

Elimination of Medicare Part B Buy-In: Short Term Savings, Long-Term Costs

The Governor's Proposal: Penny-Wise, Pound-Foolish

The Governor's budget proposes to eliminate all payments of Medicare Part B premiums for Californian's 57,000 seniors and persons with disabilities who are classified by Medi-Cal as "medically needy" and have not met their Medi-Cal "share of cost." The budget alleges that cutting this benefit to low income Californians would save \$66.5 million in 2008-2009. However, this projection fails to take into account the new costs that will arise if this cut is adopted. Seniors and persons with disabilities will lose access to health care, costs for care borne by the Medi-Cal program in the future will increase, new administrative costs will burden the state and counties and community health centers will face decreases in funding. Ultimately, if adopted, this penny-wise, pound-foolish proposal will result in a lack of access to essential health care and treatment for some of the sickest and most vulnerable Californians.

Who Will Be Impacted by the Proposal?

All 57,000 low income seniors and persons with disabilities who currently qualify for Medi-Cal with a "share of cost" will be negatively and severely impacted by this proposal.

Californians with a Medi-Cal "share of cost," (SOC), also known as the "medically needy," have incomes that are too high to receive free or no cost Medi-Cal, but too low to pay for their necessary medical care. The medically needy must incur a "share of cost" or an amount of medical expenses in a given month before Medi-Cal begins to pay for any of their health care services. The share of cost is determined based on the "maintenance need level" (MNL). This is the monthly amount that people are expected to use for all of their living expenses, including housing, food, transportation, etc. Any additional income is expected to be applied toward medical costs. The MNL amounts were established almost two decades ago and have not been increased nor do they include any cost of living adjustment (COLA). The MNL is only \$600 per month for an individual or \$934 for a married couple. California's seniors and people with disabilities who are medically needy must incur over \$500 in medical expenses in a month before Medi-Cal coverage begins paying for their medical needs. Not surprisingly, few medically needy beneficiaries are able to meet this share of cost each month and therefore cannot benefit from their Medi-Cal coverage.

The state currently pays the Medicare Part B premiums of these and other Californians who qualify for both Medi-Cal and Medicare (dual eligibles). Medicare Part B premiums are almost \$100.00 each month (\$96.40 in 2008). The Part B insurance coverage ensures reliable access to primary care and coverage for other doctors' visits, lab and X-ray services, durable medical equipment, and outpatient services. Since Medicare is primary to Medi-Cal, Medicare coverage saves the Medi-Cal program from needing to pay most healthcare costs for dual eligibles.

If the proposal were adopted, the state would stop paying the Part B premiums of the 57,000 seniors and individuals with disabilities who qualify for Medi-Cal with a “share of cost.” Many of these Californians would lose access to healthcare as a result.

More Uninsured Californians: Seniors and People with Disabilities Will Lose Medicare Coverage

Most of the seniors and individuals with disabilities who qualify for Medi-Cal with a “share of cost” cannot afford the nearly \$100 monthly Medicare Part B premium. If the state stops paying the premium for them, these beneficiaries will be face with an impossible choice. A senior citizen or person with a disability who currently survives on \$1200 per month in Social Security benefits will suddenly be forced to choose between devoting a significant chunk of his or her income (\$96.40 per month in 2008) to Part B coverage or simply foregoing doctors’ visits and primary care. Because Part B premiums increase along with overall health costs, the proportion of income needed to pay for Part B will increase over time. Those who decide that they cannot afford the payments will lose their Medicare Part B and the primary care coverage it provides, adding to the growing ranks of Californians lacking adequate healthcare insurance.

Since Medi-Cal requires these beneficiaries to obtain Medicare Part B coverage, people who cannot afford to pay the premium won’t even have Medi-Cal to fall back on – leaving them with no usable insurance for their primary care. Furthermore, county health care programs usually treat these people as Medi-Cal beneficiaries, making them ineligible as well for county health services.

Future Costs and Disruptions to Health Care

Loss of Medicare Part B coverage will negatively affect not only the immediate health care coverage of seniors and persons with disabilities, but also the future coverage and needs of these vulnerable Californians. Since Medicare charges a 10% premium surcharge for each 12 month gap in enrollment, those who are unable to pay their Medicare Part B premiums now will find themselves subjected to penalties later and, as a result, will fall even further behind.

