Expanding Eligibility for Medicare Savings Programs: The Case for New York State

December 2007

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Executive Summary

New York State can save up to $180 million a year for its EPIC (Elderly Pharmaceutical Insurance Coverage) prescription drug assistance program by increasing the number of EPIC members who qualify for Medicare’s Extra Help program (also called the Low-Income Subsidy). Extra Help, the fully federally funded assistance program for people with low incomes, would pay the premiums and cost-sharing under the Medicare Part D prescription drug benefit that are now largely paid by EPIC, a program exclusively funded with state monies. The best way to increase enrollment in Extra Help is to expand eligibility for Medicare Savings Programs (MSPs), which pay premiums and cost-sharing for low-income people with Medicare and automatically qualify MSP enrollees for Extra Help. The savings generated for EPIC offset all or most of the additional state cost from increased enrollment in MSPs, while giving a substantial benefit to older New Yorkers with limited incomes. In addition, this reform could help fund an expansion of EPIC to include people under the age of 65 who have Medicare because of a disability.

Introduction

Historically, New York State has administered two important, but separate, programs for people with Medicare who cannot afford their health care costs because they have low incomes, Medicare Savings Programs and EPIC.

1. The Medicare Savings Programs (MSP) are administered by the state Medicaid office but funded jointly with federal and state dollars. MSPs pay Medicare premiums and cost sharing for medical services for people with low-incomes who are covered by Medicare.

There are three Medicare Savings Programs (MSPs): Qualified Medicare Beneficiary (QMB), Special Low-Income Medicare Beneficiary (SLMB), and Qualified Individual (QI). The federal government funds 50 percent of the cost of QMB and SLMB and 100 percent of QI.

All three programs pay the full cost of the Medicare monthly Part B premium (at least $96.40 in 2008). QMB also helps pay the Medicare coinsurance and deductibles. And, since people enrolled in an MSP automatically qualify for Extra Help, they also get help paying their prescription drug plan premium, deductible and co-payments (estimated annual savings to people getting Extra Help is $3,300).

2. EPIC (Elderly Pharmaceutical Insurance Coverage program) is a New York State prescription plan for people over 65 who need help paying for their prescriptions. EPIC covers almost all prescription medicines, as well as insulin, and insulin syringes and needles.

EPIC, which is entirely state-funded, is run by the State Department of Health and includes two plans that together cover 346,933 people.¹

The EPIC plans include:

a. The Fee Plan, which is available to seniors with an annual income of less than $20,000 ($26,000 for couples). Members in the fee plan have to pay an annual fee to EPIC. Each person’s fee depends on his/her income and ranges between $8 and $230 ($8 and $300 for each enrolled person in a couple).
b. **The Deductible Plan which is available to seniors with an annual income between $20,001 and $35,000 (between $26,001 and $50,000 for couples).** There is no annual fee to join the Deductible Plan, but member’s must spend a certain amount on prescriptions—meet a deductible—before EPIC will start paying for drugs. Each member’s deductible amount depends on his/her income and ranges between $530 and $1,230 ($650 and $1,715 for each enrolled person in a couple).

As of July 1, 2007, most people with EPIC must enroll in the Medicare drug benefit (Part D).\(^2\) EPIC, however, helps pay for the consumer’s costs of a Part D plan:

- **If a person is in the EPIC Fee Plan and joins Part D,** in 2008 EPIC will pay up $24.45 toward the individual’s Part D monthly premium. The person will continue to pay the EPIC fee. If the person also has “full” Extra Help—the highest level of the federal assistance program that helps pay for the Medicare drug benefit—EPIC will pay up to $48.90 toward a Part D monthly premium, and the EPIC fee is waived.\(^3\)

- **If a person is in the EPIC deductible plan and joins Part D,** EPIC will reduce the individual’s EPIC deductible. In 2008, the person will receive a credit that is equal to $24.45 multiplied by the number of months left in his/her EPIC coverage year. This credit will reduce the individual’s annual EPIC deductible. For example, if there are three months left in the person’s EPIC coverage year, he/she will get a credit of $73.35 (3 x $24.45) toward his/her EPIC deductible. If the individual has already reached his/her EPIC deductible, he/she will receive a refund.\(^4\)

**Note:** From now on we will only refer to the EPIC Fee Plan since income eligibility for the Deductible Plan is higher than the limits we are proposing for MSP eligibility expansion.

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### 2007 New York State Income and Asset Limits for Low-Income Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Annual Income(^5)</th>
<th>Percent of FPL*</th>
<th>Asset Thresholds(^6)</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual</td>
<td>Couple</td>
<td>Individual</td>
<td>Couple</td>
</tr>
<tr>
<td>Qualified Medicare Beneficiary (QMB)</td>
<td>$10,452</td>
<td>$13,932</td>
<td>$4,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Specified Low-Income Medicare Beneficiary (SLMB)</td>
<td>$12,492</td>
<td>$16,668</td>
<td>$4,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Qualified Individual (QI)</td>
<td>$14,028</td>
<td>$18,732</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>EPIC Fee Program</td>
<td>$20,000</td>
<td>$26,000</td>
<td>≤ 196% (single)</td>
<td>None</td>
</tr>
<tr>
<td>Full Extra Help</td>
<td>$13,784</td>
<td>$18,482</td>
<td>≤ 135%</td>
<td>$7,620</td>
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<tr>
<td>Partial Extra Help</td>
<td>$15,315</td>
<td>$20,535</td>
<td>135% - 150%</td>
<td>$11,710</td>
</tr>
</tbody>
</table>

\(^*\) Federal Poverty Level changes in February or March of each year.

\(^**\) The cap on county share of Medicaid expenditures effectively means that all additional non-federal spending that result from new eligibility expansion will be borne entirely by the state.
Time for New York to Reevaluate Medicare Savings Programs

With the launch of the Medicare Part D prescription drug benefit in 2006, MSP and EPIC are linked in a way that should prompt New York to modify the state’s eligibility criteria for MSPs.

