Center on Budget and Policy Priorities

1275 First Street NE, Suite 1200
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

May 3, 2024

Federal Rule on Medicare Savings Programs Will Cut Red Tape for Older Adults and People With Disabilities

By Farah Erzouki

Older adults and people with disabilities who have low incomes often face challenges accessing affordable health care. Medicare Savings Programs (MSPs) offer them significant help with the costs of Medicare premiums and cost sharing. However, many more people are eligible for MSPs than are enrolled. Recently updated Medicaid regulations are designed to connect people to the coverage they need.[1] States should move swiftly to implement these new requirements as well as other promising approaches that could help improve affordability and access to life-saving care.

MSPs Reduce Costs for Beneficiaries With Low Incomes

MSPs provide financial support to over 12 million people who are dually eligible for Medicare and Medicaid based on their income, age, and/or disability.[2] MSPs are administered as part of state Medicaid programs and pay people's Medicare premiums and, at times, their deductibles and other cost-sharing charges. As a result, MSPs make Medicare coverage much more affordable for beneficiaries with low incomes.[3]

MSPs have a significant financial benefit, particularly for people who have low incomes but don't qualify for full Medicaid, a group known as partial dual eligibles.[4] While many Medicare enrollees qualify for premium-free Part A (for most inpatient services) based on their work histories, partial

[1] Department of Health and Human Services (HHS), "Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment," 88 Fed. Reg. 65230, September 21, 2023, https://www.govinfo.gov/content/pkg/FR-2023-09-21/pdf/2023-20382.pdf.

[2] National Council on Aging (NCOA), "Medicare Savings Program Enrollment," August 22, 2023, https://www.ncoa.org/article/medicaid-msp-enrollment.

[3] Centers for Medicare & Medicaid Services (CMS), "2024 Medicare Parts A & B Premiums and Deductibles," October 12, 2023, https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles.

[4] Some individuals who are eligible for both Medicaid and Medicare receive full Medicaid benefits along with Medicare and may also receive assistance through MSPs. Partial dual eligibles are enrolled in Medicare and receive assistance from MSPs to help afford that coverage. Medicaid and CHIP Payment and Access Commission (MACPAC), Medicare Savings Programs, https://www.macpac.gov/subtopic/medicare-savings-programs/.

dual eligibles would save between $278-$505 per month with MSP help paying their Part A premiums.[5] MSPs also pay for Part B premiums (for physician and many outpatient services), saving most people about $175 per month in 2024.[6] Four MSP categories provide varying levels of help with Medicare costs based on an individual's income and resources:[7]

- the Qualified Medicare Beneficiary (QMB) Program, which pays for Part A premiums and Part B premiums, deductibles, copayments, and coinsurance;
- the Specified Low-Income Medicare Beneficiary (SLMB) Program, which pays for Part B premiums;
- the Qualifying Individual (QI) Program, which also pays for Part B premiums but has higher income eligibility thresholds and is granted on a first-come, first-served basis due to capped funding; and
- the Qualified Disabled and Working Individual (QDWI) Program, which pays for the Part A premiums of working people with disabilities who no longer qualify for disability benefits and premium-free Part A due to their return to work.

TABLE 1

Federal Baseline MSP Income and Resource Limits (2024)

	Federal Income Limit as % of the Federal Poverty Level (FPL)	Resource Limit (Single/Married)
QMB	100% or below	$9,430/$14,130
SLMB	101-120%	$9,430/$14,130
QI	121-135%	$9,430/$14,130
QDWI	200% or below	$4,000/$6,000

Source: Medicare.gov, "Medicare Savings Programs," https://www.medicare.gov/medicare-savings-programs; MACPAC, "Medicare Savings Programs: Enrollment Trends," January 26, 2024, https://www.macpac.gov/wp-content/uploads/2024/01/09_January-Slides_Medicare-Savings-Programs-MSPs_-Enrollment-Trends.pdf.
Note: These are the minimum federal income and resource limits for each MSP; some states have higher limits on income and/or savings and other assets, or resource disregards. To search income and resource limits by state as of 2022, visit: https://www.kff.org/interactive/medicare-state-profiles/united-states/medicare-savings-programs-eligibility/.

