New York should protect its population most vulnerable to an increasingly complex, costly healthcare system and eliminate the asset test for all three Medicare Savings Programs.