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**NEW FOOD STAMP OUTREACH OPPORTUNITY:
Medicare Discount Drug Card Offers An Opportunity To Expand
Food Stamp Enrollment Among The Elderly And People With Disabilities**

By Dorothy Rosenbaum

Nearly one in three non-institutionalized people enrolled in Medicare, or about 10 million people who are elderly or disabled Medicare beneficiaries, have incomes below 150 percent of the federal poverty level, \$13,470 a year for a single person and \$18,180 for a couple in 2004.¹ Many of these individuals face significant challenges in affording the rapidly growing cost of prescription drugs while at the same time attempting to meet all of their other basic needs on their low, often fixed, incomes.

Late last year Congress and the President expanded Medicare to help assist the elderly and people with disabilities pay for some drug costs. The new drug benefit, known as Medicare Part D, will go into effect in January 2006. In the interim, a temporary Medicare Discount Drug Card program is scheduled to be available beginning in June 2004. As part of this program a \$600 per year subsidy in federally-funded "Transitional Assistance" will be available to low-income Medicare beneficiaries to help them cover their prescription drug costs.

Many of the low-income Medicare beneficiaries who are eligible for the Transitional Assistance are also eligible for assistance in purchasing food through the Food Stamp Program. The typical low-income individual who is elderly or has a disability and has Social Security income and out-of-pocket medical expenses qualifies for about \$50 a month, or \$600 a year, in food stamps. Those with exceptionally high medical or housing expenses can qualify for more.

The Food Stamp Program has relatively high participation rates for very low-income individuals who are elderly or disabled and already connected to other benefits, such as Supplemental Security Income (SSI) and Medicaid. According to the Department of Agriculture (USDA), which administers the Food Stamp Program, approximately 80 percent of such individuals who are eligible for food stamps participate in the program. However, the program does a much poorer job reaching out to eligible individuals who do not receive these other programs' benefits. Overall, the program serves only about 30 percent of eligible elderly people and half of the population of eligible adults with disabilities.² USDA estimates that there are almost 6 million seniors and adults with disabilities who are eligible for food stamps but do not receive them.

¹ The Henry J. Kaiser Family Foundation, *Medicare Fact Sheet: Medicare at a Glance*, April 2003.

² U.S. Department of Agriculture, Food and Nutrition Service, *Trends in Food Stamp Program Participation Rates: 1999 to 2001*, July 2003.

The next several years offer a unique opportunity to connect eligible individuals who are elderly or disabled to the Food Stamp Program. Many of the people who are eligible for but do not participate in the Food Stamp Program will be applying for Transitional Assistance through the Medicare Discount Drug program. The agency that administers Medicare expects that 4.7 million Medicare beneficiaries will receive Transitional Assistance. The federal government, states, drug companies, pharmacies, and advocacy groups that are already planning to reach out to this population for the purpose of connecting them to Medicare drug assistance should consider ways to add food stamp benefits to their outreach packages in order to increase the total utilization of government assistance that is available to help low-income seniors and people with disabilities make ends meet.

This paper briefly summarizes the new Medicare Drug Discount Card and Transitional Assistance Programs. It then describes the food stamp benefit that is also available to the same population as well as other benefits that could be included in any outreach efforts. Finally, it suggests some possible opportunities to assist low-income seniors and people with disabilities. Additional opportunities will be available in 2006, when the permanent Medicare Part D structure goes into effect.

The Medicare Discount Drug Card and Transitional Assistance

The Medicare drug law will be implemented in two phases. The “Medicare Part D” permanent benefit structure will go into effect in January 2006. In the interim, a Medicare Discount Drug Card with Transitional Assistance subsidies for low-income Medicare beneficiaries is scheduled to be available beginning in June 2004.

Medicare Discount Drug Card

- *Who will offer them:* The discount drug cards will be offered by private companies, known as sponsors, such as insurance companies, pharmacies, and pharmaceutical benefit management companies (PBMs). Sponsors must submit applications and be approved by Center for Medicare and Medicaid Services (CMS), the agency that runs Medicare.
- *Discounts:* CMS expects that these private companies will be able to negotiate lower prices from drug manufacturers on behalf of the Medicare beneficiaries who use their card. The sponsors in turn, according to CMS, will be able to offer drugs at prices that are 10 to 15 percent below what Medicare beneficiaries would otherwise be able to obtain.
- *Eligibility:* Anyone who is entitled to Medicare Part A and/or enrolled in Medicare Part B and who does not receive outpatient drug coverage through Medicaid will be eligible to purchase a card from a Drug Card sponsor who is offering the card in their geographic area. The Drug Card annual fee can be no more than \$30. Individuals can select which card to purchase based on available information about the discounts offered and the drugs covered.

