

# Forgotten Americans: The Future of Support for Low-Income Older Adults

---

**Tricia Neuman, Sc.D.**

**Director, Medicare Policy Project**

**Vice President, Kaiser Family Foundation**

**Conference jointly sponsored by the National Senior Citizens Law Center and Center for Medicare Advocacy**

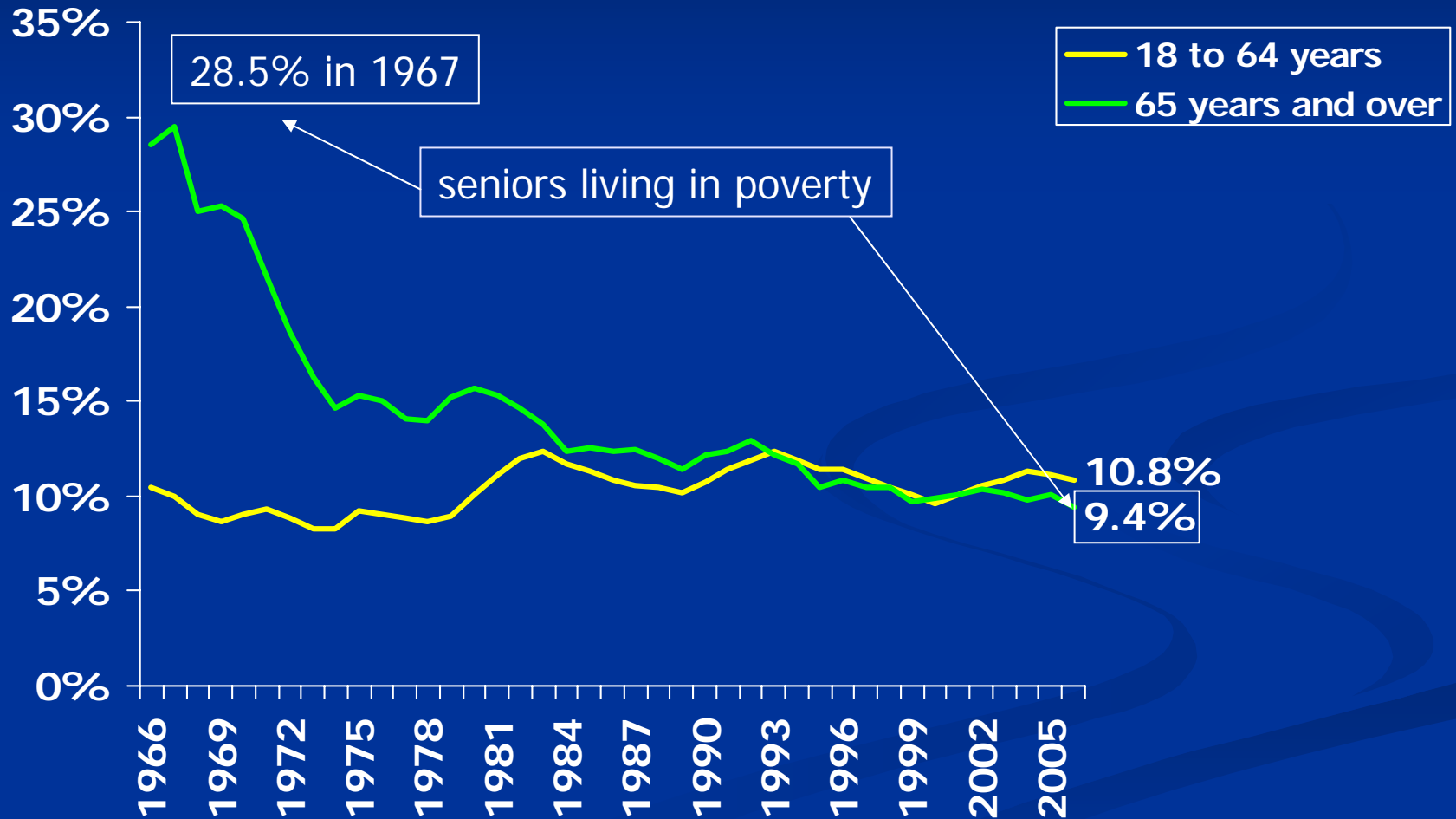
**October 19, 2007**

# Overview

---

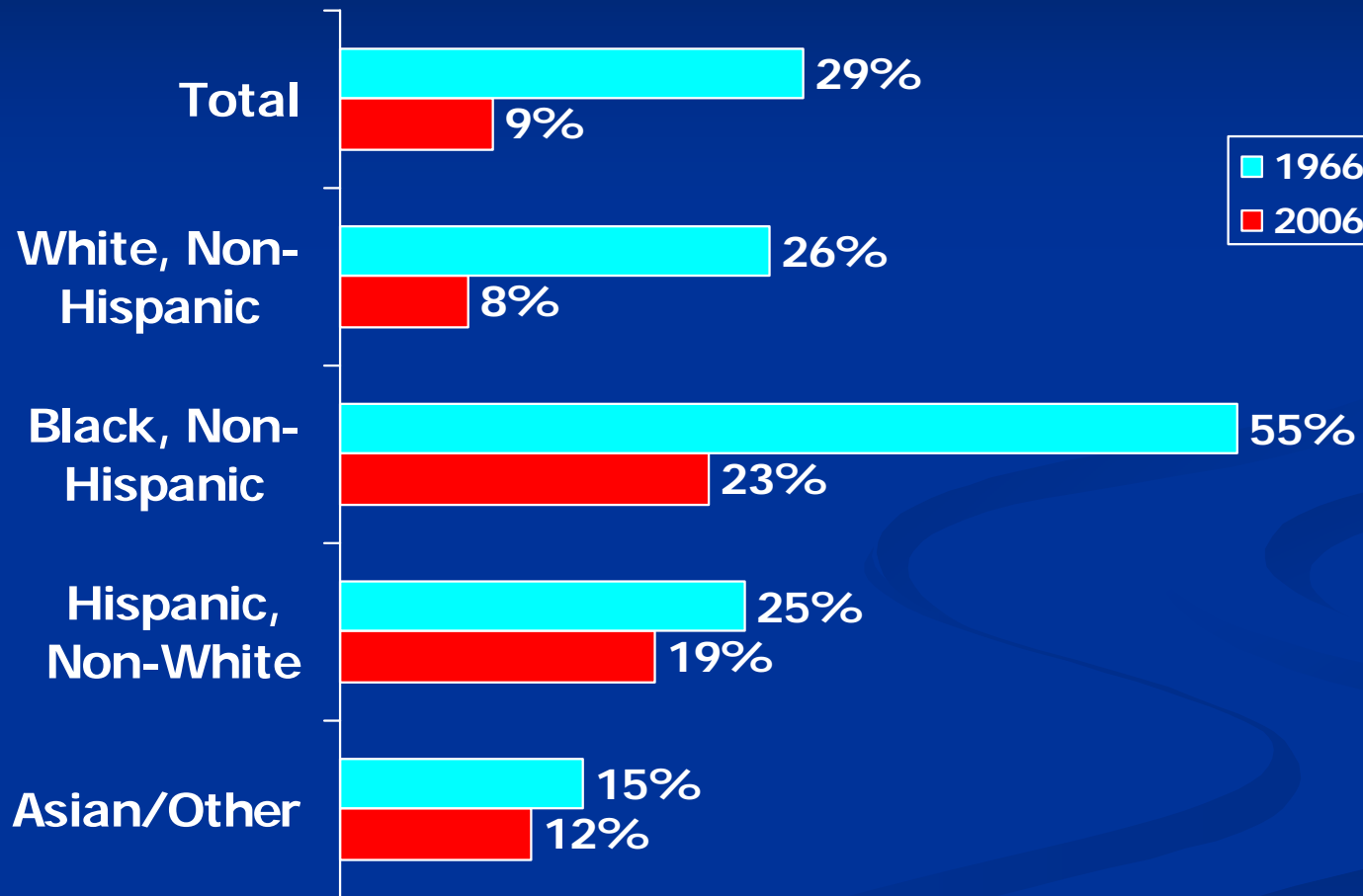
- **Social Security, SSI, Medicare and Medicaid have played a critical role in lifting and keeping older adults out of poverty**
- **Good “news”:** Poverty rates among the elderly declined sharply between the late 1960s and early 1970s
- **Bad news:** Poverty rates have remained persistently high for certain subgroups of older Americans
- **With health costs rising faster than income, the financial burden on low-income older adults is likely to increase in the future**

# Poverty rates among seniors have declined



SOURCE: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements. "Income, Poverty, and Health Insurance Coverage in the United States: 2006" August 2007.