As of September 1, 2007, 263,948 of EPIC’s 346,933 members—over 75 percent—were enrolled in Part D. For EPIC members with Part D, EPIC coverage of prescription drugs is secondary to coverage by a Part D plan. (The Part D benefit is delivered entirely through private plans, not directly by Medicare.) The Part D plan pays first and EPIC picks up any cost sharing (deductibles, coinsurance and co-payments) imposed by the Part D plan on its members that is greater than what EPIC requires its enrollees to pay. As a result, EPIC is able to maintain the same benefits for its members that were available before the Medicare Part D program was launched in January 2006 while saving substantially on the New York State expenditures for drugs. EPIC savings from Part D are expected to reach $143 million in 2007.

Even with these savings, EPIC expenditures remain substantial because the EPIC benefit is more generous than the standard Part D benefit. For example, EPIC will cover the full cost of prescriptions during the 2008 Part D $4,050 gap in coverage—the so-called doughnut hole. However, for Part D enrollees who qualify for Full Extra Help, the standard benefit is more generous than EPIC coverage. Copayments in 2008 are capped at $5.60 (EPIC’s co-payments are capped at $20), full coverage is provided through the doughnut hole, and premiums are fully subsidized up to the average drug premium charged by plans in New York State ($24.45 a month in 2008).

Benefits Provided by Low-Income Programs in 2008

<table>
<thead>
<tr>
<th>Program</th>
<th>Prescription Drug Benefits</th>
<th>Coverage Gap</th>
<th>Medical Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Premium</td>
<td>Deductible</td>
<td>Copayments</td>
</tr>
<tr>
<td>EPIC Fee Program</td>
<td>$0</td>
<td>$0</td>
<td>No more than $20</td>
</tr>
<tr>
<td>(annual fee: $8 - $230)</td>
<td></td>
<td></td>
<td>($0 after you have spent 6% of your annual income)</td>
</tr>
<tr>
<td>Standard Part D Benefit</td>
<td>$25</td>
<td>$275</td>
<td>25%</td>
</tr>
<tr>
<td>Full Extra Help</td>
<td>$0 (if plan is below benchmark)</td>
<td>$0</td>
<td>$1.05 or $2.25 for generics, and $3.10 or $5.60 for brand-name ($0 after total drug costs = $5,726.25)</td>
</tr>
<tr>
<td>Partial Extra Help</td>
<td>Sliding Scale</td>
<td>$56</td>
<td>15% ($2.25/generics and $5.60/brand-name after total drug costs = $5,726.25)</td>
</tr>
<tr>
<td>QMB</td>
<td>Same as Full Extra Help</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SLMB &amp; QI</td>
<td>Same as Full Extra Help</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Current Situation: By the Numbers

EPIC estimates it will save an additional $1,430 in New York’s next fiscal year for every member who receives Full Extra Help, which is funded entirely with federal dollars. Because of the potential savings to both the individual and the state funded program, EPIC has taken a series of steps to ensure that all EPIC Fee Plan members who qualify are enrolled in Extra Help. (EPIC Deductible Plan members, as noted, have higher incomes and do not qualify for Extra Help.) However, under current state-established eligibility guidelines, not all EPIC Fee Plan members qualify for Extra Help either. The maximum income thresholds for EPIC Fee Plan eligibility are higher than those set by the federal government for Extra Help. In addition, EPIC and Extra Help count different sources of income, and Extra Help—unlike EPIC—disqualifies individuals with financial assets above specified limits.

Because of these differences in eligibility criteria, EPIC first had to obtain detailed asset and income information from members that EPIC determined would likely qualify for Extra Help based on the income data it had from people’s EPIC applications. Once it obtained this additional information, EPIC applied directly to the Social Security Administration (SSA) for Extra Help for its members who appeared to meet the Extra Help income and asset limits.

- In July 2006, EPIC sent a request for asset and income information to 69,000 EPIC members with incomes that made them likely to qualify for full Extra Help, who were not already enrolled or denied enrollment in the program. To date, 67,100 have filled out the form and sent it back to EPIC and 17,600 were enrolled in Extra Help. The vast majority (49,500) did not qualify for Extra Help solely because their financial assets exceeded the limits ($7,620 for an individual and $12,190 for a couple).

- In July 2007, EPIC sent a request for asset and income information to an additional 33,000 members who potentially could qualify for the full or partial Extra Help. No information on the number of responses or successful Extra Help applications is yet available.

Despite this effort, of the 241,926 people currently enrolled in the EPIC Fee Plan, only 76,116 EPIC members are enrolled in Full Extra Help and 9,257 are enrolled in Partial Extra Help. Of the remaining EPIC Fee Plan members:

- 62,154 have incomes that qualify them for Full Extra Help (below 135 percent of poverty), including the 49,500 who were denied Extra Help after EPIC submitted an application on their behalf, mostly because their assets were above the limits;

- 23,505 have incomes that qualify them for Partial Extra Help (between 135 percent and 150 percent of poverty), including those for whom EPIC is seeking asset information to fill out their Extra Help application;

- 70,894 have incomes above the Extra Help limits.

That means a total of 156,553 EPIC Fee Plan members could qualify for Full Extra Help if the state of New York eliminates the asset test for MSPs and aligning MSP income limits with those for the EPIC Fee Program. That would save the EPIC program nearly $224 million next year alone with substantial financial benefit for older New Yorkers with limited incomes.
Since people automatically qualify for Full Extra Help if they are enrolled in an MSP, EPIC has initiated a pilot project with the Medicare Rights Center to enroll qualifying EPIC members in the QI program. New York eliminated the asset test for the QI program in 2002 and has allowed any individual with income below 135 percent of poverty but assets too high to qualify for SLMB or QMB to enroll in QI. Therefore this pilot was thought to have the potential to enroll many EPIC members in Full Extra Help whose assets, but not incomes, disqualified them for the program.

