



Improving Medicare Assistance Programs *Easing Access to LIS*

The Problem. Current Medicare policies expose low- and moderate-income beneficiaries to excessive out-of-pocket costs. Although people with very low-incomes may be eligible for Medicaid to supplement Medicare, there is limited help for those who are just above the poverty level, and even middle-income beneficiaries can struggle. Reflecting this lack of assistance, health care cost burdens for these groups are high. An estimated 40% of low-income beneficiaries¹ spend 20% or more of their income on premiums and health care costs, while nearly 25% of middle-income beneficiaries² do so.³ Out-of-pocket costs for prescription drugs represent a significant share of this amount, accounting for nearly one out of every five beneficiary health care dollars.⁴

For those who qualify, the Low-Income Subsidy (LIS) program (also called “Extra Help”) can be a lifeline, helping them pay for Medicare coverage they would not otherwise be able to afford. But accessing this program presents challenges of its own. The application process is complex and fragmented, and the eligibility requirements are woefully outdated. As a result, many who need this assistance aren’t able to get it.

Background. Extra Help/LIS is a federal program that helps people with limited incomes and savings pay for their Medicare prescription drug coverage, including coinsurance, deductibles, and premiums.⁵ The program’s two subsidy levels—full and partial—are tied to a beneficiary’s income and resources. As outlined in the chart below, if a beneficiary’s monthly income is up to \$1,615 in 2020 (\$2,175 for couples) and their assets are below \$14,610 (\$29,160 for couples) they may qualify for assistance.⁶

Income limit	Asset limit	Program	Copayments
Below \$1,615 (\$2,175 for couples) per month in 2020¹ <ul style="list-style-type: none"> • And your income and/or assets are above Full Extra Help limits 	Up to \$14,610 (\$29,160 for couples) in 2020² <ul style="list-style-type: none"> • And your income and/or assets are above Full Extra Help limits 	Partial Extra Help Premium depends on your income \$89 deductible or the plan’s standard deductible, whichever is cheaper	15% coinsurance or the plan copay, whichever is less After \$6,350 in out-of-pocket drug costs, you pay \$3.60/generic and \$8.95/brand-name or 5% of the drug cost, whichever is greater
Up to \$1,456 (\$1,960 for couples) per month in 2020¹	Up to \$9,360 (\$14,800 for couples) in 2020²	Full Extra Help \$0 premium and deductible ³	\$3.60 generic copay \$8.95 brand-name copay No copay after \$6,350 in out-of-pocket drug costs

¹ Defined as those living on annual incomes below 150% of the poverty level, less than \$18,000 a year for a single person.

² Defined as those between 200% and 399% of the federal poverty level, or \$24,000 to \$36,000 for a single person.

³ Cathy Schoen, et al., “A Policy Option to Enhance Access and Affordability for Medicare’s Low-Income Beneficiaries,” The Commonwealth Fund (September 2018), <https://www.commonwealthfund.org/publications/issue-briefs/2018/sep/medicare-low-income-beneficiaries>.

⁴ Kaiser Family Foundation, “10 Essential Facts About Medicare and Prescription Drug Spending” (January 2019), <https://www.kff.org/infographic/10-essential-facts-about-medicare-and-prescription-drug-spending/>.

⁵ Medicare Interactive “The Extra Help/Low Income Subsidy (LIS) program,” Medicare Rights Center (last accessed March 3, 2020),

<https://www.medicareinteractive.org/get-answers/cost-saving-programs-for-people-with-medicare/the-extra-help-low-income-subsidy-lis-program>.

⁶ Medicare Rights Center, “Extra Help Program Income and Asset Limits 2020” (2020), <https://www.medicarerights.org/fliers/Help-With-Drug-Costs/Extra-Help-Chart.pdf?nrd=1>.

These financial eligibility thresholds are extremely low, especially as prescription drug costs continue to climb⁷ and take up a larger share of beneficiaries' limited budgets.⁸ If left unaddressed, this disconnect will put an ever-growing number of people at risk.

Heard on the Helpline. On Medicare Rights' National Consumer Helpline, we frequently hear from older adults and people with disabilities who are struggling to afford their prescriptions but are unable to qualify for help. As a result, they may be forced to choose between paying for Medicare and other basic needs, like food and rent.

