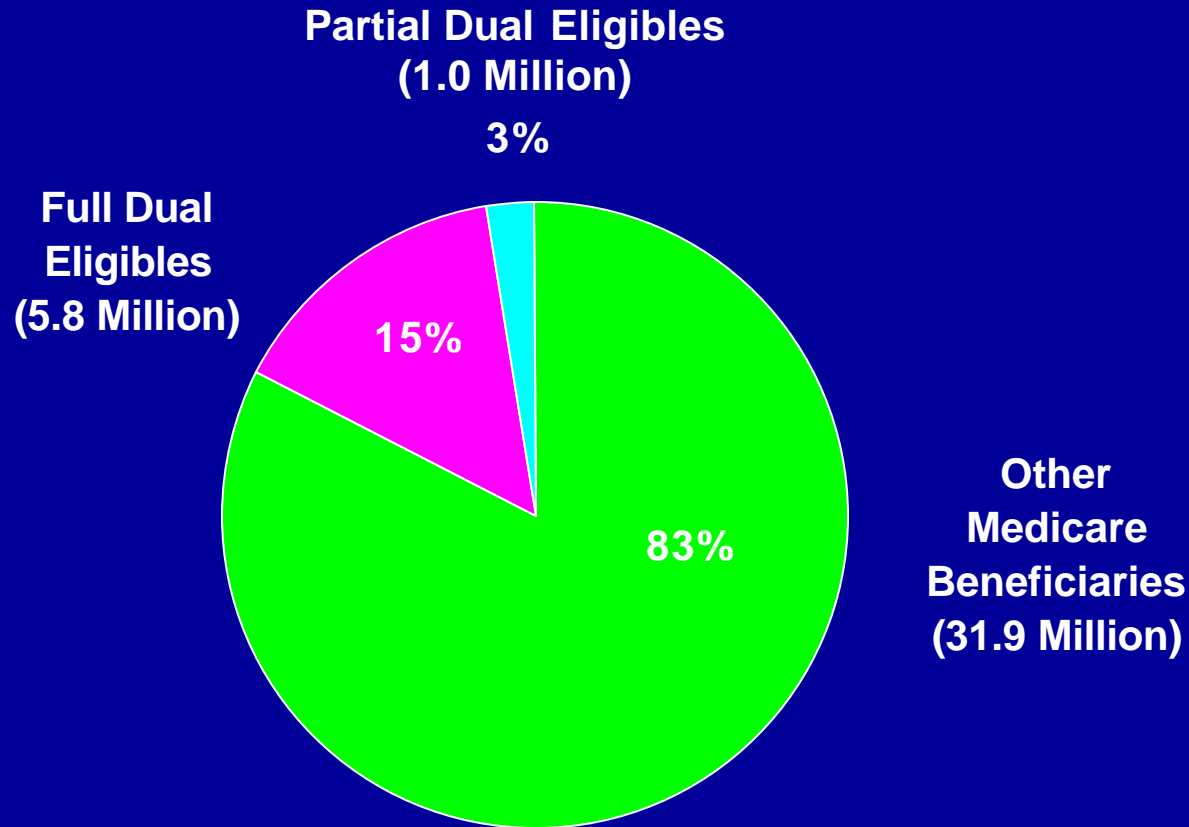


Who Are the “Dual Eligibles”

- **“Dual eligibles” are Medicare beneficiaries who are also enrolled in Medicaid**
 - **“Full” dual eligibles**
 - Medicare serves as primary payor of their health care
 - Medicaid serves as secondary payor, providing services not covered by Medicare (e.g., Rx and LTC)
 - Medicaid also pays Medicare premiums and cost-sharing
 - **“Partial” dual eligibles receive assistance only with Medicare premium and, in some cases, cost-sharing obligations**
- **To qualify for full Medicaid under federal minimum standards, Medicare beneficiaries generally must have income < 74% poverty and assets < \$2,000 (SSI requirements)**
- **States can expand Medicaid coverage for seniors and disabled people beyond federal minimum levels**

Figure 2

Medicaid Status of Medicare Beneficiaries, 2000



Medicare Beneficiaries = 38.8 Million

SOURCE: Medicare data are from the CMS Office of the Actuary. Medicaid data were prepared by the Urban Institute based on the 2000 MSIS. Note that full dual eligibles are eligible for prescription drug coverage through Medicaid while "partial" dual eligibles receive assistance with Medicare premium and/or cost-sharing obligations. Due to rounding, percentages do not total 100% and data do not sum to 38.8 million.