**True Story**

Ms. H., a widow who lives in Manhattan, N.Y., is 74 years old and a typical example of someone whose assets disqualify her for Extra Help. She receives a $400 monthly Social Security check and works part-time to earn an additional $500 a month to make ends meet. Because she has $12,000 in assets—just $290 over the limit—she is ineligible for Extra Help. But because she lives in New York State, she is eligible for the QI program, which in turn automatically qualifies her for Extra Help. However, this year the Centers for Medicare & Medicaid Services (CMS), the federal agency that administers Medicare and Medicaid, informed New York that its methodology for determining QI eligibility runs counter to federal law. Only individuals with incomes between 120 percent of poverty and 135 percent of poverty are entitled to QI. Individuals with lower annual incomes cannot receive QI.24

For example, if an individual’s income is $950 a month but she has $8,000 in savings, she cannot be enrolled in an MSP because her income is too low for QI (see chart on page 3) but her assets are too high for SLMB.

With New York applying the statutory eligibility criteria going forward, the potential for QI to serve as a channel for EPIC members into the Extra Help is much more limited. In addition, New York will now have to impose an asset test for MSP benefits for individuals below 120 percent of poverty, while foregoing this test for individuals between 120 percent and 135 percent of poverty, a formulation that raises equity concerns as well as concerns of compliance with the requirements of the New York Constitution.

**How New York Can Maximize Federal Dollars for its EPIC Program**

As noted, people enrolled in any of the Medicare Savings Programs are automatically enrolled in the full Extra Help program. The income and asset thresholds for the Extra Help are set by federal Medicare statute, but the Section 1902 (r) (2) of the federal Medicaid statute gives New York and other states broad discretion to set more flexible eligibility criteria for MSPs than the minimum standards written into federal law.25 This authority allows states to dispense with the asset test and to increase the amount or types of income that are not counted (the income disregard), effectively allowing people with Medicare further above the poverty line to qualify for the programs. Expanding eligibility for MSPs is a cost-effective way for New York State to maximize Extra Help enrollment among EPIC members and thereby increase federal funding for EPIC prescription drug benefits now paid entirely by New York taxpayers.
Maine Example

Starting in early 2006, Maine took a series of steps to maximize MSP enrollment for members of its state prescription drug assistance program, Drugs for the Elderly (DEL) program. In February 2006, the state removed the asset test for all MSPs, a step which nearly doubled MSP enrollment to 16,189 by the following year.26

In April 2007, the state of Maine increased the income thresholds for the MSPs, aligning them with the income eligibility criteria for DEL. The income disregard for both individuals and couples was increased to raise the income threshold for QMB from 100 percent of poverty to 150 percent of the poverty line. The income cutoff for SLMB was raised from 120 percent of poverty to 170 percent of poverty and for QI the ceiling was raised from 135 percent of poverty to 185 percent of poverty.27 Those changes brought nearly all the 14,000 remaining DEL members into the MSP program. MSP eligibility was determined automatically based on information already in the DEL program’s possession.28

Maine’s effort has three key components that New York policy makers should consider to meet the public policy objective of maximizing MSP enrollment, and therefore Extra Help participation, among EPIC members:

1. Elimination of the asset test for MSP.
2. Alignment of MSP income thresholds with EPIC income criteria.
3. Automatic enrollment of EPIC members in MSP.

1. Elimination of the Asset Test

Removal of the asset test for all MSPs must be at the center of any state strategy to maximize Extra Help enrollment among EPIC members. From a practical perspective, auto-enrollment of qualified EPIC members in MSPs is impossible without removal of the asset test since EPIC does not possess information on members’ assets through its application process. The asset test for Extra Help is the principal reason nearly 40 percent of EPIC members with incomes below 135 percent of poverty are currently ineligible for Extra Help, a denial rate that parallels figures from the Social Security Administration for the proportion of Extra Help applicants denied solely due to excess assets.29

The extremely low asset thresholds for MSPs ($4,000 for individuals and $6,000 for couples) will prove an even greater barrier to enrollment now that the Bush Administration has advised New York that it will be barred from enrolling individuals below 120 percent of the poverty line in QI, the sole MSP for which New York currently does not impose an asset test.30

Removal of the MSP asset test is sound policy in its own right. First, the asset test has proven to be a major barrier to MSP enrollment. It complicates the application process, forcing applicants to determine the cash value of life insurance policies and triggering onerous documentation requirements.31 Applicants are reticent to reveal assets, even if they are low, and sometimes because they incorrectly fear it will trigger forfeiture of assets.32 The asset test also creates an administrative burden on states to verify asset information, a much more difficult process than checking income.33 The four states that have already eliminated the asset test for all MSPs have all experienced a reduction in the administrative time necessary to process applications.34
Second, the asset test is a poor indicator of the level of need for financial assistance. The MSP asset test, frozen at levels set in 1989, disqualifies nearly half the population that would be found eligible on the basis of income. Applicants who are disqualified from MSPs have on average just $6,500 above the maximum allowed; 85 percent of people with Medicare living in poverty have less than $12,000 in financial assets. These modest sums are meant to last throughout retirement or the period an individual cannot work because of a disability.


The top MSP income thresholds can be raised to 150 percent of the Federal Poverty Level by increasing the income disregard, now set at $20, to $128 per month, with subsequent annual adjustments to match increases in the Federal Poverty Level. That would raise the income cutoff for:

- QI from 135 percent of poverty ($13,784 per year for an individual) to 150 percent of poverty ($15,315 per year).
- SLMB from 120 percent of poverty ($12,252 per year) to 135 percent of poverty ($13,783 per year).
- QMB from 100 percent of poverty ($10,210 per year) to 115 percent of poverty ($11,742 per year).

For couples, a larger monthly disregard would be necessary to move an equivalent percentage up the poverty scale. The cut off for QI for a couple would be set at $20,535, an amount equivalent to 150 percent of poverty but slightly higher than the current maximum income allowed couples in the EPIC fee program.

The MSP income thresholds can be aligned with the cut-off for the EPIC Fee Plan ($20,000 for an individual, $26,000 for a couple) by increasing the monthly income disregard for MSP to $519 a month and adjusting it every year to match the increases in the Federal Poverty Level. That would effectively raise the income cut-off for:

- QI from 135 percent of poverty ($13,783 a year for an individual) to 196 percent of poverty ($20,012 a year).
- SLMB from 120 percent of poverty ($12,252 a year) to 181 percent of poverty ($18,480 a year).
- QMB from 100 percent of poverty ($10,210 a year) to 161 percent of poverty ($16,438 a year).

