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Filling Medicare's Newest Coverage Gap

BYLINE: By Mary Agnes Carey, CQ Staff

One of the ways that President Bush and his congressional allies persuaded Democrats to overhaul the federal Medicare program and provide beneficiaries with prescription drug coverage was by promising to provide special subsidies to help low-income seniors pay for their medicines.

The payments were designed to provide a measure of economic security to elderly Americans with little or no income beyond what they receive from Social Security. They had the added virtue of protecting the poorest seniors from Medicare's infamous "doughnut hole" coverage gap and having to foot all or most of their drug bills.

But one year after the government rolled out the Medicare drug benefit, it is becoming clear that millions of seniors who qualify for the extra subsidies are not receiving them. Medicare and Social Security officials late last month reported that an estimated 3 million eligible low-income seniors were not getting the benefit and that another 632,000 Medicare beneficiaries who received assistance in the program's first year lost it and had to reapply.

The news has angered congressional Democrats, who question whether the government has done enough to identify eligible seniors, and whether the process for seniors to qualify for the assistance is workable. Some believe the program's failure to deliver assistance to the needy is particularly upsetting, considering that the 2003 law overhauling Medicare delivered billions in subsidies to employers, insurers and others in the health delivery chain.

"We have an obligation to make sure [the drug benefit] is working for all seniors, but particularly for our poorest seniors, who need help the most," said Senate Special Aging Chairman Herb Kohl of Wisconsin, who drew public attention to the matter at a Jan. 31 hearing. "We are not there today."

Many Democrats had serious misgivings about the Republican effort to reshape Medicare and steer more beneficiaries into private managed-care health plans. But some relented after the administration and GOP leaders in Congress added sweeteners such as the low-income subsidies, and after the influential seniors advocacy group AARP threw its support behind the new drug benefit.

The problems surrounding the subsidies illustrate some of the inherent complexities of designing anti-poverty programs. Though the government frequently devises initiatives aimed at helping the neediest Americans obtain health care, housing or jobs, these programs' political success often hinges on how user-friendly they are. The perception of whether a program succeeds or fails also is greatly influenced by federal officials' success in finding the greatest number of eligible applicants. That is a difficult task, because the government is under no legal obligation to locate every poor person and frequently has to rely on spotty wage, census and other data.

The non-profit National Council on Aging says that enrollment rates for the subsidies has been on a par with previous efforts to direct government aid to low-income individuals.

Much of the current criticism is focused on a six-page application form that requires seniors to detail their assets, including the cash value of life insurance policies, and savings they amassed for funeral or burial expenses and "in kind" support, such as housing and meals. The size of the Medicare subsidy is determined on a sliding scale based on the value of these assets and income from such sources as 401(k)s and other retirement plans. The Social Security Administration must verify eligibility before Medicare begins paying the subsidy.

Advocates for the elderly say many seniors refuse to fill out the forms, because they are either intimidated by their complexity or unwilling to share personal information.

"There are some people who just never want to disclose what their financial information is," said Vicki Gottlich, senior policy attorney with the Center for Medicare Advocacy.

The criteria for calculating eligibility are also being questioned. Health experts ask whether the asset test is fair because it effectively penalizes working-class Americans who save for retirement and expected health costs, then are denied the extra Medicare subsidies because they were prudent. The nonprofit National Council on Aging reported in January that 41 percent of seniors who apply for the subsidies are denied, with the majority being widows living alone with assets of less than \$35,000.

Gordon H. Smith of Oregon, the ranking Republican on the Senate Aging panel, is working with Democratic Sen. Jeff Bingaman of New Mexico to simplify the assets test by, among other things, not counting the cash value of insurance policies and lessening some income documentation requirements. Smith also would probably raise the threshold for allowable assets. Others, such as AARP, want to go further and eliminate the test altogether.

Doubts About Outreach

The problems with the low-income subsidies until recently were overshadowed by generally positive news surrounding the drug benefit. Approximately 90 percent of Medicare beneficiaries eligible for the benefit, known as Part D, signed up for the coverage in its first year. And despite complaints about an application many seniors found confusing, independent surveys have concluded that more than three-quarters of beneficiaries are satisfied with the program.