Figure 3

Characteristics of Dual Enrollees Compared to Other Medicare Beneficiaries, 2000

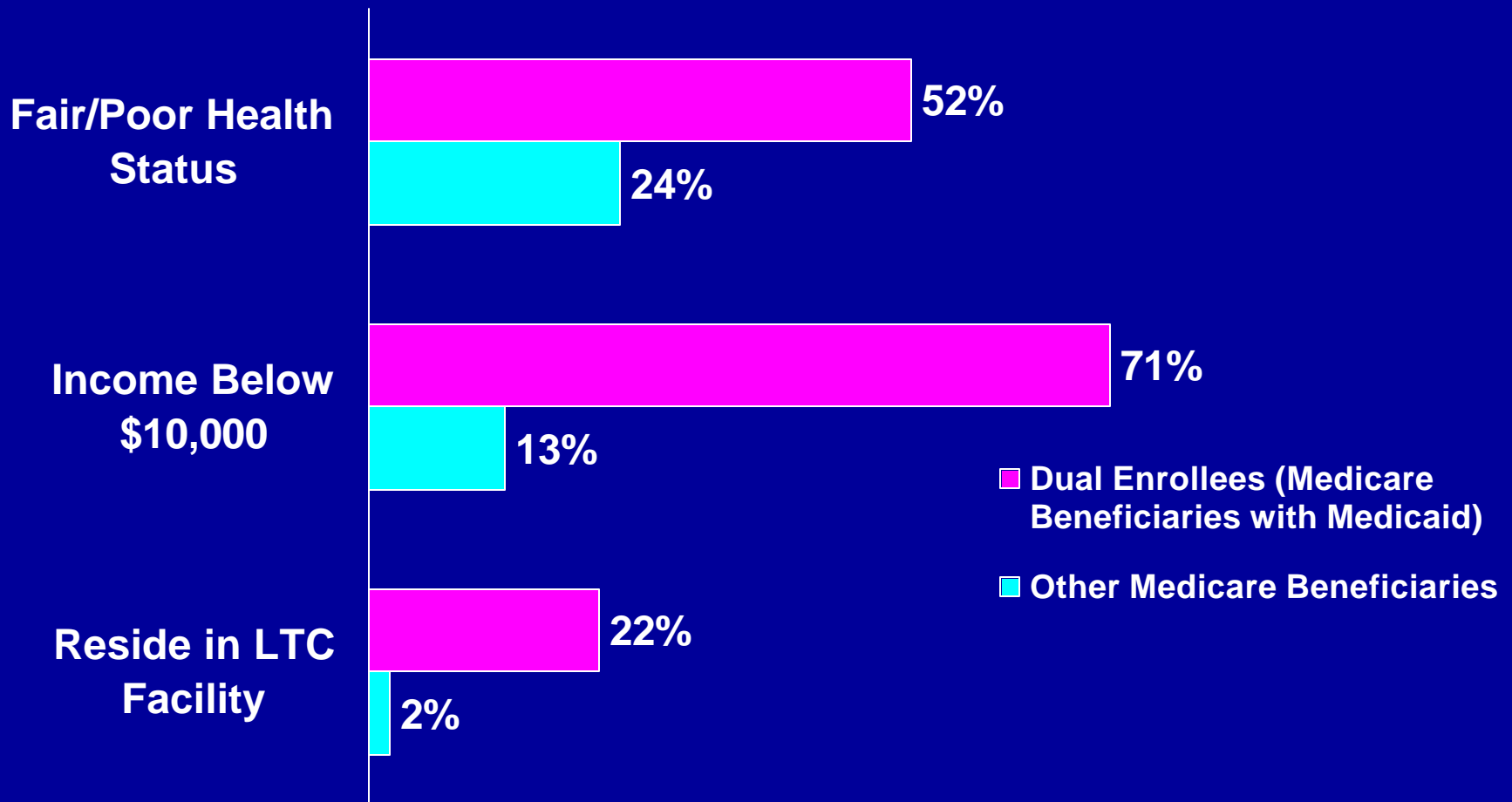
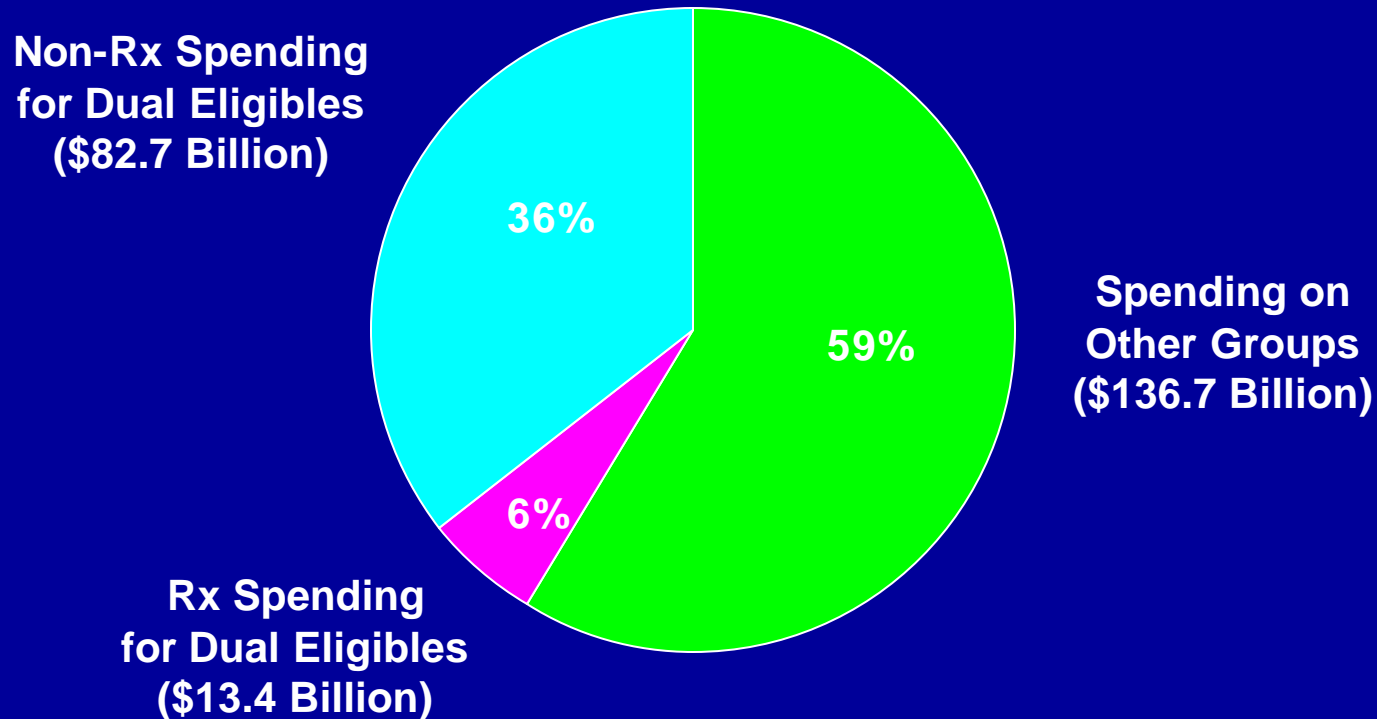