For couples, a larger monthly disregard would be necessary to move an equivalent percentage up the poverty scale. The cut off for QI for a couple would be set at $26,832, an amount equivalent to 196 percent of poverty but slightly higher than the current maximum income allowed couples in the EPIC fee program.

3. Automatic Enrollment of EPIC Members in MSP.

Besides elimination of the asset test and raising the income limits for MSPs, additional changes to the MSP application are required to enable EPIC to populate MSP applications with information currently in its possession on EPIC members.

- Elimination of the proof of legal residency requirement. The MSP application currently requires documentation that proves citizenship or legal residency status, information that EPIC does not require on its application. This appears to be a carry-over from other applications for Medicaid. Federal law exempts people with Medicare from having to prove citizenship or residency status when applying for Medicaid benefits since only individuals with citizenship or legal residency can receive Medicare benefits.
New York State could therefore dispense with this requirement on the MSP application since, by definition, people with Medicare have already established their citizenship or legal residency. Since EPIC already has data on the Medicare enrollment of its members, it could ensure that it applies for MSP only for EPIC members with Medicare.

- **Income eligibility for EPIC is calculated differently than it is for MSP**, but with the exception of the MSP deduction for health insurance premiums, EPIC has all the information necessary to fill out the MSP application. For example, earned income (wages etc.) is calculated differently for MSP, but EPIC has specific information on earned income that can be fed into the formula used for MSP. Similarly, EPIC also counts interest income in assessing eligibility. Since such income is not counted for MSP eligibility, EPIC would omit it from applications for its members.

EPIC does not collect information on enrollees’ health insurance premiums, which are deducted from the monthly income considered for eligibility for SLMB and QI. (There is no health insurance premium deduction for QMB because QMB enrollees should not be paying for supplemental insurance while QMB, which pays all Medicare cost sharing, is in effect.) As a result, EPIC enrollees who would fall below current income thresholds if their monthly health insurance premiums are taken into account, will not be eligible for an MSP if EPIC uses the current information they collect for individuals.

One solution would be to discontinue the deduction for health insurance premiums recognizing that the increases in the income disregard detailed above would compensate for this change in eligibility since the typical premium for a Medigap supplemental policy is $150 a month. Alternatively, EPIC could seek health premium information from members—it already asks if they have other insurance—although this may complicate the EPIC application process which is now a model of simplicity.

### The Potential Savings to EPIC of MSP Expansion

If these steps are taken so that all, or nearly all, eligible EPIC fee program members can be enrolled in an MSP, it is a straightforward exercise to calculate the potential savings to EPIC from different options to expand eligibility to MSP. These are likely low-end estimates as they do not account for annual growth in drug spending, which would translate into an increase in EPIC savings for each member with Extra Help; in addition, these estimates do not project growth in EPIC enrollment.

#### 1. EPIC Savings from Elimination of the Asset Test

Removal of the asset test should result in MSP enrollment for the 89,754 EPIC members with incomes below 135 percent of poverty who are currently not enrolled in any MSP. The full savings accrue to EPIC only for those members who have not already been awarded Extra Help by SSA. That reduces the number of EPIC members that would be newly eligible for Extra Help to 62,514. Assuming 82 percent of them will join a Medicare Part D plan—the expected Part D enrollment rate for EPIC Fee members since people are not required to enroll under certain circumstances—EPIC would get savings generated from an additional 50,966 enrollments in Extra Help. At an average annual savings of $1,430 per EPIC enrollee with full Extra Help, this would yield an annual savings of $72,881,380.
2. EPIC Savings from raising MSP Income Thresholds

a. Removal of the asset test in conjunction with a modestly larger income disregard could raise the top MSP income cutoff to 150 percent of poverty (the same threshold that now applies to partial Extra Help), enrolling an additional 23,505 in full Extra Help. Assuming the same Part D participation rate of 82 percent, EPIC could save an additional $1,430 on 19,274 new enrollees in full Extra Help, generating annual savings of $27,561,820. (These savings do not include the additional savings EPIC should realize from providing full Extra Help to members who currently qualify for partial LIS.)

Together, the savings generated from removal of the asset test and an increase in the MSP income cut-off to 150 percent of poverty would total over $100 million annually -- $100,443,200.

b. The most ambitious option would be to completely align the MSP and EPIC eligibility criteria. This would require removal of the asset test for all MSPs and increasing the income cutoff to 196 percent of poverty, the level that most closely approximates the income ceilings for the EPIC Fee program ($20,000 for an individual, $26,000 for a couple). Such a large increase in income thresholds for MSP is not unprecedented. Maine’s recent efforts brought income eligibility thresholds up to 185 percent of poverty.45 The District of Columbia has a ceiling for MSP enrollment set at 300 percent of poverty.

The potential savings to EPIC are substantial. If we assume 82 percent of the remaining 70,894 EPIC fee program enrollees are enrolled in Part D, EPIC can expect an additional annual savings of $83,130,304. Combined with the savings achieved from MSP enrollment of EPIC members below 150 percent of poverty, EPIC can expect annual savings of over $180,000,000.

These potential savings—on top of the savings EPIC has already realized from Part D—should be considered as policymakers consider expanding EPIC membership to include people under the age of 65 who have Medicare because of a disability. If an expansion of EPIC to include New Yorkers younger than 65 was coupled with a substantial expansion of MSP eligibility criteria, then the additional costs to EPIC would be minimized.

### Projected Annual EPIC Savings of MSP Expansion

<table>
<thead>
<tr>
<th>Options</th>
<th>Steps</th>
<th>Estimated New Enrollment in LIS/Part D</th>
<th>Savings to EPIC/person through LIS</th>
<th>Savings to EPIC</th>
<th>Cumulative Savings to EPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Removal of Asset Test</td>
<td>Remove asset test; $4,000, single $6,000, couple</td>
<td>50,966 people</td>
<td>$1,430</td>
<td>$72,881,380</td>
<td>$72,881,380</td>
</tr>
<tr>
<td>Removal of Asset Test &amp; Modest Income Disregard</td>
<td>Remove asset test; Increase MSP income thresholds to 150% FPL</td>
<td>19,274 people</td>
<td>$1,430</td>
<td>$27,561,820</td>
<td>$100,443,200</td>
</tr>
<tr>
<td>Removal of Asset Test &amp; Income Alignment</td>
<td>Remove asset test; Increase MSP Cutoff to 196% FPL</td>
<td>58,133 people</td>
<td>$1,430</td>
<td>$83,130,304</td>
<td>$183,573,504</td>
</tr>
</tbody>
</table>

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The Costs of MSP Expansion

The costs to New York Medicaid from the different proposals for expanding MSP eligibility are a function of the projected enrollment in each MSP—QMB, SLMB and QI—and the different costs to the state for each of those programs.

