Leadership Council of Aging Organizations

ISSUE BRIEF

JULY 2013

Medicare Part B Premium Low-Income Protections Under the Qualified Individual (QI) Program Should be Made Permanent

As bi-partisan support emerges for a permanent SGR fix, the Leadership Council of Aging Organizations (LCAO) strongly urges Congress to include a permanent fix to the QI program.

Background

Nearly half a million Medicare beneficiaries rely on the Qualified Individual (QI) program to pay their Part B premium—a critical benefit afforded to older adults and people with disabilities with very low incomes and few assets. The QI program pays Medicare Part B premiums for individuals with incomes between 120% and 135% of the Federal Poverty Line (FPL), about $13,700 to $15,300 for an individual. Additionally, to qualify beneficiaries must have limited resources, no more than $7,080 for an individual.[i]

Most Medicare beneficiaries pay a monthly Part B premium of $104.90, which is too expensive for many QI recipients to afford out-of-pocket. Receipt of the QI benefit also automatically entitles individuals to the full Medicare Part D Low-Income Subsidy (LIS), or Extra Help, to help them pay for prescriptions. According to the Social Security Administration, the Low-Income Subsidy can save participating beneficiaries as much as $4,000 per year toward the cost of prescription drugs.[ii] Combined with the QI benefit, beneficiaries can receive up to an estimated $5,200 in benefits to help afford out-of-pocket health care costs.

The QI program enrolled about 426,000 individuals nationwide in 2009—the most recent year for which comprehensive enrollment data were available. In 2011, the program cost an estimated $660 million. In 2009, only about 29% of eligible individuals were actually enrolled in and receiving benefits under the program.[iii]

Unlike other Medicare low-income protection programs, the amount of federal funding available for the QI program does not automatically increase based on inflation and growing need. The other two Medicare Savings Programs[iv] are permanent, guaranteed benefits administered under Medicaid—paid by both the federal and state governments.

For QI, states receive 100% federal funding, based on the number of potentially eligible beneficiaries, in the form of fixed grants. Therefore, once a state's federal funding has been spent, newly eligible individuals cannot enroll in the program, and funding for current state QI beneficiaries ends until Congress votes to extend the program.

Our Position:

Since December 2002, QI funding has been extended on a year-to-year basis within a larger "extenders package," driven primarily by the annual threat that Medicare physician payments will be cut unless Congress acts. The physician payment cuts are based on a flawed formula for providing payment updates, referred to as the Sustainable Growth Rates (SGR). This year, if Congress fails to act by December 31, Medicare physician payments will be cut by about 25% and the QI program will expire.

Many members of Congress recognize the need to permanently fix the SGR formula by the end of 2013. **As bi-partisan support emerges for a permanent SGR fix, the Leadership Council of Aging Organizations (LCAO) strongly urges Congress to include a permanent fix to the QI program.** At the same time, LCAO urges a permanent solution be included addressing the therapy cap exceptions process, referenced in a complementary issue brief.

Our Rationale:

A permanent SGR fix, absent a permanent QI program fix, would place the future of the QI program at serious jeopardy. While hurdles remain, particularly with regard to offsets, bipartisan support for a permanent SGR fix appears to be gradually emerging. This presents serious opportunities and risks for the QI program and the vulnerable beneficiaries who depend on it. Some believe that the only reason the extenders bills have passed is due to the significant political pressure not to cut physician payments. A permanent SGR fix provides a vehicle for a permanent QI fix, ending the annual struggle to include it in the extenders package. On the other hand, a permanent SGR fix could significantly diminish the prospects for future continued bipartisan support on Medicare extenders packages for expiring programs if they are not also made permanent.

People with Medicare are spending an increasing share of their incomes on health care costs, making the QI program critical for beneficiaries with low, fixed incomes. According to the Kaiser Family Foundation, the cost of Medicare Part B and D premiums and cost-sharing as a share of the average Social Security benefit increased from 7% in 1980 to 14% in 2000 and up to 26% in 2010. On average, in 2010, Medicare households spent 15% of total costs on health care; whereas, non-Medicare households spent just 5%.

Without QI assistance, low-income Medicare beneficiaries would be forced to spend an additional $104.90 per month on Part B premiums or lose their Part B benefit. This $104.90 represents roughly 10 percent of a QI beneficiary's entire monthly income, an expense many simply cannot afford. Without QI, many beneficiaries could lose Part B coverage for doctor visits—leaving them with significant, unaffordable out-of-pocket costs every time they need to see a doctor. If they later decide to re-enroll, they would face the full premium plus a harsh add-on penalty. In addition, they would be in greater jeopardy of losing their Part D Low-Income Subsidy and access to prescription drugs.

Low-Income Beneficiaries Need Stability. Since its inception, the QI program has been very unstable, with extensions typically made for only one-year periods just before the program was scheduled to expire. This instability causes havoc and uncertainty in the lives of those who rely on the QI benefit and runs counter to Medicare's goal of providing health security to those in greatest need.

July 15, 2013

---

[i] 2013 income eligibility levels for QI in most states: $1,313 per month for singles and $1,765 per month for married couples; Resource limits for QI in most states: $7,080 for individuals and $10,620 for married couples.

[ii] Social Security Administration, "What Help Can I Receive?" (2013), available at: http://ssa.gov/prescriptionhelp/.

[iii] GAO-13-177R, Medicaid: Enrollment and Expenditures for Qualified Individual and Transitional Medical Assistance Programs, December 12, 2012. http://www.gao.gov/assets/660/650816.pdf

[iv] The Qualified Medicare Beneficiary (QMB) program pays Medicare Part B premiums, as well as copayments and deductibles, for beneficiaries with incomes below 100% of the FPL. The Specified Low-Income Medicare Beneficiary (SLMB) program pays Part B premiums for beneficiaries with incomes between 100% and 120% of the FPL.