Transitional Assistance

- *What it is:* Low-income Medicare beneficiaries who sign up for a drug card will be able to apply for “Transitional Assistance” — \$600 worth of federally-funded assistance toward drugs purchased using the discount drug card (plus the federal government pays the \$30 annual fee).
- *Eligibility:* To be eligible an individual must have income at or below 135 percent of the federal poverty level (\$12,123 for single individuals and \$16,362 for married couples in federal fiscal year 2004). Only the income of the Medicare beneficiary and his or her spouse are considered. There is no asset test. People with Medicaid drug coverage or drug coverage through an employer health plan are not eligible.
- *Benefit:* The \$600 a year in assistance can cover up to 95 percent of each covered prescription’s cost for people with income up to 100 percent of the federal poverty line (and up to 90 percent for those with income between 100 and 135 percent of poverty). Any unspent amount from 2004 can carry over to 2005. Once a person qualifies for the \$600 they generally will remain eligible until the new Medicare drug benefit begins in 2006.
- *Enrollment:* Individuals will apply for Transitional Assistance through the drug card sponsor. They must fill out a short separate application attesting to their income and marital status. CMS will then verify the information through available data sources.

CMS estimates that there are 15.4 million Medicare beneficiaries who are eligible for, (and would benefit from) either the discount card only or the discount card in combination with Transitional Assistance. They expect 7.4 million people will enroll in the discount drug card, of whom 4.7 million will be eligible to receive Transitional Assistance.³

The Food Stamp Program

The Food Stamp Program provides federally-funded food assistance to eligible low-income families and individuals. In federal fiscal year 2003 it provided a total of \$21.4 billion to a monthly average of 21.3 million individuals, of whom about 4 million were elderly or disabled adults. The program is administered by state agencies, whose costs are shared with the federal government.

Eligibility and Benefit Levels

Eligibility for food stamps and the amount of benefits are determined for each household that applies based on its size, income, and deductible expenses. A household consists of individuals who live together and who purchase and prepare meals together. For a household

³ See <http://www.cms.hhs.gov/discountdrugs/overview.asp>

with an elderly or disabled member to be eligible it must meet an income test and an asset test. The household's *net* income, after all available deductions are taken into account, must be below the federal poverty level (in fiscal year 2004 \$749 a month for a household of one and \$1,010 a month for a household of two) and its assets, not including a primary residence, personal items, and an automobile in most states, must be below \$3,000.

Deductions play a very important role in food stamp eligibility and benefit levels by taking into account certain household expenses in determining the amount of income that is available to purchase food. Not all of a household's income is assumed to be available to purchase food because some must be used to meet its other needs. In determining monthly net income the following deductions are allowed:

- A *standard deduction*, typically \$134 for households with members who are elderly or disabled;
- A *medical expense deduction* for out-of-pocket medical expenses greater than \$35 a month that are incurred, or expected to be incurred, by a household member who is elderly or disabled;
- A *shelter deduction*, in the amount that total shelter costs (including mortgage, rent, taxes, insurance, and utility expenses) exceeds half of the household's net income after all other deductions;
- A *dependent care deduction*, for actual dependent care expenses up to \$175 a month for adults who need care;
- An *earnings deduction*, equal to 20 percent of earnings; and
- A *child support deduction* for any payment by a member of the household of legally obligated child support.

For many low-income single individuals and couples who are elderly or disabled, Social Security and/or SSI monthly income brings them close to or above the federal poverty level. For these households who do not have high expenses — for example, because they live in public housing and have no out-of-pocket medical expenses — the food stamp benefit they will be eligible for will be relatively low, perhaps only \$10 a month. If, however, such a household has high shelter expenses, high medical expenses, or both, their monthly food stamp benefit will be significantly higher. The average Social Security recipient who has medical expenses and receives food stamps qualifies for about \$50 a month in benefits. A typical household with members who are elderly or disabled and very high deductions can receive closer to \$90 a month or more in food stamps.⁴

⁴ Based on CBPP analysis of the FY2002 Food Stamp Quality Control Household Characteristics data.