The bulk of new enrollment under each of these scenarios is likely to come from the auto-enrollment of EPIC members, although any eligibility expansion has the potential to bring additional newly qualified people with Medicare into MSP. The experience of other states that have eliminated asset tests or raised income cutoffs for MSP, including New York’s elimination of the asset test for QI, shows a wide range of enrollment impacts, making it difficult to predict the impact in New York beyond the enrollment that would be conducted by EPIC.47

If one were to assume that New York’s experience would resemble the increased enrollment in other states that have eased MSP eligibility requirements, it is difficult to define how much of that increased enrollment is already calculated by the projected enrollment through EPIC. Further complicating this analysis is that increased MSP enrollment associated with easing income and asset requirements could well be accompanied by an increase in EPIC enrollment, resulting in both additional costs and savings to the state for each new MSP/EPIC enrollee. It should be noted that raising income thresholds and eliminating the asset test for MSP will also allow more people under the age of 65 who have Medicare because of a disability to qualify for assistance. Because EPIC membership is currently limited to older adults, there are no offsetting savings from reduced EPIC expenditures. For these reasons, our cost analysis is focused on the projected costs to the state associated with auto-enrollment of EPIC members under the different scenarios.

The projected costs to the state EPIC program in fiscal year 2008-9 for each new QMB enrollee—$1,231—are well below the $1,430 in projected savings to EPIC for each additional enrollee in Extra Help. (This comparison, of course, neither considers the humanitarian value of increasing financial resources for needy New Yorkers nor the economic and taxing benefit of low income New Yorkers being able to spend more on basic necessities.) For new SLMB enrollees, the projected cost to New York—$595.17—is well under half the projected savings to EPIC. Since the federal government fully funds the QI program, there are no net costs to New York for each new QI to offset only the savings that accrue to EPIC. However, nearly 90,000 EPIC members already have either full or partial Extra Help because they applied to SSA directly, and not all of the new MSP enrollees will enroll in Part D.

Proposals to raise the income thresholds will also move current MSP enrollees from one the SLMB program to QMB, and from QI to either SLMB or QMB, whether these individuals are enrolled in EPIC or not. As a result, not every new MSP enrollee generates savings for EPIC. Still, the savings to EPIC are substantial, generating enough to offset a lot of the additional projected expenditures on MSP and, in the case of the proposal to eliminate the asset test, providing modest savings to the state. The results are summarized in the table below.

(For a detailed description of the methodology used to calculate costs and estimate enrollment under each MSP liberalization scenario, please consult Appendix A and B.)
## Projected Annual Cost/Savings of MSP Expansion

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Net new MSP Enrollment</th>
<th>Additional Cost to State of MSP Benefits</th>
<th>Net new EPIC Extra Help/Part D Enrollment</th>
<th>Savings from Extra Help</th>
<th>Net Savings (+)/ Cost (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove Asset Test</td>
<td>40,389 QMBs 33,209 SLMBs 16,156 QIs</td>
<td>$69,483,860</td>
<td>50,966</td>
<td>$72,881,380</td>
<td>+$3,397,520</td>
</tr>
<tr>
<td>Remove Asset Test/ Increase Income Threshold to 150% FPL</td>
<td>181,417 QMBs 57,487 SLMBs 32,762 QIs</td>
<td>$123,909,712</td>
<td>70,240</td>
<td>$100,443,200</td>
<td>-$23,466,512</td>
</tr>
<tr>
<td>Remove Asset Test/ Increase Income Threshold to 196% FPL</td>
<td>195,223 QMBs 38,708 SLMBs 14,516 QIs</td>
<td>$249,330,793</td>
<td>128,373</td>
<td>$183,573,304</td>
<td>-$65,757,489</td>
</tr>
</tbody>
</table>

### Conclusion

The potential savings to the New York State EPIC program from abolition of the asset test on all MSPs should prompt New York policymakers to adopt this policy in the current budget cycle. Elimination of the asset test, coupled with automatic MSP enrollment of qualified EPIC members, would substantially raise the proportion of older low-income New Yorkers with Medicare who receive this valuable assistance. The enrollment rate of older adults in the QMB program would rise from the current rate of 81.5 percent to 91.8 percent. The much lower participation rate of older adults in the SLMB and QI programs would also be substantially improved under this policy. Enrollment in the SLMB program by older adults earning between 100 percent and 120 percent of poverty would rise to 34 percent and 39 percent of older adults in the QI income bracket would be enrolled in that program.48

Removing the asset test will also make it easier for low-income people under the age of 65 who have Medicare because of a disability, who are currently excluded from EPIC, to qualify for MSP and, through MSP enrollment, to be deemed eligible for Extra Help with their prescription drug expenses. Policymakers should look at proposals to expand EPIC to include people with disabilities under age 65. New Jersey, Connecticut and Massachusetts are among at least 15 states that have included people with disabilities under 65 in pharmaceutical assistance programs.