MSPs help Medicare beneficiaries with low incomes afford the care they need and allow these enrollees to use their limited funds for other necessities. However, due to administrative barriers,

[5] Medicare Part A generally covers inpatient care in hospital, skilled nursing facility care (not custodial or long-term care), hospice care, and home health care. Most Medicare enrollees do not pay a Part A premium but do pay significant deductibles and coinsurance for inpatient care. Medicare Part B helps cover outpatient care such as doctor's visits and preventive care. Part B premiums vary based on income.

[6] CMS, "2024 Medicare Parts A & B Premiums and Deductibles."

[7] Resource limits include money in the bank stocks, bonds, more than one car in the individual's name, and burial expenses exceeding $1,500. CMS, "Medicare Savings Programs," https://www.medicare.gov/medicare-savings-programs.

only about half of those eligible for certain MSPs were enrolled in them, a 2017 study by the Medicaid and CHIP Payment and Access Commission (MACPAC) found.[8] This means that more than 6 million people may be eligible but not enrolled. Cumbersome paperwork requirements when applying for or renewing coverage keep many eligible older adults and people with disabilities from enrolling.[9]

CMS Final Rule Will Streamline MSP Enrollment, Save Time and Costs

States can use several strategies to streamline eligible people's MSP enrollment. A prime opportunity to increase MSP enrollment is by leveraging an individual's enrollment in the Low-Income Subsidy (LIS) program.

Known colloquially as "Extra Help," LIS helps pay prescription drug costs (under Medicare's Part D drug benefit) for people with income up to 150 percent of the poverty level (or $22,590 for an individual in 2024).[10] LIS is federally administered by the Social Security Administration (SSA). People who receive Medicaid, are enrolled in an MSP, or receive Supplemental Security Income (SSI) are automatically enrolled. Others can apply through either SSA or their state Medicaid agency.

Many people who enroll in LIS through SSA are eligible for MSPs, but state Medicaid agencies do not enroll them automatically. While SSA has been required for years to share information from LIS enrollment with state agencies administering MSPs,[11] there are slight differences in eligibility criteria between the two programs (including the definition of family size and income and asset limits). These differences have led state Medicaid agencies to require additional information from LIS enrollees who are applying for MSPs, including requiring them to submit a separate MSP application. Anytime people must take an extra paperwork step, there is a risk that they won't get the help they are eligible for. As a result, most of the over 14 million LIS enrollees are eligible for MSPs, yet more than 1 million are not enrolled.[12]

CMS Final Rule Requires States to Make Changes That Facilitate MSP Enrollment, Alleviate Burdens

---

[8] MACPAC, "Medicare Savings Programs: New Estimates Continue to Show Many Eligible Individuals Not Enrolled," August 2017, https://www.macpac.gov/wp-content/uploads/2017/08/Medicare-Savings-Programs-New-Estimates-Continue-to-Show-Many-Eligible-Individuals-Not-Enrolled.pdf.

[9] Suzanne Wikle *et al.*, "States Can Reduce Medicaid's Administrative Burdens to Advance Health and Racial Equity," CBPP, July 19, 2022, https://www.cbpp.org/research/health/states-can-reduce-medicaids-administrative-burdens-to-advance-health-and-racial.

[10] MIPPA Resource Center for Professionals, "Part D Low Income Subsidy/Extra Help Eligibility and Coverage Chart," January 25, 2024, National Council on Aging (NCOA), https://www.ncoa.org/article/part-d-low-income-subsidy-extra-help-eligibility-and-coverage-chart.

[11] NCOA, "Simultaneous LIS and MSP Application Submission," January 7, 2020, https://www.ncoa.org/article/simultaneous-lis-msp-application.

[12] KFF, "Number of Low-Income Subsidy (LIS) Enrollees," https://www.kff.org/medicare/state-indicator/number-of-low-income-subsidy-lis-enrollees/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D; HHS.