A dual eligible who misses one Part B payment may end up uninsured for months. Dual eligibles who are forced to forego Part B coverage may find themselves shut out of primary care due to the Medicare enrollment periods, which allow re-enrollment only between January 1 and March 31 each year (with coverage effective the following July 1st). Individuals who lose Part B coverage will be less able to take care of routine, relatively inexpensive medical problems, and thus more likely to have major, expensive health care needs down the line—costs that may ultimately be born by Medi-Cal. For people living with life-threatening or chronic illness, disruption in primary care and treatment can be life-threatening and will definitely lead to significant disease progression.

Churning: Expensive for the State, Harmful for Seniors and People with Disabilities

The proposed cut would present an administrative nightmare for the state of California, the federal Medicare and Social Security programs, and beneficiaries.

Elimination of the Part B premium payment will cause “churning” of dual eligible beneficiaries who meet their share of cost in one month, allowing them to re-qualify for Part B premium payments by the state for the next month, only to find that their medical costs have decreased and thus they are once again ineligible for the state paid premiums. The situation will be much worse for those dual eligibles whose incomes are within roughly \$100.00 of the full Medi-Cal eligibility level. When the individual doesn’t qualify for the state to pay her Medicare Part B premium coverage, the premium amount paid by the individual for that month (if she can afford it) can be deducted from her countable income, thereby reducing her income to the level that qualifies her for free full Medi-Cal. The premium for Part B will then be paid for by the state in the next month, only to have her countable income rise again and disqualify her for full Medi-Cal and state paid Part B premium coverage. Dual eligibles caught in this revolving door would cycle on and off free full Medi-Cal, entitling them to state paid Part B premiums one month but not the next.

Example: Ms. Smith has a monthly income that is \$80 over the eligibility limit for free Medi-Cal. Assuming she forgoes other necessities to pay the monthly Medicare Part B premium of \$96.40, this amount will be deducted from her countable income for purposes of Medi-Cal eligibility, which would then make her eligible for free full Medi-Cal. Since she is now eligible for free full Medi-Cal, the state will pay her monthly Part B premium the following month. Since she is no longer paying the premium herself in the next month, though, she can’t deduct this amount from her monthly income, which means that her income will again be above the income limit for free Medi-Cal and thus she will be back to having Medi-Cal with a share of cost. If Ms. Smith doesn’t pay the monthly Part B premium, she will not be able to access her Medi-Cal and will go without primary care coverage. If she pays the Part B premium, she will cycle in and out of full Medi-Cal eligibility.

This churning would create an administrative nightmare for the state to accurately account for and keep track of. It would also impose new, significant administrative costs on the state and the counties who will need to continuously redetermine a person’s Medi-Cal eligibility and coordinate buy-in changes with the Centers for Medicare and Medicaid Services and the Social Security Administration which handles premium payment issues for Medicare Parts A and B. That process is already often fraught with delay and error. Cycling Medi-Cal recipients with a share of cost on and off of Part B coverage would only exacerbate these problems.

Elimination of Part B subsidies would also impose tremendous costs on beneficiaries. Understanding and responding to the complex financial decisions at stake—such as whether and how to incur additional monthly medical costs in order to qualify for full-

scope Medi-Cal, or timing spend-down decisions in order to obtain intermittent Medi-Cal coverage – is a disproportionate burden to place on this group of vulnerable beneficiaries.

Negative Impact on Community Health Centers

As dual eligible beneficiaries with unmet shares of cost struggle to pay monthly Part B premiums, community health centers and other providers will feel the impact of these cuts as well. Those who currently serve this population will lose federal Medicare dollars (since beneficiaries who are unable to pay their own premiums will have no Medicare Part B coverage), and will have to decide whether to restrict access to care or cut back in other areas. The Medicare Part B premium cut will further compound the looming crisis facing California health safety net providers.

The following organizations contributed to and/or support the above analysis:

American Association of Retired Persons (AARP) of California
California Health Advocates
National Health Law Program
National Senior Citizens Law Center
Project Inform
San Francisco AIDS Foundation
Western Center for Law and Poverty