Policymakers should not allow the costs associated with raising income limits on MSPs to preclude consideration of these policy options. Rather, policymakers must weigh the cost against the potential for MSP expansion to address the rising financial burden of health care costs on low income New Yorkers with Medicare. Over one-third of older New Yorkers with incomes between 100 percent and 200 percent of poverty rely solely on Medicare coverage and are at risk for catastrophic medical expenses because Medicare coverage does not include a limit on out-of-pocket spending.49
Raising income eligibility levels for the QMB program will provide this vulnerable population with health security. In addition, enrollment in the QMB program substantially reduces the potential that Medicare coinsurance will impede access to health care. Payment of the ever rising Part B premium—a benefit provided by all three MSPs—ensures low income New Yorkers will continue to have access to Medicare outpatient care and provides valuable assistance with medical expenses, which consume approximately one-third of the income of low and moderate income people with Medicare. Finally, expanding eligibility to MSP maximizes the federal health care dollars that are brought into New York, both through MSP itself and for the additional enrollment that is triggered in Part D Extra Help. This will greatly improve prescription drug coverage both for older New Yorkers in the EPIC program and for people under the age of 65 who have Medicare because of a disability, who at present are excluded from EPIC.

**True Story**

Ms. S., a widow who lives in Brooklyn, N.Y., supplements her monthly Social Security income of $800 by slowly depleting her savings. When she called MRC for help last year, her assets were $500 over the limit for Extra Help. But because she lives in New York State and was eligible for QI, she now receives Extra Help and can maintain her meager savings for an emergency.
Appendix A

CMS requires that states adjusting income thresholds to make proportional changes in income thresholds for all MSPs. Raising the cut-off for QI to 150 percent of the Federal Poverty Level (FPL), moves the SLMB bracket to between 155 percent of FPL and 135 percent of FPL, and the top QMB threshold to 115 percent of FPL. Similarly, setting the top threshold for QI at 196 percent of FPL—the income cutoff for the EPIC fee program -- moves the top threshold for QMB to 161 percent of FPL and the SLMB cutoff to 181 percent of FPL.

To determine which MSP (QMB, SLMB and QI) would receive enrollment under each scenario, we used September 2007 data showing the number of EPIC enrollees in income categories determined by $1,000 increments in annual income. We used that data to determine the proportion of EPIC enrollees below 100 percent of the Federal Poverty Level (FPL), between 100 percent of FPL and 120 percent of FPL and all the other income categories necessary for our cost analysis. This enabled us to estimate the number of new QMB and SLMB enrollees, the two MSP categories that trigger state spending, under each liberalization scenario. We also subtracted the cost of current EPIC enrollees receiving SLMB benefits (based on the estimating factors describe above) when those enrollees (or a portion of them) would become eligible for QMB under scenarios that raise the income thresholds.

Each liberalization scenario entails a different cost to the state, depending on the proportion of new enrollment in each MSP, and the costs and state-federal apportionment of costs associated with each MSP. The full cost of the QI program, which covers the Part B premium, is borne by the federal government. The cost of the SLMB program is also limited to payment of the Part B premium, but New York pays half the cost, according to the match rate used for Medicaid. Finally, New York pays 50 percent of the cost of each QMB, which covers the Part B premium, the Part A premium for individuals who have not worked enough quarters to qualify for free Part A, and Medicare cost-sharing for Parts A and B.

Our projections of the additional costs to the state of each proposal assume full enrollment of EPIC members below the various proposed income thresholds, minus an estimate for EPIC members already enrolled in MSP. To estimate the number of current EPIC members in each MSP, we used the total number of EPIC enrollees enrolled in MSP based on the proportion of EPIC members in the income strata that apply, respectively, to QMB, SLMB and QI programs. For the two proposals that raise income eligibility thresholds, we also factored in the additional costs to the state of shifting SLMB, whether or not they are enrolled in EPIC, to QMB, and the additional cost of shifting QI enrollees either into SLMB or QMB, depending on the proposal.

For a number of reasons, the per capita costs for new QMB enrollees are the most difficult to estimate. Most QMB enrollees are full dual eligibles—they also receive Medicaid benefits, and state figures for Medicare cost sharing paid by the state for dual eligibles include Medicaid-only benefits, including personal support services, prescription drug costs (for drugs not covered by Part D), and hospital coinsurance for dual eligibles who remain unenrolled in Part A.

More importantly, spending for Medicare Parts A and B services for dual eligibles—and by extension, coverage of deductibles and coinsurance for those services—is considerably higher than for the Medicare population at large—the population that would be become eligible for QMB benefits under the three proposals to expand eligibility. Dual eligibles are more likely to suffer...
from multiple chronic conditions and to live in a nursing home or other institutional setting, factors associated with higher utilization of medical services covered by Medicare Parts A and B. For these reasons, our estimates for per capita costs for new QMB enrollees adjust the per capita spending on Medicare cost-sharing for current dual eligibles to more accurately reflect the expected cost sharing that would be paid by new QMB enrollees.

We believe these estimates continue to overstate the cost for Medicare cost sharing for new QMB enrollees brought in through EPIC. The state figures used reflect cost sharing paid for both older adults with Medicare and people with disabilities, but the new QMBs brought in through EPIC will be exclusively older adults, since the program does not include people with disabilities. In addition, no effort was made to exclude spending that might reflect Medicaid benefits that would not be paid for QMB-only enrollees.

Finally, the estimate for the number of new QMB enrollees who, because they have insufficient work history, will have part or all of their Part A premium paid by the state, is based on the percentage of New Yorkers over sixty five living below the poverty line who do not have Medicare coverage. That proportion—10 percent—is lower than the roughly one-third of current New York QMB enrollees who have part or all of their Part A premium paid. The higher proportion likely reflects the number of very low income dual eligibles, including recipients of Supplemental Social Security Income, which would not likely be reflected in the EPIC population. We used the 10 percent figure even in the analysis of the proposals to include higher income individuals in the QMB program, even though the proportion of older New Yorkers without Medicare between 100 percent and 200 percent of FPL drops to 1 percent. Because of this, and because we did not estimate the number of new QMB enrollees with enough work history to need only half of their Part A premium paid, we believe these estimates also overstate the costs of expanding eligibility for QMB.

By contrast, the cost estimate for new SLMB enrollees is straightforward, since the benefit is limited to payment of the Part B premium. The Part B premium for 2008 is known and we for the three months of New York states fiscal year that extend into 2009, we increased the monthly premium by a factor that reflects an average of annual increases over the last five years.

