Medicare Savings Programs: A Lifeline for Millions

Policy Recommendations from the Medicare Rights Center

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About the Medicare Rights Center

Based in New York, the Medicare Rights Center is a national, nonprofit consumer service organization that works to ensure access to affordable health care for older adults and people with disabilities through counseling and advocacy, educational programs, and public policy initiatives. Since 1989, Medicare Rights has helped people with Medicare understand their rights and benefits, navigate the Medicare system, and secure the quality health care they deserve.

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Introduction

Medicare Savings Programs (MSPs), funded through a mix of federal and state resources, are programs for Medicare beneficiaries with lower incomes and assets. Each year, the Medicare Rights Center answers thousands of questions about MSPs on its free national helpline and learns about the obstacles people with Medicare encounter when applying.

For those who qualify, MSPs can be a lifeline, helping pay Medicare premiums and, in some cases, deductibles and other Medicare cost-sharing that can otherwise make needed care unaffordable. Enrollment in an MSP also triggers automatic enrollment in the federal Part D Low-Income Subsidy (LIS), or Extra Help program, which helps pay for medicine costs. Together, Medicare Rights estimates that enrollment in an MSP and Extra Help saves each individual at least $8,400 annually in out-of-pocket health care costs and eases access to care.

But the application process in most states is complex and burdensome—for state Medicaid agency staff as well as for beneficiaries—and many people who are eligible for assistance do not know about the program. Data analyses consistently demonstrate that enrollment in MSPs remains below 60% for those eligible.

Recognizing myriad challenges faced by beneficiaries attempting to enroll in MSPs, the Centers for Medicare & Medicaid Services (CMS) issued a final rule in late 2023 easing MSP application burdens. The rule allowed for automatic enrollment of Supplemental Security Income (SSI) recipients who are eligible for Medicare into an MSP and required that states use certain data to automatically enroll eligible individuals into MSPs. Unfortunately, the just-passed budget reconciliation bill paused enforcement of the rule. This means fewer people with Medicare will be able to afford care and also undermines administrative efficiency by requiring states to devote more human resources to a process that could be more seamless and automated.

To make it clear what a difference MSP enrollment can have in the lives of older adults and people with disabilities, and to support advocacy efforts to expand MSP eligibility and enrollment, Medicare Rights has compiled a set of case studies from its national helpline. These cases show what obstacles beneficiaries commonly face when trying to enroll and stay enrolled in MSPs and reinforce the role the benefit plays in real people's lives.

Medicare Savings Programs

Congress first enacted Medicare Savings Programs as part of the Medicare Catastrophic Coverage Act of 1988. The programs were subsequently expanded by the Omnibus Budget Reform Act (OBRA) of 1990, the Balanced Budget Act of 1997 (BBA), and Medicare Improvements for Patients and Providers Act (MIPPA) of 2008. MIPPA also increased the federal asset limits for the MSPs and required the Social Security Administration to transfer LIS application information to state Medicaid agencies to initiate MSP applications. In 2015, the Medicaid Access and CHIP Reauthorization Act permanently extended the Qualifying Individual (QI) program, which had previously been funded via short-term extensions.

Affordability Challenges

Most people with Medicare cannot afford high and rising costs. Half of all beneficiaries—nearly 30 million people—live on $29,650 or less per year, and one quarter live on $17,000 or less. One in four beneficiaries have savings below $16,950 per person. The very old, women, and, particularly, people of color often face even greater challenges in accessing care. Consider, for instance, that the median savings for Black and Hispanic beneficiaries hovers around $21,000, compared to almost $160,000 for White beneficiaries. And around one-quarter of Black and Hispanic beneficiaries have no savings at all.

Three MSPs help lower-income beneficiaries afford care by paying for Medicare premiums: Qualified Medicare Beneficiary (QMB), Specified Low-income Medicare Beneficiary (SLMB), and Qualifying Individual (QI). Enrollment in any MSP also automatically enrolls a Medicare beneficiary into the federal Part D Low-Income Subsidy (LIS), or Extra Help program, which helps pay prescription drug costs. Combined, enrollment in an MSP and LIS saves beneficiaries approximately $8,400 per year and eases access to needed care.

In addition to reducing a person's Medicare costs, MSPs can also help individuals obtain Medicare coverage via direct enrollment into Medicare's Part A hospital and/or Part B outpatient benefit, through a process called buy-in. Obtaining Medicare coverage for these individuals also reduces spending by the state's Medicaid agency for uncompensated care.

Limited MSP Eligibility

Unfortunately, income thresholds for MSPs are extremely low. To qualify in most states, beneficiaries must have incomes at or below 135% of the federal poverty level (FPL) and meet asset limits. Faced with a confusing application process, frequent recertification requirements, and inadequate outreach and promotion, it is no surprise that beneficiaries find it difficult to apply for and maintain MSP enrollment.

