

INTERACTION BETWEEN MEDICARE AND MEDICAID

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Interaction between Medicare and Medicaid

More than 7 million people receive both Medicare and Medicaid; these individuals are called “dual eligibles” or “dual enrollees.” While these people rely on Medicare for basic health services, Medicaid plays an essential role in paying Medicare’s premiums and cost-sharing and in covering critical services not covered by Medicare, including prescription drugs and long-term services and supports.

How does an individual become a dual eligible?

As discussed in previous sections, individuals are determined to be disabled by the Social Security Administration. People with permanent disabilities who have an adequate work history qualify for Medicare after the waiting period. Most people age 65 and over qualify for Medicare. As discussed earlier, certain adults who acquire disabilities in childhood sometimes qualify for Medicare if their parents are covered by Medicare.

Full Benefit Dual Eligibles

The vast majority of dual eligibles (6.4 million) receive full Medicaid benefits. People with disabilities can also qualify for varying levels of assistance from Medicaid if their income is low enough. Persons who receive SSI—or persons in states that have expanded Medicaid eligibility to persons with disabilities up to the poverty level—qualify for full Medicaid coverage that supplements Medicare’s coverage, pays the Part B premium, pays any Medicare cost-sharing, and provides services not covered by Medicare such as long-term care.

Medicare Saving Program (MSP) Dual Eligibles

Medicare beneficiaries with disabilities with slightly higher incomes and limited assets can also qualify for partial benefits from Medicaid:³

³ The federal government updates poverty guidelines annually. At the time of publication, poverty guidelines for 2005 were not yet available. To find the latest poverty guidelines, go to <http://aspe.hhs.gov/poverty/poverty.shtml>.

- Persons with incomes up to 100 percent (\$776 per month in 2004) of the poverty level can qualify as Qualified Medicaid Beneficiaries (QMBs, pronounced “quimbies”). These individuals do not receive Medicaid supplemental benefits, but Medicaid does pay their Medicare Part B premium and cost-sharing.
- Persons with incomes between 100 percent and 120 percent (\$776–\$931 per month in 2004) of the poverty level qualify as Specified Low-Income Beneficiaries (SLMBs, pronounced “slimbies”). Medicaid pays the Part B premium for SLMBs.
- Block grant funding is available to states for Qualifying Individual (QI) coverage for individuals with incomes between 120 percent and 135 percent (\$931–\$1,046 per month in 2004) of the poverty level. Medicaid pays the Part B premium for QIs. Because this program is a block grant, this benefit is subject to having sufficient funding and is not guaranteed to all individuals.

For information and help on determining whether you maybe eligible for this type there assistance, you should contact the State Health Insurance Assistance Program nearest you. For a list of where these programs are located, go to <http://www.medicare.gov/contacts/static/allStateContacts.asp>. Or, call 1-800-Medicare (1-800-633-4227), or 1-877-486-2048 TTY.

How are dual eligibles different from other Medicare beneficiaries?

Most dual eligible individuals have very low incomes: 77 percent have an annual income below \$10,000, compared to 18 percent of all other Medicare beneficiaries. High-cost and sick or frail Medicare beneficiaries are concentrated among the dual eligibles. Nearly one in four dual eligibles is in a nursing home, compared to 3 percent of other Medicare beneficiaries, and one-third of dual eligibles have significant limitations in their activities of daily living (ADLs), compared to 12 percent of other Medicare beneficiaries.

What does it mean to be a primary and/or secondary payor?

When an individual has two sources of payment for the same service, one source must be billed first. This is the primary payor. In the case of dual eligibles, Medicare is the primary payor and Medicaid is the secondary payor, supplementing payments made by Medicare.

In 2003, Congress enacted a Medicare reform law that included a prescription drug benefit. How does this law affect dual eligibles?

The new Medicare law establishes a Medicare prescription drug benefit (Part D) that becomes effective on January 1, 2006. On this date, a major transition occurs: Medicaid will no longer provide drug coverage; rather individuals will have to enroll in a Medicare Part D prescription drug plan. Starting in January 2006, Medicaid programs are prohibited from receiving federal Medicaid funds to provide prescription drug benefits to persons who are eligible for Medicare. However, Medicaid coverage will remain important to dual eligibles, because they will still be able to receive other services through Medicaid, such as long-term care.

The legislation establishes a transitional drug discount program that is available until the drug benefit is implemented. Persons who have access to Medicaid drug coverage are ineligible to participate in the discount program. The drug discount card program expires the day before the new drug benefit goes into effect.

Selecting and enrolling in a Part D plan prior to January 1, 2006 is very important for dual eligibles. Otherwise, these individuals will be randomly assigned to a Part D plan.

The drug coverage provided under Medicare Part D will not necessarily be the same as what dual eligibles currently receive under Medicaid and could differ dramatically depending on the state in which they reside and on how Part D is implemented.