Costs for the QI program are borne entirely by the federal government. We estimated that New York State would pay half the additional costs for new QMB and SLMB enrollees, reflecting the match rate used for Medicaid and the cap on county share of Medicaid expenditures which effectively means that all additional non-federal spending that results from new eligibility expansions is borne entirely by the state.
Appendix B

Cost Factors

- **Per Person QMB Annual Cost to New York state: $1,231**
  - **Part B Premium:** 
    \[ \frac{[($96.40 \times 9) + (107.58 \times 3)]}{2} = $595.17 \]
  - **Part A Premium:** 
    \[ \frac{[($423 \times 9) + (448 \times 3)]}{2} \times 0.10 = $257.55 \]
  - **Part A/B Cost Sharing (Aged/Disabled):** 
    \[ \frac{($1,377/1.82)}{2} = $378.30 \]

**Part B Premium** = 2008 Monthly Part B Premium of $96.40 is updated for the first three months of 2009 (last three months of New York State fiscal year) by a factor representing the annual increase over the last five years.

**Part A Premium** = 2008 Monthly Part A Premium of $423 is updated for the first three months of 2009 (last three months of New York State fiscal year) by a factor representing the annual increase over the last five years. The factor of 10 percent represents the most recent figures on the percentage of New Yorkers over sixty five with no insurance or with insurance solely through an employer, i.e. no Medicare coverage.

**Part A/B Cost Sharing (Aged/Disabled)** = Annual Part A/B Medicare cost sharing figure represents total cost sharing for older and disabled people with Medicare and Medicaid (dual eligibles) divided by total number of dual eligibles for the most recent federal fiscal year (HCFA 2082). Adjustment factor of 1.82 reflects finding by MedPAC that Medicare spending on dual eligibles is 82 percent higher than for other Medicare recipients.

- **Enrollment Factors:**
  - **Total EPIC Fee Plan Membership:** .................................................. 241,926
    - Total EPIC Membership with full or partial LIS: ................................. 85,373
      - Total Full LIS: ............................................................................ 76,116
        - With Part D and full LIS: .............................................................. 68,407
        - Without Part D and with full LIS: ............................................... 7,709
      - Total Partial LIS: ........................................................................ 9,257
        - With Part D and partial LIS: ....................................................... 7,676
        - Without Part D and with partial LIS: ......................................... 1,581
    - Total EPIC Members without LIS: ...................................................... 156,553

  - **EPIC Members by Income:**
    - EPIC Members below 161% FPL: ...................................................... 188,702
    - EPIC Members below 135% FPL: ...................................................... 138,270
    - EPIC Members below 115% FPL: ...................................................... 98,172
    - EPIC Members below 100% FPL: ...................................................... 62,222
    - EPIC Members between 161-180% FPL: ......................................... 38,708
    - EPIC Members between 135-150% FPL: ......................................... 32,762
    - EPIC Members between 120-135% FPL: ......................................... 24,888
    - EPIC Members between 115-135% FPL: ......................................... 40,098
EPIC Members between 100-120% FPL: ......................... 51,160
EPIC Members between 135-150% FPL without partial LIS: .... 23,505

Total EPIC Members with MSP: ...................................................... 48,516
EPIC Members with MSP Below 100% FPL: ............................ 21,832
EPIC Members with MSP Below 115% FPL: ............................ 34,446
EPIC Members with MSP Between 100-120% FPL: ................. 17,951
EPIC Members with MSP Between 115-120% FPL: ................. 5,337
EPIC Members with MSP Between 120-135% FPL: ................. 8,733

- MSP Liberalization Scenarios:
  
  **Eliminate Asset Test:**

  **Total Cost:** $69,483,860
  $49,718,859 (Additional QMB Cost) + $19,765,000 (Additional SLMB Cost)

  New QMB Enrollees: ................................................................. 40,389
  62,221 (EPIC Members below 100% FPL) – 21,832 (EPIC Members with MSP below 100% FPL)
  Additional QMB Cost: ............................................................... $49,718,859
  40,389 (New QMB Enrollees) x $1,231 (Cost Per Person with QMB)

  New SLMB Enrollees: ................................................................. 33,209
  51,160 (EPIC Members between 100% and 120% FPL) – 17,951 (EPIC Members in MSP 100-120% FPL)
  Additional SLMB Cost: ............................................................... $19,765,001
  33,209 (New SLMB Enrollees) x $595.17

  **Eliminate Asset Test and Increase Income Cut-Off to 115% FPL:**

  **Total Cost:** $123,909,712
  $78,446,706 (Additional QMB Cost) + $20,688,704 (Additional SLMB Cost) +
  $11,248,469 (Additional Cost of SLMB to QMB Converts) + $13,525,833
  (Additional Cost of QI to SLMB Converts)

  New EPIC QMB Enrollees: .......................................................... 63,726
  98,172 (EPIC Members below 115% FPL) – 34,446 (EPIC Members with MSP below 115% FPL)
  Additional QMB Cost: ............................................................... $78,446,706
  63,726 (New QMB Enrollees) x $1,231 (Cost Per Person with QMB)

  New EPIC SLMB Enrollees: ......................................................... 34,761
  40,098 (EPIC Members between 115-135% FPL) – 5,337 (EPIC Members in MSP 115-120% FPL)
  Additional SLMB Cost: ............................................................... $20,688,704
  34,761 (New SLMB Enrollees) x $595.17

  Additional Cost of SLMB to QMB Converts: ......................... $11,248,469
Number of people moving from SLMB to QMB: ...................... 17,691
75% \times 23,588 \text{ (Current NY SLMBs)}

Cost per person of moving from SLMB to QMB: ..................... $635.83
$1,231 \text{ (QMB cost)} – $595.17 \text{ (SLMB Cost)}

Additional Cost of QI to SLMB Converts: .......................... $13,525,833

Number of people moving from QI to SLMB: ...................... 22,726
31,459 \text{ (Current QIs)} – 8,733 \text{ (EPIC QIs)}

Cost per person of moving from SLMB to QMB: ..................... $595.17

Eliminate Asset Test and Increase Cut-off to 196% FPL

Total Cost: ........................................................................ $249,330,793
$172,568,966 \text{ (Additional QMB Cost)} + $23,037,840 \text{ (Additional SLMB Cost)} +
$14,997,958 \text{ (Additional Cost of SLMB to QMB Converts)} + $38,726,029
\text{ (Additional Cost of QI to QMB Converts)}

