Improving Medicare Assistance Programs

Making LIS More Effective

The Problem. Medicare's Low-Income Subsidy (LIS) program (also called "Extra Help") can be a lifeline, helping low- and moderate-income beneficiaries pay for coverage they would not otherwise be able to afford. But aspects of the program are woefully outdated, making it difficult for low- and moderate-income beneficiaries to access the help they need.

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.[i] 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.[ii]

Income limit	Asset limit	Program	Copayments
Below $1,615 ($2,175 for couples) per month in 2020 **And** your income and/or assets are above Full Extra Help limits	**Up to** $14,610 ($29,160 for couples) in 2020 **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 2020	**Up to** $9,360 ($14,800 for couples) in 2020	**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

These thresholds are extremely low, especially as prescription drug costs continue to climb[iii] and take up a larger share of beneficiaries' limited budgets.[iv] And those who do qualify may face program barriers that put their health and economic security at risk.

Heard on the Helpline. On Medicare Rights' National Consumer Helpline, we often hear from older adults and people with disabilities who have Extra Help but still experience challenges accessing affordable care.

- Ms. C takes many medications, including insulin. She cannot afford the cost sharing, even though she has Extra Help. Her insurer has a program to subsidize her insulin costs, but she's only eligible if she dis-enrolls from LIS, which would cause her to face higher copays for her other prescriptions.
- Ms. C was auto-enrolled in a Part D plan that she did not want. When she tried to switch to another, lower-cost option, she became overwhelmed and gave up.
- Mr. M just enrolled in a new Part D plan and Extra Help. He is struggling to afford the copays, $3.60 for generic medications and $8.95 for brand-name drugs.

Legislative Solutions. For LIS beneficiaries, even minimal costs and administrative complexities can be barriers to access. The following reforms are needed make the program more effective:

- Eliminate Cost Sharing on Generics. Eliminating cost sharing on all generics would reduce financial burdens for low-income beneficiaries and increase their medication adherence. Encouraging the use of generics should never come at a cost of limiting access to the full range of medications, however. It is important that reducing generic copays to $0 not be accompanied by an increase in LIS cost sharing for branded drugs.

- Send LIS "Choosers Notice" to All Enrollees with Premium Liability. Sending all "choosers" with premium liability—not just those with increased liability over the previous year—this notice, which compares enrolled plan costs to other benchmark plan costs, would give more enrollees the tools they need to make informed, low-cost coverage choices.

- Allow Intelligent Assignment. Assigning LIS enrollees into new plans based on their individual prescription drug needs, rather than randomly, as is the current practice, would better match enrollees with available plans—improving beneficiary access to needed drugs, reducing their out-of-pocket costs, and lowering Medicare program spending.[v]

Resulting Improvements. These changes identified above would position the LIS program to better meet current and future needs, 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.[vi]

- 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.[vii]

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[i] 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-helplow-income-subsidy-lis-program.

[ii] 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.

[iii] 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.

[iv] 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/.

[v] H.R. 3162, the Children's Health and Medicare Protection Act of 2007 included a provision on intelligent assignment that CBO scored at $1.2 billion in savings over 10 years, https://www.congress.gov/bill/110th-congress/house-bill/3162; Yuting Zhang, et al., "A Simple Change To The Medicare Part D Low-Income Subsidy Program Could Save $5 Billion," Health Affairs (June 2014), https://www.healthaffairs.org/doi/10.1377/hlthaff.2013.1083 ("[I]ntelligent assignment...could have saved the federal government over $5 billion in 2009, for government savings of $710 (median: $368) per enrollee with a low-income subsidy").

[vi] Monique Morrissey, "The State of American Retirement," Economic Policy Institute (March 2016), https://www.epi.org/publication/retirement-in-america/.

[vii] 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.