Figure 4

Spending on Dual Eligibles as a Share of Medicaid Spending on Benefits, FFY2002



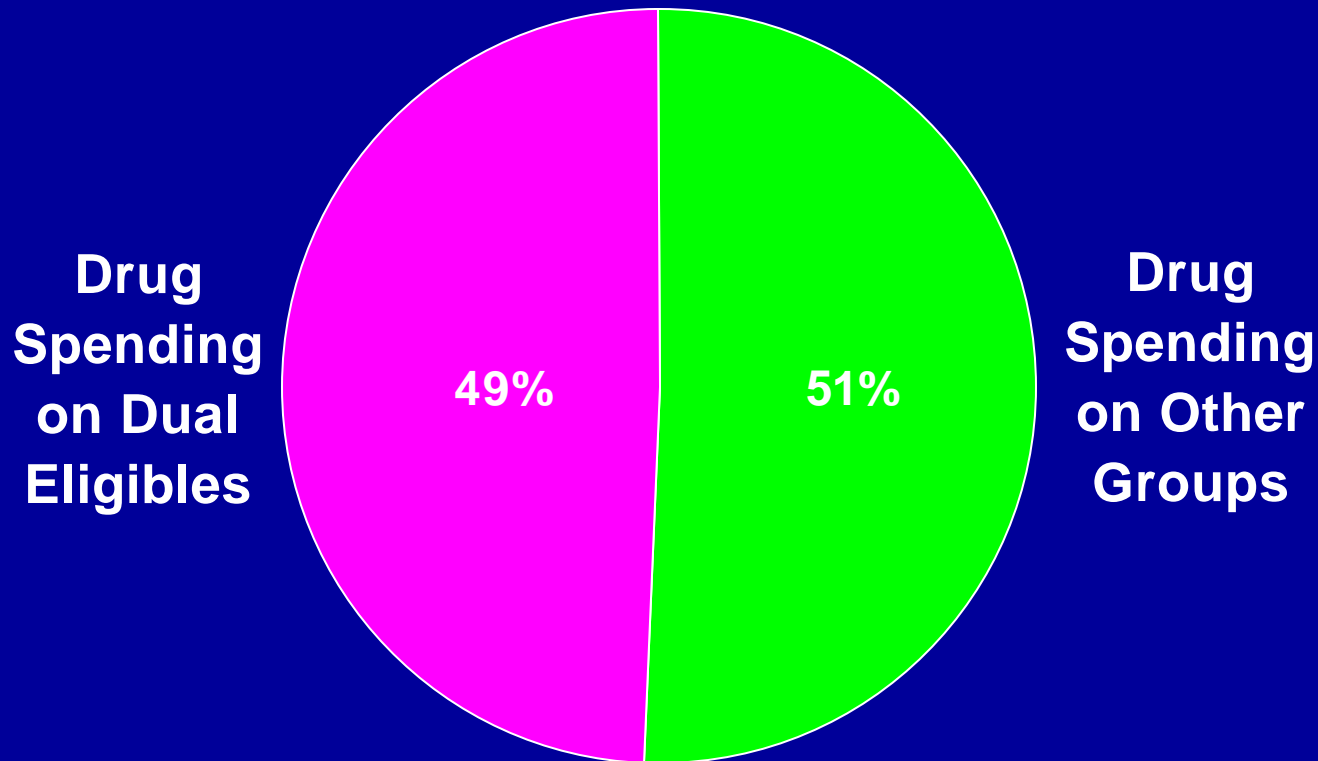
Total Spending on Benefits = \$232.8 Billion

Note: Due to rounding, percentages do not total 100%.

SOURCE: Urban Institute estimates prepared for KCMU based on an analysis of 2000 MSIS data and Form 64 FY2002 data.