New EPIC QMB Enrollees: ................................................. 140,186
188,211 \text{ (EPIC Members below 161% FPL)} – 48,516 \text{ (EPIC Members with MSP)}

Additional QMB Cost: ......................................................... $172,568,966
140,186 \text{ (New QMB Enrollees)} \times $1,231 \text{ (Cost Per Person with QMB)}

New EPIC SLMB Enrollees: ................................................. 38,708
EPIC Members between 161-196% FPL would all be new SLMB enrollees

Additional SLMB Cost: ...................................................... $23,037,840
38,708 \text{ (New SLMB Enrollees)} \times $595.17

Additional Cost of SLMB to QMB Converts: ....................... $14,997,958
Number of people moving from SLMB to QMB: ................. 23,588
100\% \times 23,588 \text{ (Current NY SLMBs)}

Cost per person of moving from SLMB to QMB: ................... $635.83
$1,231 \text{ (QMB cost)} – $595.17 \text{ (SLMB Cost)}

Additional Cost of QI to QMB Converts: ......................... $38,726,029
Number of people moving from QI to QMB: ...................... 31,459
\text{(All Current QIs)}

Cost per person of moving from QI to QMB: ...................... $1,231
End Notes

1 Correspondence with Julie Naglieri, EPIC Director, October 4, 2007.
6 Asset Thresholds for Medicare Savings Programs obtained from “Medicare Savings Programs 2007,” Department of Health, New York State; Asset Thresholds for LIS obtained from “Extra Help with Medicare and EPIC,” Department of Health, New York State.
7 Unpublished information provided by Julie Naglieri, EPIC director, to Medicare Rights Center.
9 “Governor Spitzer Urged to Expand New York State’s Pharmaceutical Assistance Program to New Yorkers with Severe Disabilities,” Medicare Rights Center, November 2007
13 “Notification of Changes in Medicare Part D Payment for Calendar Year 2008 (Part D Payment Notification),” Center for Beneficiary Choices, Centers for Medicare & Medicaid Services, April 2, 2007.
14 “Notification of Changes in Medicare Part D Payment for Calendar Year 2008 (Part D Payment Notification),” Center for Beneficiary Choices, Centers for Medicare & Medicaid Services, April 2, 2007.
15 Correspondence with Julie Naglieri, EPIC Director, September 20, 2007.
16 Correspondence with Julie Naglieri, EPIC Director, September 20, 2007.
17 Medicare Savings Program Coalition Meeting Minutes, August 2, 2007.
19 Medicare Savings Program Coalition Meeting Minutes, September 6, 2007.
20 Correspondence with Julie Naglieri, EPIC Director, October 4, 2007.
21 Correspondence with Julie Naglieri, EPIC Director, October 4, 2007.
22 Correspondence with Julie Naglieri, EPIC Director, October 4, 2007.
23 Correspondence with Julie Naglieri, EPIC Director, October 4, 2007.
26 Correspondence with Jude Walsh, Special Assistant; Governor's Office of Health Policy and Finance, State of Maine, Oct. 4, 2007
27 Correspondence with Jude Walsh, Special Assistant; Governor's Office of Health Policy and Finance, State of Maine, Oct. 4, 2007.
28 Correspondence with Jude Walsh, Special Assistant; Governor's Office of Health Policy and Finance, State of Maine, Oct. 4, 2007.
30 The Centers for Medicare & Medicaid Services has informed New York that its current eligibility criteria for QI, which allows enrollment of any individual with income below 135 percent of the federal poverty level with assets above the MSP thresholds, runs counter to the statute. According to law, enrollment in QI is limited to individuals with incomes between 120 percent and 135 percent of the FPL, and CMS has informed other states that they can eliminate the asset test for all MSPs but not just for one of the programs.
34 “How Asset Tests Block Low-Income Medicare Beneficiaries from Needed Benefits,” p7; and “Medicaid Programs to Assist Low Income Medicare Beneficiaries: Medicare Savings Programs Case Study Findings,” Kim Glaun, Kaiser Commission on Medicaid and the Uninsured, December 2002, p. 15.
36 “The Role of the Asset Test in Targeting Benefits for Medicare Savings Programs,” p. 11
37 “How Asset Tests Block Low-Income Medicare Beneficiaries from Needed Benefits,” p. 4
38 “Medicare Beneficiaries and Their Assets: Implications for Low-Income Programs,” p. 4
41 The current Medicaid formula for earned income is monthly wages minus $65, divided by two.
44 A current Part D participation rate for EPIC Fee enrollees is 80 percent. A new initiative to increase Part D participation by EPIC users now in Medicare Advantage plans is expected to increase participation to 82 percent. Correspondence with Julie Naglieri, EPIC Director, October 5, 2007.
46 “IMA Policy Manual,” Department of Human Services, District of Columbia (www.dhs.dc.gov/dhs/cwp/view,a,1345,q,605559,dhsNav_GID,1728,.,asp)
48 Part A and Part B State Buy-Ins by State and Selected Eligibility Categories, October, 2007
49 Correspondence with Julie Naglieri, EPIC Director, September 20, 2007.
51 42 U.S.C. § 1396d(p)(2)(A)
52 EPIC Enrollment information provided by Julie Naglieri, EPIC Director, September 2007
53 Information provided by Form 2082. Form 2082 is provided yearly by New York State to the Centers for Medicare & Medicaid Services, summarizing the state’s Medicaid expenditures
56 Part A and Part B State Buy-Ins by State and Selected Eligibility Categories, October, 2007
58 QI allotments are capped by state, but in the last two years CMS has used a formula to transfer funds from states that do not fully use their QI allotments to states, like New York, that have exceeded their initial allotments.
59 Members between 120-135% FPL already have SLMB.
60 Assuming the incomes of people who currently have SLMB are evenly spread between the current income limits (100-120% FPL) bringing QMB up to 115% would mean 75% of those who previously had SLMB would have QMB.
61 Full cost of SLMB since QI is fully federally funded.
62 Full cost of QMB since QI is fully federally funded.