In response to these problems, the federal government and many states have proposed or implemented changes that ease access to MSPs. Several states, such as Connecticut, Maine, Massachusetts, and New York, have chosen to remove the MSP asset test and/or increase MSP income limits. During the COVID-19 public health emergency, many states implemented application simplifications—such as self-attestation and automatic recertification—with great success. While these flexibilities were temporary, they reduced extraneous red tape, especially for beneficiaries who must recertify regularly despite having no change in their income. CMS's recent streamlining rules require states to auto-enroll certain beneficiaries into an MSP, again reducing red tape and generating administrative savings.

Medicare Savings Program Case Studies

The following case studies draw on the stories and experiences of thousands of lower-income beneficiaries who have been served by the Medicare Rights Center's free national helpline in recent years.

MSP Enrollment Assistance: Ms. A has very low income and was struggling to afford her Medicare coverage. She did not understand that Medicare's complex enrollment rules meant she had to sign up for a Part D plan, even though she was not taking any prescribed medications, to avoid a late enrollment penalty (LEP). This honest mistake led to an LEP, adding to her affordability barriers. She contacted Medicare Rights' National Helpline for help. A Medicare Rights counselor screened Ms. A and helped her enroll in a Medicare Savings Program, which would lead to automatic enrollment in Extra Help and the elimination of the LEP. These enrollments helped Ms. A meet her basic needs by paying for her Part B premium of $185 per month, eliminating the Part D LEP, and lowering her other drug costs.

On average, Extra Help saves beneficiaries over $6,000 per year. This makes the combined benefit of an MSP and Extra Help around $8,400 per year. The QMB program also pays Medicare cost-sharing for enrollees (including deductibles and coinsurances)—producing additional savings.

Troubleshooting an MSP Denial: Ms. G, 77 years old, contacted the Medicare Rights Center's National Helpline because she had tried unsuccessfully to enroll in a Medicare Savings Program. A Medicare Rights counselor contacted Ms. G's local Medicaid office and found that it had mistakenly denied Ms. G's original MSP application after miscalculating her income. The denial letter included an outdated MSP income limit—an error that would not be immediately obvious to many beneficiaries.

Because Ms. G was working with expert counselors, the error was quickly identified. Medicare Rights' established relationship with the Medicaid office meant the application could be reprocessed without waiting for a fair hearing or formal appeal. Without assistance, though, Ms. G may have faced months of delay and further issues trying to enroll in a benefit for which she was eligible.

Ms. G's case shows how stressful, complicated, and time-consuming applying for a Medicare Savings Program can be. Without an advocacy organization's help, Ms. G would likely have fallen through the cracks. For individuals with low incomes who may have significant health care needs, an MSP can be a lifeline. Many Medicare Rights clients have said that, without an MSP, they might have to give up their Medicare coverage and rely on emergency room care or choose between health care costs and other basic living expenses, like food and rent.

MSP Renewal Assistance: Mr. L calls the Medicare Rights Center's National Helpline each year for help with his Medicare Savings Program recertification. Despite his income being nearly unchanged from year to year, Mr. L typically must complete an MSP renewal form each year. It is a stressful process for Mr. L, who is concerned about missing a notice from his local Medicaid office, filling out paperwork incorrectly, turning his application in late, and any complications that might cause his MSP renewal to be delayed or denied. He cannot afford to go a month without the benefit because the cost of the Part B premium would severely limit his ability to pay for food, rent, and other necessities.

Mr. L is not alone. MSP enrollees frequently report anxiety about making a mistake or experiencing a delay that could result in the loss of their MSP benefit. Clients like Mr. L often only receive Social Security benefits and see no change in their income from year to year—but are still required under federal law to renew annually. Fortunately, states have significant flexibilities in determining how the recertification process works.

Key Policy Recommendations

The Medicare Rights Center recommends the following improvements to address problematic areas of Medicare Savings Program enrollment and recertification:

- Reverse the pause on the MSP streamlining rule. Elected officials and policymakers must revert to policies that would make it easier for low-income older adults and those with disabilities to access MSPs. Administrative burdens hurt low-income beneficiaries, make systems less efficient, and can increase state administrative costs.

- Federalize the MSP. Benefits like Extra Help are administered by the federal government. This means that eligibility requirements and the application process are the same for all Medicare beneficiaries across the country. Federalizing the MSP may make it easier to apply. This change could also produce efficiencies by enabling agencies to auto-enroll clients via data-matching. For example, individuals found eligible for Extra Help could also be automatically screened and enrolled in an MSP.

- Expand income eligibility and asset limits for MSPs, particularly QMB. The default income eligibility limits for MSPs are extremely low. Federal limits have not changed since 1988, the year MSPs launched, despite major changes in the cost of living. In most states, beneficiaries must be at or below 100% FPL to qualify for QMB, which is well below the level for expansion Medicaid (138%). Congress, or individual states, should at a minimum expand the income eligibility threshold for QMB—the most generous MSP—to at least 138%.

- Enable data matching: Using existing information from other programs to automate MSP enrollment can increase access to benefits. States should develop systems that enable data-sharing among agencies that administer SNAP, Medicaid, and MSP benefits.

- Redouble outreach on MSP availability. While states and CMS have done some targeted outreach in select states, an estimated 40% of eligible individuals nationally are still not enrolled in an MSP.