Figure 5

Total Medicaid Spending on Prescription Drugs, 2000



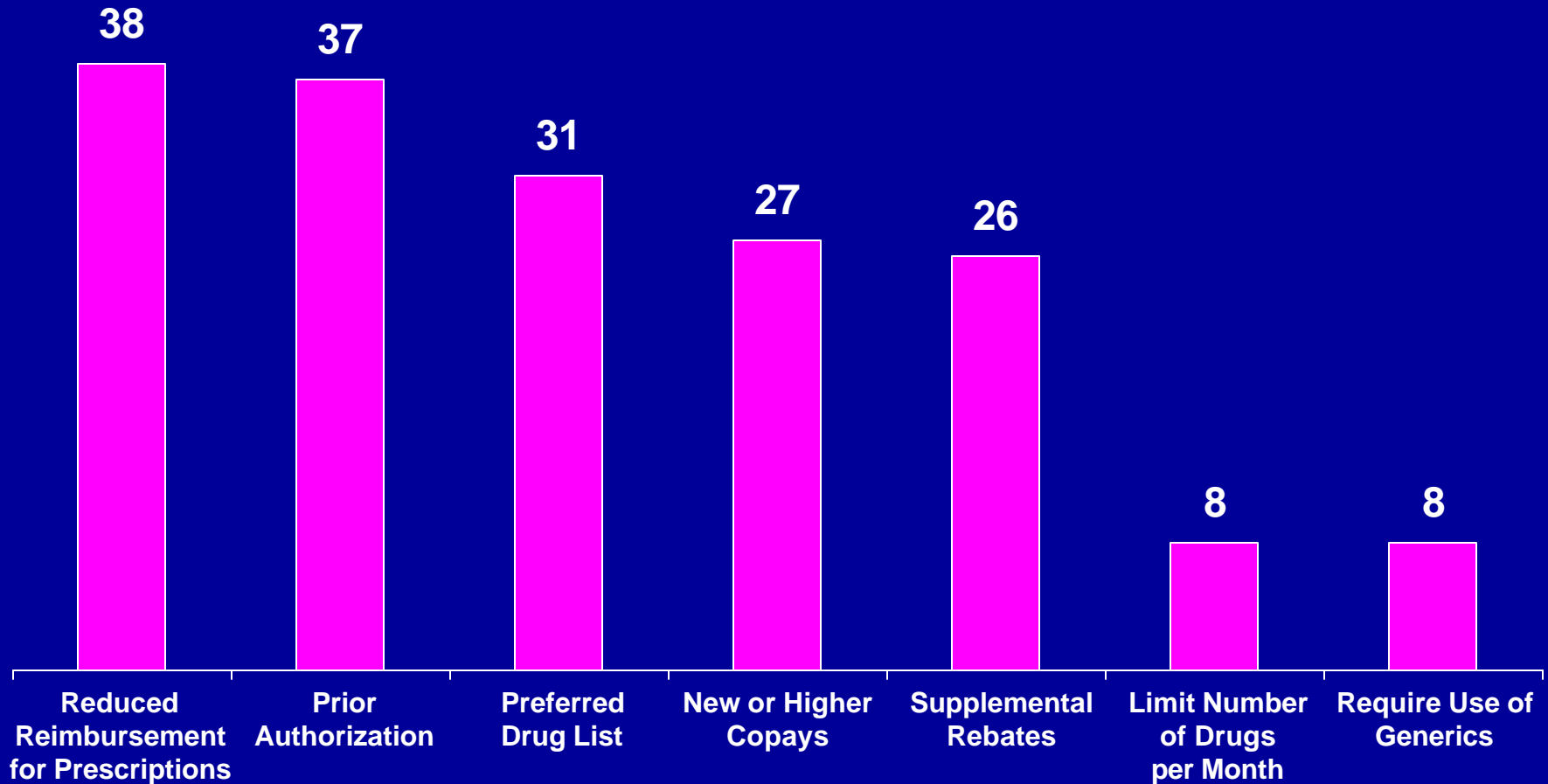
Total Spending = \$19.2 Billion

SOURCE: Preliminary Urban Institute estimates prepared for KCMU based on MSIS data for FFY2000. Data reflect expenditures on outpatient prescription drugs only and are net of Medicaid rebates.

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Figure 6

Recent Action by States to Reduce Growth in Medicaid Prescription Drug Spending, 2003-2004



Note: Data reflect the number of states adopting new strategies (or expanding their use of existing strategies) for fiscal year 2003 or 2004.

SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, June and December 2002 and forthcoming September 2003.