The Centers for Medicare & Medicaid Services (CMS) finalized a rule in September 2023 that addresses many of the barriers to MSP enrollment. CMS estimates that more than 860,000 people will enroll once states implement the required streamlining policies. Time spent on paperwork will decrease for applicants, enrollees, and state agencies, and enrollees will get financial relief that comes with help paying health care costs. With more reliance on electronic data and reduced paperwork burdens, enrollees will also save on transportation, postage, printing, and related costs.[13]

Although the final rule went into effect on November 17, 2023, CMS gave state agencies additional time to implement many of the policies. As described below, states must implement them starting in fall 2024 through spring 2026. (See Table 2.) However, states can and should implement the required and suggested streamlining policies described in the final rule as soon as possible to increase access to health care and reduce costs for older adults and people with disabilities.

The CMS final rule seeks to alleviate some of the barriers that people face in enrolling in MSPs. It requires states to:

- **Automatically enroll certain SSI recipients in QMB**. The QMB MSP pays Part A premiums for eligible individuals whose work history is insufficient to qualify them for premium-free Part A. People enrolled in Medicare who also receive SSI benefits are eligible for the QMB MSP group in addition to full Medicaid. Many states require a separate application for QMB, which creates an additional layer of bureaucracy that deters eligible people from enrolling.

  Starting October 1, 2024, the final rule requires 36 states and the District of Columbia, considered Part A buy-in states, to automatically enroll SSI recipients in the QMB eligibility group when they enroll in Medicaid. The policy remains optional for 14 states that are referred to as "group payer" states, but these states should also strive to make enrollment for SSI recipients in QMB automatic.[14] The rule also makes other changes that apply to group payer states to ensure that people get enrolled in Part A at the earliest possible date.
- **Use data from LIS as an MSP application**. Recognizing the significant numbers of LIS enrollees who are eligible for but *not* enrolled in MSPs, the final rule requires state Medicaid agencies to use LIS data as an application for MSPs. Agencies may only request the specific additional information needed from the applicant that SSA did not collect because it was not needed to determine LIS eligibility.

[13] The estimated cost and time savings of the final rule are part of the agency's regulatory impact analysis, which is a required component of the rulemaking process so policymakers can assess the rule's relative burden and benefits. CMS, "Streamlining Medicaid and CHIP, Final Rule, Fact Sheet," September 18, 2023, https://www.cms.gov/newsroom/fact-sheets/streamlining-medicaid-and-chip-final-rule-fact-sheet#_ftn1.

[14] All states must pay the Part A premium for QMB enrollees who do not receive premium-free Part A; "buy-in" states include the Part A premium cost for QMBs in their existing buy-in agreement, which helps facilitate automatic enrollment in QMB any time of the year. When states use the group payer arrangement to pay Part A premiums, certain enrollment restrictions apply, such as only being able to apply for Medicare Part A during the Medicare General Enrollment Period (January 1-March 31 of each year) if they did not enroll during their Initial Enrollment Period (three months before turning 65 and three months after the month the individual turns 65, lasting seven months total). CMS, "Program Overview and Policy: Chapter 1," https://www.cms.gov/files/document/chapter-1-program-overview-and-policy.pdf.

For example, Medicare and Medicaid have slightly different requirements related to citizenship and immigration status, so additional information may be needed to determine MSP eligibility.[15] The requirement to use LIS data will significantly reduce the paperwork burden that applicants often face when applying for MSPs and should eliminate verification requests for information the state Medicaid agency can access using LIS or other data. States must implement this requirement by April 1, 2026.

- **Align the family size definitions of MSPs and LIS**. CMS historically allowed states to apply their own definition of family size when determining household-based income limits for MSP eligibility. LIS defines family size as the applicant, their spouse, and dependent relatives who live in the same household. State definitions that don't align with this make it difficult for state agencies to expedite enrollment of LIS recipients into MSPs. If the state's definition of household size was more restrictive than LIS, the state couldn't fully accept the information from LIS, and the state would have to request information about the applicant's household to make an eligibility determination.

  The final rule requires states to define MSP family size as "at least" those who are included in the LIS definition, meaning someone found income-eligible for LIS will also be income-eligible for MSP since the family size in MSP can be more generous but not less. In addition to streamlining determinations, this provision increases equity by accounting for multigenerational households, which are more common among immigrant families and communities of color.[16] States must implement this provision by April 1, 2026.