Applying for Food Stamps

States administer the Food Stamp Program through local welfare offices. Because households with members who are elderly or disabled tend to have more stable income and circumstances than other low-income populations, and because they may have difficulty traveling to the welfare offices and otherwise complying with program requirements, federal regulations require that states make accommodations to serve them.

Applications for food stamps are available at local welfare offices, at Social Security Administration field offices, through some local community organizations, and on-line in most states.⁵ Applications may be filed in-person at the welfare office, through the mail, faxed, or on-line in a couple of states. Individuals may designate other people, such as family members or other trusted adults, to serve as their “authorized representative” with respect to completing the application process and other functions.

Generally, an interview is required for initial certification, but states must waive the in-office face-to-face interview and conduct the interview over the telephone for anyone that would experience a hardship in traveling to an in-office interview. States may further choose to have a policy of conducting interviews over the telephone for all households that have no earnings and where all members are elderly or disabled. Food Stamp applicants will typically have to document some of the information they provide on the application. Typically, once a household with members who are elderly or disabled is determined eligible for food stamps it will need to reapply for food stamps every 12 to 24 months.

Food stamp benefits can be used to purchase food in retail supermarkets, grocery stores, and convenience stores across the country. Ninety-five percent of food stamp benefits are provided on electronic benefit transfer (EBT) cards, which can be swiped like debit or credit cards at the check-out counter.

Participation Rates

Food stamp participation rates for people who are elderly or disabled are relatively low and have been falling in recent years. Overall, USDA estimates that only 28 percent of eligible elderly individuals and 49 percent of adults with disabilities participated in the Food Stamp Program in 2001. This is a modest decline from 1999 when USDA estimated that 31 percent of elderly and 55 percent of adults with disabilities participated in the program.⁶

These low participation rates occur despite the fact that some eligible non-participants are eligible for a sizable food stamp benefit. A USDA study in 2002 found that more than one-third

⁵ See CBPP, *www.foodstamps.gov: State Government Websites on the Food Stamp Program*, available at <http://www.cbpp.org/8-25-03fa.htm> for information on states’ online applications.

⁶ U.S. Department of Agriculture, Food and Nutrition Service, *Trends in Food Stamp Program Participation Rates: 1999 to 2001*, July 2003.

(36 percent) of elderly individuals who are eligible for the Food Stamp Program but do not participate would receive more than \$50 a month.⁷

Households with members who are elderly or disabled that receive SSI benefits are much more likely to participate in food stamps. According to USDA, such households have participation rates of 80 percent or higher. In addition, about half of the states have implemented, or are in the process of implementing, simplified enrollment procedures, known as “Combined Application Procedures” for SSI recipients under food stamp waiver authority. These projects use information from the Social Security Administration to conduct outreach and enroll eligible SSI recipients in food stamps using simplified rules and procedures.

Thus, the low-income population who are elderly or disabled and eligible for (but do not receive) food stamps is dominated by Social Security recipients and other low-income seniors and people with disabilities who do not already have contact with the agencies that administer food stamps because they do not participate in SSI or Medicaid. In total, USDA estimates that in 2001 there were 4.2 million elderly individuals and 1.7 million adults with disabilities who were eligible for food stamps but did not participate in the program. Many of these people are the same people who have the most to gain by enrolling in the Transitional Assistance associated with the discount drug cards. There is significant overlap with the 4.7 million people CMS anticipates will receive Transitional Assistance.

Opportunities offered by the Medicare Drug Benefit

The new Medicare drug benefit received a great deal of attention as it was debated the past several years, and will continue to be in the news as implementation gets underway over the next several years. The Transitional Assistance will potentially be a significant new source of financial assistance for low-income Medicare beneficiaries, so there is likely to be a great deal of interest in applying for benefits. The vast majority of individuals eligible for this assistance through Medicare-sponsored discount drug cards will also be income-eligible for food stamps, so there is a unique opportunity to conduct outreach to this population to inform them of the availability of food stamps as another source of assistance in helping them make ends meet.

Some of the parties that will be involved and that could take advantage of these opportunities include:

- **The Federal Government.** CMS could include information about food stamps in informational materials they provide to Medicare beneficiaries on the discount drug cards. CMS will be engaging in very large scale, well-funded informational campaigns. CMS and USDA could work together on a campaign built around pointing out that through the two programs a significant amount of federal assistance can be available to low-income seniors and people with disabilities who struggle to make ends meet because of their high expenses.