Figure 7

Treatment of Medicaid Beneficiaries in Medicare Bills

	Senate Bill	House Bill
Medicaid Beneficiaries' Eligibility for Part D	<ul style="list-style-type: none">✓ "Full" dual eligibles (i.e., those with full Medicaid coverage that includes prescription drugs) are ineligible for Part D✓ "Partial" dual eligibles and Medicare beneficiaries with Rx coverage under Medicaid drug-only waivers are eligible for Part D	<ul style="list-style-type: none">✓ All Medicaid beneficiaries are eligible for Part D✓ Medicare becomes the primary payor for Rx coverage for dual eligibles✓ Medicaid serves as the secondary payor, supplementing Part D coverage for low-income individuals as needed to raise it to state Medicaid standards
Coordination between Medicare and Medicaid prescription drug benefit	<ul style="list-style-type: none">✓ No provision for coordination between Medicaid and Medicare	<ul style="list-style-type: none">✓ The Medicare Administrator will implement a plan to coordinate Medicare and Medicaid drug coverage

Implications for Dual Eligibles

- **Senate**
 - No access to Part D prescription drug benefits
 - Quality of Rx coverage will depend on Medicaid program of state in which dual eligible resides; many states increasingly cutting their Medicaid prescription drug benefit
 - May lose Medicaid coverage if states scale back optional expansions for seniors and the disabled to shift Rx costs from Medicaid to Medicare
- **House**
 - Eligible for Part D benefit that is universally available to all Medicare beneficiaries
 - May secure better coverage through Medicare Part D with Medicaid “wrap around” than under Medicaid alone

Figure 9

Key Provisions Related to States in Medicare Bills

	Senate Bill	House Bill
State Fiscal Relief From Rx Benefit	<ul style="list-style-type: none"> ✓ No Medicare coverage of Rx benefits for dual eligibles ✓ Instead, 100% FMAP for Part B premiums for selected dual eligibles in states with drug coverage meeting minimum standards. 	<ul style="list-style-type: none"> ✓ Medicare pays for Part D prescription drug benefits for dual eligibles (including low-income subsidies, as appropriate) ✓ Federal government “recaptures” some of the fiscal relief, with the share declining each year until 2020 when states retain all fiscal relief
Incentives for States to Maintain Optional Expansions	<ul style="list-style-type: none"> ✓ In states that maintain optional expansions for dual eligibles, 100% FMAP for Medicare Part A deductible and coinsurance costs 	<ul style="list-style-type: none"> ✓ No provision
Responsibility for Administering Low-income Subsidy	<ul style="list-style-type: none"> ✓ States must determine eligibility for the low-income subsidy program. ✓ Enhanced matching funds provided 	<ul style="list-style-type: none"> ✓ States must determine eligibility for the low-income subsidy program. ✓ Enhanced matching funds provided
CBO Estimate of Net State Fiscal Relief, 2004 - 2013	<ul style="list-style-type: none"> ✓ Net of \$20 billion 	<ul style="list-style-type: none"> ✓ Net of \$44 billion

Figure 10

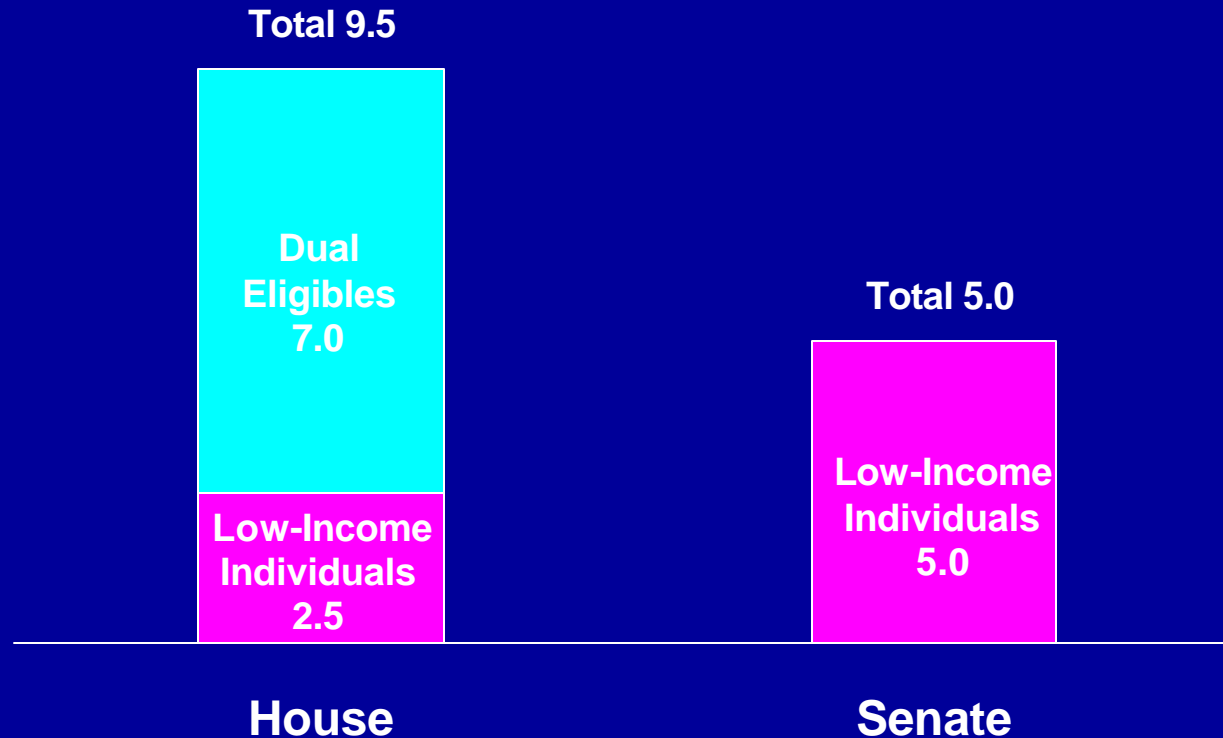
Key Differences in the House and Senate Low-Income Subsidy Programs

