

### **Linking State Prescription Programs with Medicare Savings Programs:**

*Examples from New Jersey and Minnesota; March 2004*

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#### ***Purpose***

When administratively linked together, state prescription programs and the Medicare Savings Programs have the combined potential to increase enrollment in the Medicare Savings Programs. Two states, New Jersey and Minnesota, have taken differing approaches to this linkage and their practices are examined here.

Other states that have not administratively linked these two programs may find some of these methods useful to increase Medicare Savings Program enrollment. Additionally, the methods used to link these programs offer promise for use with other programs that collect and use income information, such as housing support programs.

#### ***Description of the Programs***

##### ***New Jersey Pharmaceutical Assistance for the Aged and Disabled (PAAD)***

The New Jersey Pharmaceutical Assistance for the Aged and Disabled program is administered by the New Jersey Department of Health and Senior Services. Eligibility for PAAD is based only on income. Unlike Medicare Savings Programs, there is no resource limit for PAAD. Annual income (for 2004) can be up to \$20,437 for single individuals and \$25,058 for married couples and requires specific reporting of interest and dividend income. Application does not require a face-to-face interview and may be made by mail.

When applications are reviewed for PAAD eligibility, those reporting income at the Qualified Medicare Beneficiary (QMB) or Specified Low-Income Medicare Beneficiary (SLMB) income level are also screened for Medicare Savings Program eligibility. This screening attempts to estimate resources based upon the applicant's reported interest and dividend income. The screening assumes that the reported interest and dividend income is produced by a 4% return on a resource. The applicant's estimated resource level is calculated by dividing their reported interest and dividend income by 4%. (See Table 1). If the calculation yields estimated resources less than the Medicare Savings Program resource eligibility limit (200% of SSI), then an outreach letter is sent to the PAAD applicant.

Separate letters are used for applicants who are potentially eligible for QMB and SLMB programs based upon their income, because the application process is different for each of these programs, the State tracks how many outreach letters are sent and the overall number of applications received for each of these programs. However, the State does not track the individual results of the outreach.

**Quick Facts**

Program	Description Income	Limit for 2004
Qualified Medicare Beneficiary (QMB)	A Medicaid program for Medicare beneficiaries who have Medicare Part A, limited income (100% FPL) and resources. This program pays Medicare Part A premiums, Part B premiums, deductibles and coinsurance	\$776 for individual; \$1,041 for a couple
QMB Plus	A Medicaid program for Medicare beneficiaries who meet the QMB income and asset criteria. At the state’s option, enrollees are eligible for full Medicaid benefits. This program pays Medicare Part A premiums (if any), Part B premiums, and, to the extent consistent with the Medicaid State plan, Medicare deductibles and coinsurance, and provides full Medicaid benefits.	\$776 for individual; \$1,041 for a couple
Specified Low-Income Medicare Beneficiary (SLMB)	A Medicaid program for Medicare beneficiaries who have Medicare Part A, a low income (120% of FPL), and limited resources. This program pays for Medicare Part B premiums.	\$931 for individual; \$1249 for a couple

SLMB application can be made through the mail and is administered by the agency that determines PAAD eligibility. Since proof of income was provided for PAAD application, there is no need to resubmit income proof for SLMB application. In fact, the income as reported for the current year is preprinted on the SLMB application. Rather, the focus of the application is on resource declaration and certification.

QMB application requires a face-to-face interview, since QMB eligibility equates to Medicaid eligibility under New Jersey Care, one of the State’s Medicaid programs. Administration of New Jersey Care is the responsibility of the Department of Human Services with the Division of Medical Assistance and Health Services being the single state agency. Medicaid eligibility determination for individuals not receiving SSI is the responsibility of Independent County Boards of Social Service.

The process described above is also used when eligibility for PAAD is re-determined and the individual is not enrolled in either of the Medicare Savings Programs.

***Minnesota Prescription Drug Program (PDP)***

The Minnesota Prescription Drug Program (PDP) is administered by the Minnesota Department of Human Services. Eligibility for this program is contingent upon Medicare Savings Program eligibility and enrollment in either QMB or SLMB. However, PDP enrollment is not automatic with Medicare Savings Program enrollment.

Application for Medicare Savings Programs and PDP is made using the Health Care Programs application, a common application form used for a variety of programs. The application process does not require a face-to-face interview. When a person submits a completed application, the eligibility system determines which programs the individual has qualified for. If the applicant is found eligible for the Medicare Savings Programs, then the applicant is enrolled.