Some 10 million Medicare drug plan enrollees received the low-income assistance in 2006, according to Centers for Medicare and Medicaid Services senior adviser S. Lawrence Kocot, who expects that figure to grow throughout this year because beneficiaries approved for the subsidy may enroll in the drug benefit any time in 2007.

Kocot told the Senate Aging panel that about 35 percent of those who lost their financial assistance have already regained eligibility. These included so-called dual eligibles who qualify for both Medicare and Medicaid, the federal-state health program for the poor, but receive their prescription drug coverage through Medicare and lost their subsidies due to administrative snafus.

Of greater concern, however, are the millions of seniors who qualify for the Medicare subsidies but have not applied at all. The National Council on Aging estimates this population at between 3.4 million and 4.4 million, based on Medicare enrollment and participation rates in other federal programs for the needy, such as food stamps and Supplemental Security Income.

Many of these individuals are not poor enough to qualify for Medicaid but subsist on minimal savings. They also have chronic health conditions, such as hypertension and diabetes, that require multiple drug regimens. A 2005 study by researchers at the UCLA School of Public Health estimated that a low-income senior not receiving a subsidy could incur as much as \$1,104 in out-of-pocket costs for a year's supply of the name-brand cholesterol drug Lipitor, or \$376 for a generic equivalent. Recipients this year will qualify for subsidies if they have income under 150 percent of the federal poverty level -- equivalent to \$15,315 for individuals or \$20,535 for a couple -- and assets under \$11,710 for individuals and \$23,410 for couples.

Federal officials believe many of the eligible seniors are simply unaware that they qualify -- or are not responding to government notices. Medicare and the Social Security Administration sent mailings to millions of eligible or potentially eligible subsidy recipients. The agencies are also spreading the word through church groups, seniors' organizations, state agencies, doctors and pharmacists.

But experts such as Tricia Newman, director of the Henry J. Kaiser Family Foundation Medicare Policy Project, say it is difficult to make the individuals aware that they qualify for extra aid, then spur them to apply for it. Beyond privacy concerns and a reluctance to wade through a six-page form, some seniors refuse to accept public assistance out of pride.

Seniors advocates say one solution might be to encourage government agencies to collaborate more closely to target the individuals. One possibility would involve directing the Internal Revenue Service to share income data with the Social Security Administration to more precisely target which seniors fall under eligibility limits for the subsidies.

The IRS currently does not make such information available to Social Security or Medicare administrators for the purpose of identifying low-income individuals, though it does in order to charge higher-income seniors more for optional Medicare Part B coverage. In an opinion issued last November, Daniel R. Levinson, the inspector general for the Department of Health and Human Services, recommended expanded data-sharing. Kohl says he will try to write such a requirement into law this year.

More Money?

Advocates for the elderly also recommend giving the Social Security Administration more money to deal with the increased workload of processing applications for the subsidies, and for outreach, including providing personal assistance to help some beneficiaries complete the applications.

"Congress should enact a final, permanent funding level that will allow the Social Security Administration to prepare for the baby boomer retirement wave and meet all of its increased duties," AARP said in testimony to the Senate Aging panel last month.

However, some in the House and Senate believe the government is not responsible for identifying every eligible senior, noting that participation in all aspects of the Medicare drug program remains voluntary.

Republican Sen. Larry E. Craig of Idaho, at the Jan. 31 hearing, expressed reservations about using IRS income data to root out eligible seniors, saying it struck him as "a little bit of Big Brother, and a step too far."

"At some point, it becomes a personal responsibility of the individual involved," Craig said. "While we can push as much information at them as possible, sometimes you can't force them to do something that is voluntary and is their responsibility."

Mary Agnes Carey is associate editor of CQ HealthBeat.

FOR FURTHER READING:

Medicare drug law (PL 108-173), 2003 Almanac, p. 11-3.