⁷ U.S. Department of Agriculture, Food and Nutrition Service, *Elderly Participation and the Minimum Benefit*, November 2002.

- **Drug Card Sponsors.** Drug card sponsors will be collecting applications for Transitional Assistance and informing people of their eligibility. At a minimum, they could provide information on the Food Stamp Program. With the applicant's consent, it may be possible for drug card sponsors to forward the information from the Transitional Assistance application to the state food stamp agency and for that application to serve as an initial application for food stamps, or to serve as a request that the food stamp agency mail a food stamp application to the Medicare beneficiary.
- **Pharmacies.** The pharmacies that participate in the discount drug card program will, at the time a prescription is purchased, know that an individual has already been determined eligible for Transitional Assistance. Consider, for example, a CVS in a low-income neighborhood. The clerk could offer individuals information about the Food Stamp Program with an emphasis on the fact that elderly individuals and people with disabilities who have high prescription drug costs can get an average of \$50 a month in food stamps, an amount equal, on an annual basis, to the amount of Transitional Assistance. Such an outreach effort is particularly suited for pharmacies located in grocery stores or who are authorized food stamp retailers because they also sell food.
- **States.** State Medicaid agencies, agencies that administer state pharmacy assistance programs, and state public health agencies may be engaging in outreach to inform low-income Medicare beneficiaries of the availability of Transitional Assistance. These agencies also could include food stamp applications or information about the Food Stamp Program in their materials and other efforts. In addition, states may enlist other offices that work with seniors and persons with disabilities such as Offices on Aging and senior housing assistance programs.
- **Advocates.** Advocates that work on the national, state, and local level could also be involved in weaving the food stamp outreach message in with the Medicare drug benefit work that they do with seniors and disabled individuals. Health advocates for seniors and people with disabilities will already be involved in outreach and informational efforts around the Discount Drug cards. Most communities have anti-hunger advocates, food banks, and meals-on-wheels providers that work with seniors and individuals with disabilities who could be partners in outreach on both programs. Combined these groups can reach a large share of seniors and people with disabilities who are likely eligible for both benefits.
- **Providers of medical and other services.** People who provide services to Medicare beneficiaries — such as physicians, community clinics, independent living facilities, and home health care providers — could promote both the Medicare discount cards and better nutrition through the Food Stamp Program. In addition, many communities have programs that serve seniors during the day, such as congregate meal sites and recreation programs.

- **Businesses.** Local utility companies, grocery stores, family restaurants, and other neighborhood businesses could provide information on a range of benefits that are available to seniors and people with disabilities. In some neighborhoods these groups have been involved in promoting Earned Income Tax Credit and children's health insurance benefits in recent years.

It is important to keep in mind that the implementation of the Medicare drug benefit is a two-staged process. Beyond the linkage with the Transitional Assistance benefit, additional opportunities will emerge beginning in 2006 when state Medicaid agencies and the Social Security Administration will administer the eligibility test for the low-income assistance portion of the on-going Part D benefit.

Challenges

Connecting people who get Transitional Assistance with the Food Stamp Program is not without its challenges.

- *While the majority of people eligible for the Medicare drug card will also be eligible for food stamps, because of differences in the programs' rules, not all will.* People can qualify for Transitional Assistance based on just their own income and, if they are married, their spouse's income. For food stamps, applicants must also have resources (or assets) below \$3,000 and the income of other people they live with may need to be considered. As a result, not everyone who is eligible for Transitional Assistance will also be eligible for food stamps. Nonetheless, research shows that approximately two-thirds of people who are elderly or have disabilities who have income low enough to qualify for food stamps also have assets below the food stamp limit. Any outreach materials should include mention of the food stamp asset rule and that information regarding other household members will need to be considered in order to limit the number of people who are clearly ineligible for food stamps who apply only to be turned down.⁸
- *Some people will be eligible for small food stamp benefits.* Clearly informing people as part of the outreach that those with high shelter and medical expenses are likely to be eligible for the highest food stamp benefits will help to manage people's expectations of how much they are likely to receive. When eligible non-participants are informed of how much they are eligible for they are much more likely to follow through with their applications. Many states and community organizations have developed food stamp prescreening tools or benefit calculators that can quickly assess how much people are likely to be eligible for. USDA has created a web-based pre-screening tool that can be found on its web page (at <http://209.48.219.49/fns/>). This tool notes prominently that some states have adopted state options to change program rules that may make more people

⁸ A few states have taken advantage of flexibility in the Food Stamp Program to set a less restrictive asset test. For example, the food stamp asset test in Texas is \$5,000.

eligible. Most notably, all but four states have liberalized their treatment of how vehicles are counted as resources.

