

Protect and Strengthen Medicare

Improving Access to Extra Help for Prescription Drugs



The Problem

Current Medicare policies expose low- and moderate-income beneficiaries to excessive out-of-pocket costs. 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 The application process is complex and fragmented, and the eligibility requirements are woefully outdated.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

Health care cost burdens for both low-income and middle-income beneficiaries is high. An **estimated** 40% of low-income beneficiaries (those living on annual incomes below 150% of the poverty level) spend 20% or more of their income on premiums and health care costs, while nearly 25% of middle-income beneficiaries (those between 200% and 399% of the federal poverty level) do so. 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. People with very low-incomes may be eligible for Medicaid to supplement Medicare, but there is limited help for those who are just above the poverty level, and even less for middle-income beneficiaries.

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. Currently, the program has two subsidy levels—full and partial—which are tied to a beneficiary’s income and resources as outlined in the chart below (sourced from **Medicare Interactive**). In 2024, the partial subsidy level will be eliminated and the full subsidy extended to cover people with an income at or below 150% of the poverty level.

Income limit	Asset limit	Program	Copayments
<p>Below \$1,843 (\$2,485 for couples) per month And your income and/or assets are above Full Extra Help limits</p>	<p>Up to \$16,660 (\$33,240 for couples) And your income and/or assets are above Full Extra Help limits</p>	<p>Partial Extra Help Premium depends on your income \$104 deductible or the plan's standard deductible, whichever is cheaper</p>	<p>15% coinsurance or the plan copay, whichever is less After \$7,400 in out-of-pocket drug costs, you pay \$4.15/generic and \$10.35/brand-name or 5% of the drug cost, whichever is greater</p>
<p>Up to \$1,660 (\$2,239 for couples) per month</p>	<p>Up to \$10,590 (\$16,630 for couples)</p>	<p>Full Extra Help \$0 premium and deductible</p>	<p>\$4.15 generic copay \$10.35 brand-name copay No copay after \$7,400 in out-of-pocket drug costs</p>

These financial eligibility thresholds are extremely low, especially as prescription drug costs [continue to climb](#) and take up a [larger share](#) of beneficiaries' limited budgets. Despite the important advancements in the Inflation Reduction Act (IRA) of 2022 which will set a \$2000 cap on beneficiary out-of-pocket spending in Part D in 2025 and allow Medicare to negotiate drug prices, older adults and people with disabilities who are struggling to afford their prescriptions but are unable to qualify for help may be forced to choose between paying for Medicare and other basic needs, like food and rent.

In a [recent year](#), 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. 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.

Case Studies

Ms. V, a Medicare Rights client, takes many medications 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.

Case Studies (Continued)

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.

Possible 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.** Congress should eliminate any asset limits and expand the income eligibility thresholds for LIS benefits to 200% of the federal poverty level to ensure **more people could 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.