- **Accept self-attestation for certain types of income and resources.** The final rule requires Medicaid agencies to accept an MSP applicant's attestation of the value of the following types of income and resources: burial funds, non-liquid resources, the *face value* of whole life insurance, and income from interest and dividends.[17] States may (but are not required to) collect additional documentation to verify what the enrollee attested to after enrollment. States are required to follow up with the enrollee if the information they attested to is not "reasonably compatible" with what the state finds in data sources.[18]

  This policy lessens the paperwork burden of enrolling in MSPs by reducing requests for information that can be difficult for people to obtain during the application process. Though it is optional for state agencies to accept self-attestation of whole life insurance surrender

---

[15] Justice in Aging, "Medicare Part D Low Income Subsidy (LIS or 'Extra Help')," https://www.justiceinaging.org/wp-content/uploads/2018/11/Part-D-LIS-factsheet-revised-9.27-footnoted.pdf.

[16] D'Vera Cohn *et al.*, "Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes," Pew Research Center, March 24, 2022, https://www.pewresearch.org/social-trends/2022/03/24/the-demographics-of-multigenerational-households/#:~:text=About%20a%20quarter%20of%20Asian,of%20those%20who%20are%20White.

[17] Whole life insurance face value is the amount paid by the insurance company if a death occurs. Whole life insurance surrender value is the amount paid if the individual cashes out their insurance policy before their death. Rachel Gershon, "Final Rule to Streamline Enrollment in Medicare Savings Programs," Justice in Aging, November 2023, https://justiceinaging.org/wp-content/uploads/2023/11/Final-Rule-to-Streamline-Enrollment-in-Medicare-Savings-Programs.pdf.

[18] When verifying income, state Medicaid agencies compare the client attestation to available electronic data. The attestation and data source are considered "reasonably compatible" if both are below, at, or above the eligibility threshold, even if the amounts are different. Under reasonable compatibility, states can only require documentation when the difference between the attestation and data source affects eligibility.

value, the final rule requires agencies requiring verification to assist the applicant in obtaining the necessary information on surrender value from the life insurance agency, shifting significant administrative burden away from the applicant. States must implement this provision by April 1, 2026.

TABLE 2

Implementation Deadlines for Provisions in MSP Final Rule

	Deadline
Automatic QMB enrollment	October 1, 2024
Use of LIS data for MSP application	April 1, 2026
Aligning MSP and LIS family size	April 1, 2026
Acceptance of self-attestation	April 1, 2026

Source: Department of Health and Human Services, "Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment," 88 Fed. Reg. 65230, September 21, 2023, https://www.govinfo.gov/content/pkg/FR-2023-09-21/pdf/2023-20382.pdf.

Final Rule Also Highlights Available Best Practices to Help Eligible People Enroll in MSPs

The newly codified policy requirements take an important step toward better streamlining and integrating MSP and LIS. To further simplify MSP enrollment and increase enrollment in these important benefits, the final rule includes best practices and opportunities that CMS encourages states to adopt. Though not required at this time, these policies can further increase MSP enrollment. Opportunities include:

- **Using pre-populated forms for MSP applications when LIS data aren't sufficient to determine the individual's eligibility.** The pre-populated form would contain the LIS data so the enrollee would only need to provide the missing information needed for the eligibility determination. This would reduce the amount of time enrollees spend on paperwork.
- **Aligning how income and resources are counted when determining eligibility for MSP using LIS data.** Certain categories of income and resources are counted when making an eligibility determination for MSPs but not for LIS, unless a state has elected to align them. In addition to requiring states to align household size definitions, CMS also encourages states to fully align financial eligibility between MSP and LIS in the final rule by allowing states to disregard income and resources including in-kind support and maintenance, income from interest and dividends, non-liquid resources, life insurance, and burial funds up to $1,500 (and an additional $1,500 for their spouse). This would allow a state to accept the income and resource determination made by SSA without requiring additional information or verification from the applicant.
- **Accepting self-attestation for additional types of income and resources.** In addition to the new self-attestation requirements detailed in the previous section, the final rule *allows* states to accept self-attestation for other types of information, such as whole life insurance surrender value. While full alignment of financial eligibility between LIS and MSP would be the most effective option to reduce administrative burden on enrollees, expanding self-attestation

would reduce the amount of paperwork that enrollees are subject to during the application process.