- Ms. V, a Medicare Rights client, takes many drugs to regulate her blood pressure, cholesterol, and other issues after a stroke several years ago. Though she is proactive about finding the best price, one drug she needs is still unaffordable. With an income hovering just over \$21,000 per year, Ms. V. does not qualify for Extra Help.
- Mr. C was prescribed an anti-psychotic medicine with a co-payment of \$500 per month. He is just over the income limits for Extra Help and, because he is insured through Medicare, is not eligible for the manufacturer's discount program.
- Ms. D requires an expensive drug to treat her autoimmune disorder. She cannot afford the \$1,000/month cost and cannot request that her plan create a tiering exception because the drug is on a specialty tier. She is just over the income limit for Extra Help.

These callers are not alone. In recent years, over 40% of Medicare Rights' Helpline callers who were screened for Part D assistance programs did not qualify due to having income and assets in excess of the program's eligibility thresholds.⁹ As the population ages and prices continue to rise, more and more beneficiaries may find the cost of prescriptions, help paying these costs—or both—to be out of reach.

Legislative Solutions. Financial safeguards for people with Medicare are much more limited than those available through other types of coverage, including the Affordable Care Act. Equity demands that Medicare's low-income programs better protect low- and middle- income beneficiaries against burdensome spending. The following reforms are needed to ensure that more people who need this critical assistance are able to obtain it:

- Eliminate the Asset Test & Expand Eligibility for LIS. Eliminating the asset test and expanding the income eligibility thresholds for full and partial LIS benefits to 150% FPL and 200% FPL, respectively, would ensure more people are able to afford their prescriptions.
- LIS Auto-Enrollment. Auto-enrolling those who qualify for LIS would solve for another significant barrier to program access—the complex application process.
- Expand LIS Eligibility to U.S. Territory Residents. Allowing all eligible U.S. residents to enroll in LIS would correct inequities in the current system that disproportionately harm this population.
- Modernize Treatment of Retirement Account Distributions. Excluding certain retirement account distributions from LIS eligibility counting rules could properly incentivize workers to build retirement security.

⁷ Leigh Purvis, et al., "Trends in Retail Prices of Prescription Drugs Widely Used by Older Americans: 2017 Year-End Update," AARP Public Policy Institute (September 2019), <https://www.aarp.org/content/dam/aarp/ppi/2019/09/trends-in-retail-prices-of-prescription-drugswidely-used-by-older-americans.doi.10.26419-2Fppi.00073.003.pdf>.

⁸ Juliette Cubanski, et al., "The Financial Burden on Health Care Spending: Larger for Medicare Households than for Non-Medicare Households," Kaiser Family Foundation (March 1, 2018), <https://www.kff.org/medicare/issue-brief/the-financial-burden-of-health-care-spendinglarger-for-medicare-households-than-for-non-medicare-households/>.

⁹ Fred Riccardi, et al., "Medicare Trends and Recommendations: An Analysis of 2017 Call Data from the Medicare Rights Center's National Helpline," Medicare Rights Center (April 2019), <https://www.medicarerights.org/pdf/2017-helpline-trends-report.pdf>.

Resulting Improvements. The changes identified above would ease LIS eligibility to ensure better access to care, promote beneficiary health and financial well-being, and strengthen Medicare by:

- Improving Beneficiary Health and Economic Security. These policies would remove burdensome beneficiary cost-sharing requirements and help people with LIS enroll in the most affordable plan that meets their needs—changes that would improve beneficiary access to needed care while also lowering their out-of-pocket costs.
- Delaying Medicaid Spend-Down. Limiting the financial pressure of paying for Medicare-related costs would help postpone spending down to Medicaid eligibility levels. Helping beneficiaries stretch their budgets without turning to Medicaid will become increasingly important as the next generation of workers—many of whom are likely to have limited savings—age into Medicare.¹⁰
- Strengthening the Medicare Program. As noted by the nonpartisan Congressional Budget Office, making prescription drugs more affordable would increase the number of beneficiaries who can purchase needed medications, leading to improved adherence and better health outcomes. This would save Medicare money by reducing the need for more costly interventions later, such as hospital care.¹¹

¹⁰ Monique Morrissey, “The State of American Retirement,” Economic Policy Institute (March 2016), <https://www.epi.org/publication/retirement-in-america/>.

¹¹ Congressional Budget Office, “Effects of Drug Price Negotiation Stemming From Title 1 of H.R. 3, the Lower Drug Costs Now Act of 2019, on Spending and Revenues Related to Part D of Medicare” (October 2019), <https://www.cbo.gov/publication/55722>.