PAN Foundation

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MEDICARE'S LOW-INCOME SUBSIDY PROGRAM

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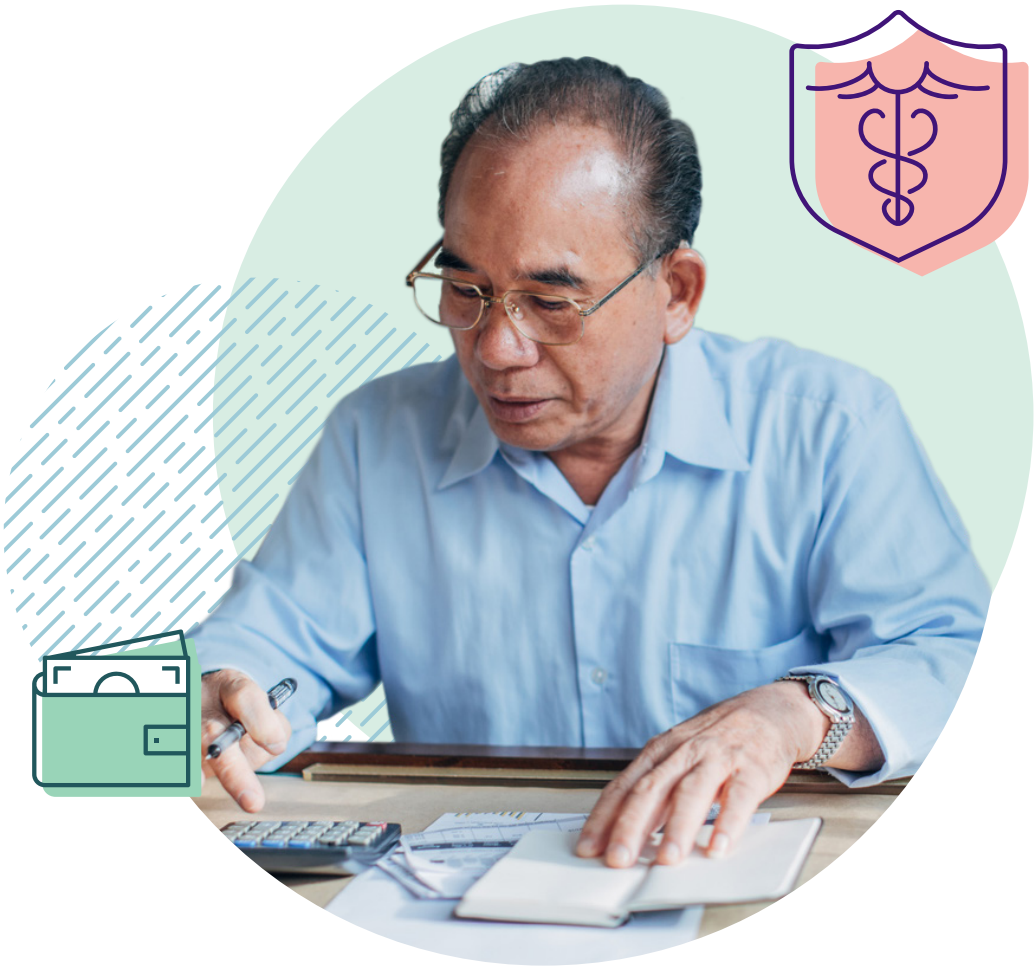

Access to medically necessary healthcare is critical for successful patient outcomes, yet access is often impeded or blocked entirely by high deductibles, co-pays and coinsurance. These out-of-pocket (OOP) costs hit low-income seniors especially hard. For economically vulnerable Medicare beneficiaries and people with disabilities, the Low-Income Subsidy (LIS) program is a critical safety net that helps cover OOP costs for prescription drugs. This Issue Brief describes the LIS program, how it helps low-income seniors and people with disabilities, and what more can be done to ensure that OOP drug costs do not prevent these beneficiaries from getting the treatment they need.

> The Patient Access Network Foundation believes that out-of-pocket costs should not prevent individuals with life-threatening, chronic and rare diseases from obtaining their prescribed medications.

What is the LIS program and who is eligible?

All Medicare beneficiaries are eligible for prescription drug coverage through Medicare Part D drug plans. Medicare beneficiaries with low incomes and very few assets (e.g. bank accounts, stocks, bonds, etc.) as well as some people with disabilities may qualify for the LIS program, which helps cover OOP prescription drug costs. Also called "Extra Help," the LIS program shields economically vulnerable and disabled beneficiaries from high OOP drug costs by helping them pay for monthly premiums, annual deductibles and co-payments for prescription medications obtained through Medicare prescription drug programs.[1]

The LIS program is divided into two parts: the "Full LIS program" and the "Partial LIS program," and they differ based on who is eligible, how people enroll, and how much support the program provides for OOP drug costs.

THE FULL LIS PROGRAM

Who is eligible?

- People who are eligible for both Medicare and Medicaid.
- In 2020, Medicare beneficiaries whose incomes are <135 percent of the federal poverty level (FPL; no more than $17,226 for an individual or $23,274 for a couple), and who have very few assets (no more than $7,860 for an individual or $11,800 for a couple).
- Most beneficiaries do not need to apply for the Full LIS program because they are enrolled automatically through their enrollment in Medicaid, a Medicare Savings Program or Supplemental Security Income.

How does it work?

- Although there is no monthly premium or annual deductible in the Full LIS program, many beneficiaries are still responsible for co-pays of up to $3.60 for generic drugs and $8.95 for brand name drugs.[2] Even these seemingly modest OOP costs can create barriers between economically vulnerable seniors and disabled adults and the medications they need.

THE PARTIAL LIS PROGRAM

Who is eligible?