	Senate Bill	House Bill
Eligibility Rules	<ul style="list-style-type: none"> ✓ Cost-sharing and premium assistance for Part D beneficiaries below 160% of FPL (3 tiers of subsidy) ✓ No asset test to qualify for lowest tier of subsidy, but must meet an asset test to qualify for higher tiers 	<ul style="list-style-type: none"> ✓ Cost-sharing and premium assistance for those with income below 135% of poverty ✓ Premium assistance for those between 135% and 160% of FPL ✓ Must meet an asset test to qualify for any assistance
Level of cost-sharing assistance	<ul style="list-style-type: none"> ✓ Substantial help provided with all drug expenditures, including expenditures above the initial limit of \$4,500 (i.e., there is no “donut hole” for low-income beneficiaries) 	<ul style="list-style-type: none"> ✓ Substantial help provided until drug costs reach an initial limit of \$2,000 ✓ No help with cost-sharing above \$2,000 until out-of-pocket expenses reach \$3,500

Figure 11

Estimated Enrollment of Medicare Beneficiaries in House v. Senate Low-Income Subsidy Program, 2013

In millions



SOURCE: CBO cost estimate of H.R. 1 and S. 1, July 22, 2003.
All estimates are approximate.

Figure 12

Out-of-Pocket Drug Costs for a Medicare Beneficiary Not on Medicaid with Income Below 100% of Poverty, House v. Senate Low-Income Subsidy Programs

Out-of-Pocket Costs



SOURCE: KCMU calculations. For the House bill, out-of-pocket costs for co-payments are assumed to average 5 percent of drug costs up to \$2,000. NOTES: In the House bill, Medicare low-income subsidy payments count as "out-of-pocket costs" applied toward the catastrophic limit of \$3,500. In this example, the individual reaches the \$3,500 catastrophic limit when out-of-pocket payments reach \$3,000 because of a \$500 low-income subsidy. To qualify for the low-income subsidies presented in this chart, beneficiaries also must meet an asset test.

Key Conference Issues for Medicaid Beneficiaries and Other Low-Income Individuals

- **Treatment of Medicaid Beneficiaries**
 - Will Medicare beneficiaries who also have Medicaid be eligible for the Part D prescription drug benefit?
- **Treatment of states**
 - Will states be relieved of some of the expense of providing prescription drugs to dual eligibles?
 - Will they receive sufficient help with the cost of eligibility determinations for the low-income subsidy program?
- **Adequacy of low-income subsidy program**
 - How many people will be covered? Will beneficiaries need to meet an asset test?
 - Will the level of subsidy be adequate to enable low-income Medicare beneficiaries to use prescription drugs?
- **All issues must be addressed within context of \$400 billion overall limit on cost of bill**