Newly enrolled QMB and SLMB participants are sent a letter describing PDP and offering an opportunity to elect enrollment in this prescription program. Minnesota



**Table 1 Estimated Resource Calculation**

<p><b>Example:</b> PAAD applicant reports interest and dividend income of \$150</p> <p><b>\$150 ÷ 4% = \$3750 (estimated resources)</b></p> <p>If the presumed value of the interest and dividend is less than the allowed resource level, as in this example, then the outreach letter is sent.</p>
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does not track the reason that an individual submits the Health Care Programs application.

However, staff indicate that anecdotal evidence points to PDP, rather than the Medicare Savings Programs, being the primary reason that individuals submit applications.

There have been significant changes in the PDP since its inception in January 1999. Initially, there was both an annual enrollment fee and a co-pay. After about six months of program operation the annual enrollment fee and co-pay were dropped as it became apparent that these fees were disincentives to program participation. At that time, the monthly deductible now in place was established. Additionally, a 2001 change in the State’s Medicaid program impacted on QMB enrollment. Full Medicaid coverage was extended to individuals with income up to 100% of FPL. Although this reduced the number of individuals enrolled in QMB and PDP, benefits for these individuals were expanded to the full spectrum of Medicaid coverage.

**Considerations**

The successful linkage of the Medicare Savings Programs and prescription drug programs in New Jersey and Minnesota provides examples of opportunities for other states. States that have prescription drug programs may want to create administrative linkages between the programs in order to offer citizens easier access to the Medicare Savings Programs. These possibilities for linkage can be used by other programs that collect income information and thus could identify individuals who are financially eligible for Medicare Savings Programs. In addition, if a state is designing a prescription program, it has the opportunity to incorporate similar linkages.

**Interest Rate:**

- Assuming a 4% interest rate to estimate resources (as New Jersey does) may be too high given current economic conditions. New Jersey has not changed this assumed return rate as the market has changed and staff acknowledge that it may be inaccurate.
- It may be helpful to consider the following when determining what interest rate to use for estimating assets. Assuming a rate above what a typical savings account yields can result in estimating assets that are too low and thus generate outreach letters to individuals who are ineligible. Conversely, assuming an interest rate that is lower will result in not generating outreach letters to some individuals who are eligible.

**Outreach Letter:**

- Because ineligible individuals will likely receive an outreach letter, clarity regarding the resource limit and the types of assets used in calculating resources is essential in the letter.
- Other outreach efforts are still necessary. Despite the popularity of the PAAD program, New Jersey estimates that only 65% of potentially eligible people apply.

**Application:**

- Minnesota has experienced success using a common Health Care Programs application for both PDP and the Medicare Savings Programs.
- The Minnesota application captures resource information, a critical element of Medicare Savings Program eligibility.



- A face-to-face interview is not required.
- New Jersey's PAAD began as a program in the state Medicaid agency. SLMB was also administered within this part of the agency. An executive reorganization moved PAAD and SLMB from the Medicaid agency, but the existing administrative linkages, including QMB outreach, were maintained.
- PAAD eligibility does not include a resource test, thus no resource information is collected in the application.
- PAAD and SLMB are jointly administered, allowing a SLMB applicant to rely on income information previously submitted.
- QMB requires a complete Medicaid application, including a face-to-face interview.
- When a common application is utilized for several programs (as in Minnesota), tracking the reason that the application was submitted may be valuable. It could provide information about which programs are better known and lead individuals to apply. It can help the state determine the results of publicity efforts.

### **Conclusion**

Prescription drug assistance programs have broad popularity with the groups that are eligible for Medicare Savings Programs. However, even states without such programs have other assistance programs that collect financial information either for eligibility or to determine program cost to the individual (for example, rental assistance). These programs can also use asset estimating techniques to identify individuals for Medicare Savings Program outreach.

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### **Determining Results:**

- Tracking whether the outreach letter results in an application can be beneficial. The state and/or advocates could follow-up with individuals who did not apply. The reason for not applying can be ascertained, and assistance in applying could be offered.

## State Solutions

The Medicare Savings Programs are publicly financed programs that help people pay for costs associated with Medicare, such as premiums, co-payments and deductibles. It is estimated that 5 million people are eligible to receive financial help through the Medicare Savings Programs, but only half are enrolled. Eligibility is generally granted to Medicare enrollees with low incomes, including people with disabilities and seniors.

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