



# *In the Literature*

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## Medicare Savings Programs: Analyzing Options for Expanding Eligibility

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**February 26, 2010**

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**Journal:** *Inquiry*, Winter 2009–2010 46(4):391–404

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**Access to the full article is available at:** <http://www.inquiryjournalonline.org/inqronline/?request=get-abstract&issn=0046-9580&volume=046&issue=04&page=0391>

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### Synopsis

Medicare savings programs are designed to provide financial assistance to Medicare beneficiaries whose income and assets are too high to allow them to qualify for full Medicaid coverage. In examining policy changes that would expand eligibility by either relaxing resource requirements or increasing the income limit, the authors find a trade-off between making more beneficiaries eligible and targeting a smaller group of individuals with greater health care needs.

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### The Issue

Despite the financial assistance offered through Medicare savings programs (MSPs), many eligible beneficiaries do not enroll in them. In this study, researchers examined changes that would simplify eligibility requirements and align them with the low-income subsidy for the Medicare Part D drug benefit. They also examined policy options that would extend eligibility for MSPs and the subsidy by relaxing resource standards or by opening eligibility to incomes as high as 200 percent of the federal poverty level. To do this, the researchers built a model to simulate baseline eligibility and examined the effect of eliminating the resource standards and increasing the income threshold.

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### Key Findings

- Slightly more than 79 percent of elderly Medicare beneficiaries are not currently eligible for Medicaid, Medicare savings programs, or Part D subsidy programs.

**“There is a trade-off between making larger numbers of beneficiaries eligible by eliminating resource requirements and better targeting individuals with greater health care needs by expanding income standards.”**

- Aligning the MSP rules with those for the Part D low-income subsidy has very little impact on overall eligibility. However, eliminating inconsistencies between the two programs could make it easier for beneficiaries to enroll, because a single eligibility decision could be made at once for both programs.
- Completely eliminating the resource standard would expand eligibility to 31 percent of elderly beneficiaries. However, such an expansion could grant eligibility to those with very modest incomes but with substantial resources, possibly diminishing the goal of reaching beneficiaries who are most in need.
- Moving eligibility standards up to 200 percent of the federal poverty level would increase the share of elderly beneficiaries eligible for some type of financial assistance to 27 percent. Such an expansion would be more likely to grant access to people with greater health care needs than relaxing resource requirements.
- Expanding the income threshold, compared with removing the resource requirements, would bring in elderly beneficiaries who are more likely to be in fair or poor health, to have diabetes or lung disease, or to be a member of a racial or ethnic minority group.

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### **Addressing the Problem**

The broad goal of the policy options discussed in this paper is to make more people who need assistance eligible for it and to improve program participation. However, such an expansion would also impose costs on state and federal governments. Eliminating resource requirements would make about 70 percent more beneficiaries eligible but would more than double program costs, the authors estimate. In contrast, by increasing income eligibility to 200 percent of the federal poverty level, eligibility would expand by about 50 percent, but increase costs by less than 40 percent.

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### **About the Study**

Using data from the 2006 wave of the Health and Retirement Study (HRS), the authors constructed an eligibility model to simulate baseline eligibility and examine the effect of eliminating the resource requirements and increasing the income threshold. The 2006 HRS had a sample size of 18,469 and was a nationally representative sample of the noninstitutionalized population age 53 and older.

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### **The Bottom Line**

There is a trade-off between making more Medicare beneficiaries eligible for savings programs by eliminating resource requirements and targeting fewer individuals with greater health care needs by expanding income standards.

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### **Citation**

S. Zuckerman, B. Shang, and T. Waidmann, “Medicare Savings Programs: Analyzing Options for Expanding Eligibility,” *Inquiry*, Winter 2009–2010 46(4):391–404.