- *The food stamp application process can require time and paperwork.* States have numerous options to eliminate the requirement that people visit the welfare office, to reduce the amount of time the process takes, and to limit and assist households in complying with paperwork requirements. Some states have already taken efforts to improve services for the elderly and people with disabilities, but collaborating with state agencies may be useful in many places to reduce the burdens applicants face.

Despite these challenges, finding ways to connect low-income seniors and people with disabilities to the Food Stamp Program is an important goal. With the help of the Drug Card, Transitional Assistance, *and food stamps* these individuals will struggle less to get by each day. Helping them meet their food costs can also improve their health outcomes.

Other Benefits that May Be Available to This Population

In addition to food stamps, low-income Medicare beneficiaries who are eligible for the Discount Drug card and Transitional Assistance also may be eligible for a range of other federal, state, and local assistance. For example:

- **SSI.** Some low-income Medicare beneficiaries may not be aware that they qualify for federally-funded SSI or for state-funded supplements to SSI if their income puts them slightly above the federal limits (currently \$564 a month for individuals and \$846 for couples.) Whether a state provides a supplement to SSI and the amount of the supplement varies from state to state. A person who receives a state supplement generally also is eligible for Medicaid.
- **Medicaid.** Similarly, even if they do not receive SSI or SSI state supplements, some low-income Medicare beneficiaries may qualify for full coverage, including coverage for prescription drugs, under a state's Medicaid programs. Eligibility rules for state Medicaid programs also vary by state.
- **State Pharmacy Assistance Programs.** Many states also have separate pharmacy assistance programs available to seniors and people with disabilities. The rules for these programs may change over the next several years as the Medicare drug benefits are implemented, but some states are likely to continue to provide some coverage for prescription drug costs that Medicare does not cover.
- **Assistance in paying Medicare premiums and cost-sharing.** Certain low-income Medicare beneficiaries who are not eligible for full Medicaid coverage are eligible for various forms of assistance in paying their Medicare Part B premiums and other cost-sharing. Participation in these programs has historically been low. Specifically:

- Medicare beneficiaries with income below the federal poverty level and with low assets (known as Qualified Medicare Beneficiaries, or QMBs) are eligible for Medicaid to pay the Medicare Part B premium (currently \$66.60 monthly) and all required Medicare cost-sharing.
 - Medicare beneficiaries with income between the federal poverty level and 120 percent of the federal poverty level who have low assets (known as Specified Low-Income Medicare Beneficiaries, or SLMBs) are eligible for Medicaid to pay the monthly Part B premium.
 - Medicare beneficiaries with income between 120 percent of the federal poverty level and 135 percent of the federal poverty level who have low assets (known as Qualified Individuals, or QIs) are also eligible for Medicaid to pay the monthly Part B premium. States receive federal reimbursement from a capped program to cover these costs.
- **Low-Income Home Energy Assistance Program (LIHEAP).** States receive a block grant to provide low-income populations with assistance in meeting their heating and cooling expenses and other-related costs, such as home weatherization or repairs. States have flexibility over eligibility and benefits. Typically the same agency that administers food stamps and Medicaid administers LIHEAP.

By finding ways to package these benefits together states and non-profit groups working with seniors and people with disabilities can leverage increased enrollment in all of the programs.

Conclusion

Over the next six months and beyond, the federal government will roll out a temporary Discount Drug card with \$600 a year in assistance for low-income Medicare beneficiaries. Numerous parties will be involved in designing the program, delivering the drug cards and the assistance, and educating and informing low income Medicare beneficiaries about the benefit. These activities provide a one-time opportunity to inform low-income elderly people and people with disabilities who have trouble making ends meet that they might be eligible for additional help through the Food Stamp and other programs.

In addition, beginning in 2006 the permanent Medicare Part D Drug benefit will go into effect. It also will provide additional assistance to low-income beneficiaries that will be administered by state Medicaid agencies and the Social Security Administration will administer. That program also offers many new opportunities to enroll eligible seniors and persons with disabilities in the Food Stamp Program.