- In 2020, two groups of Medicare beneficiaries:

    a. Those whose incomes are <135 percent of FPL—$17,226 for an individual or $23,274 for a couple, and
    b. Those whose incomes are between 135 percent and 150 percent of FPL—up to $19,140 for an individual and $25,860 for a couple.
    c. Both groups must also have assets that fall within specific lower and upper limits depending upon income.

How does it work?

- Unlike the Full LIS program, people who are eligible for the Partial LIS program need to be aware of the program and apply for it. Once they navigate the enrollment process, beneficiaries are responsible for an annual deductible of $89. Some must also pay monthly premiums.
- In addition, people in the Partial LIS program must pay 15 percent coinsurance on their prescription medications. Even with support from the Partial LIS program, residual OOP drug costs can place insurmountable barriers between low-income seniors and people with disabilities and the medications they need to manage their health conditions.[2]

Does the LIS program help low-income seniors access prescription medications?

Yes. By shielding low-income seniors from high OOP prescription drug costs, the LIS program is designed to facilitate access to needed treatments. There is extensive evidence showing that the LIS program has been successful in achieving this goal. One study of Medicare beneficiaries showed that the OOP cost to fill the first prescription of a new cancer medication was $3 for LIS beneficiaries and $3,178 for non-LIS patients. Beneficiaries in the LIS program were more likely to start the new treatment, and less likely to have interruptions in treatment.[3]

Numerous other studies show that non-LIS Medicare beneficiaries are less likely to begin costly treatment, have longer delays when they do start treatment, and are more likely to stop their treatment.[4,5,6,7] Importantly, the beneficial impact of the LIS program on access to prescription medications is not limited to expensive medications or to patients with cancer or rare diseases. These benefits are also evident for LIS beneficiaries who need less expensive drugs for common conditions like diabetes.[8] However, because the LIS eligibility criteria for assets and income are so low, only a small portion of economically vulnerable Medicare beneficiaries qualify for this program. This leaves large numbers of people with no protection from high OOP drug costs, and no means to access their treatments.

How many people does the LIS program help?

In 2018, more than 12 million Medicare beneficiaries received assistance through the LIS program— about 28 percent of all beneficiaries who were enrolled in Medicare prescription drug programs that year.[9] However, because current eligibility criteria for the LIS program require older adults to have extremely low incomes—less than 150 percent of FPL for the partial LIS program, and less than 135 percent of FPL for the full LIS program—millions of Medicare beneficiaries who live on the fringe of poverty are unable to afford their prescription medications because their assets— although very modest—render them ineligible for the program. To understand how many economically vulnerable Medicare beneficiaries could benefit from the LIS program, it is helpful to understand how many older adults live close to the poverty line.

How many older adults live on the edge of poverty?

In 2017, there were 15.4 million people aged 65 and older with incomes below 200 percent of FPL (less than $23,512 for an individual). Of these, 10.7 million—21 percent of all adults over the age of 65—lived between 100 percent and 199 percent of FPL.[14]

Because eligibility for the LIS program is restricted to Medicare beneficiaries with household incomes below 150 percent of FPL, millions of economically vulnerable beneficiaries who need prescription treatments are ineligible for the program because their modest assets are above the LIS threshold. These beneficiaries are especially vulnerable to high OOP costs for prescription medications because they do not have sufficient savings to cover these costs. In 2016, 25 percent of Medicare beneficiaries had less than $14,550 in savings, and 8 percent had no savings or were in debt.[10] These beneficiaries are unable to shoulder the cost of medical or other emergencies, including covering high OOP medication expenses.

What is "poverty" and why does it matter for presecription medications?

OOP Medical Costs as a Driver of Poverty in Older Adults

The U.S. Census Bureau reports two different measures of poverty: The official poverty measure and the Supplemental Poverty Measure (SPM).

The official poverty measure is a set of income thresholds that vary by family size to determine who is in poverty. The Census Bureau's official poverty measure is used by the U.S. Department of Health and Human Services as a basis for calculating the FPL guidelines that are used in many federal programs, including Medicare's LIS program.[11,12]

A key distinction between the official poverty measure and the SPM is that the SPM takes financial liabilities into account, including OOP spending for prescription medications and other OOP medical costs.[13] When the two measures are compared, the number of adults 65 and older who live under 200 percent of the poverty line is 40 percent larger using the SPM definition (21.4 million) than its official one (15.4 million), and the share of older adults living in poverty under the SPM is higher than the official measure in all 50 states. Researchers attribute this striking difference to the fact that SPM accounts for OOP medical expenses and the official measure does not, highlighting the important role that OOP medical costs have in driving poverty in older adults.[14]

The Importance of How Poverty Is Calculated

The FPL is adjusted each year to reflect changes in inflation, and these changes are important because eligibility for many federal programs—including the LIS—are based on FPL. Recently, changes to how inflation is adjusted each year when the FPL is calculated have been proposed.[15] These changes would lower the poverty line, causing more than 250,000 Medicare beneficiaries to lose eligibility for the LIS program.[12]

Policy solutions are needed

The LIS program needs to be improved and simplified to enable more economically vulnerable older adults to access needed medical treatments. This can be accomplished by:

Extending full LIS benefits to eligible Medicare beneficiaries whose incomes are <200 percent FPL;

Eliminating the partial LIS program, and

Eliminating the asset test as a program eligibility criterion.

PAN Foundation

The PAN Foundation is an independent, national 501 (c)(3) organization dedicated to helping federally and commercially insured people living with life-threatening, chronic and rare diseases with the OOP costs for their prescribed medications. PAN provides the underinsured population access to the healthcare treatments they need to best manage their conditions and focus on improving their quality of life.
For more information about this Issue Brief, contact Amy Niles, Executive Vice President of External Relations, at aniles@panfoundation.org.

Supporting Literature

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