# Poverty rates have declined for elderly people across racial and ethnic groups

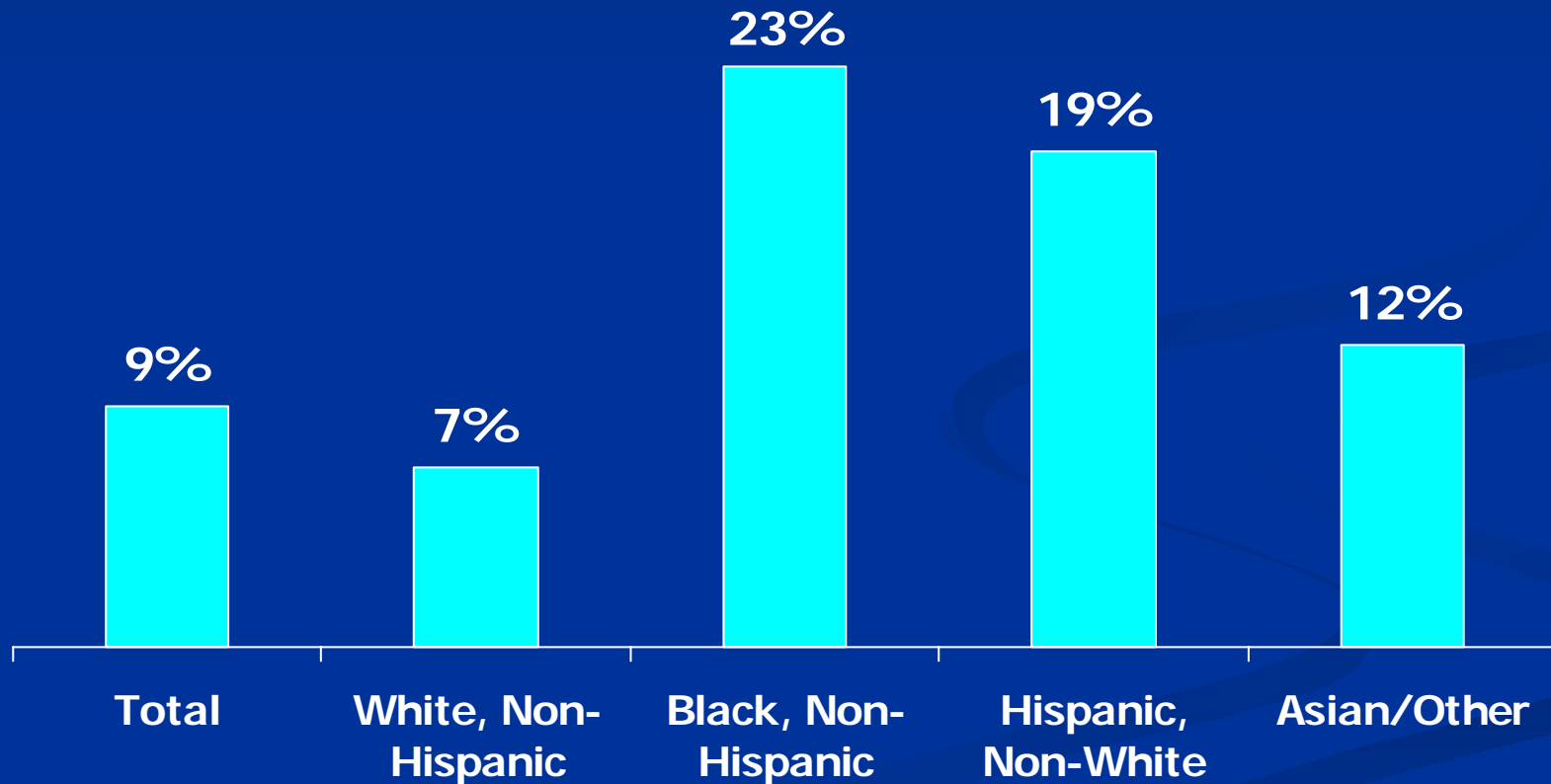


NOTE: Data not collected for Hispanic and Asian/Other race groups prior to 1973 and 1987 respectively.

SOURCE: U.S. Bureau of the Census, Current Population Survey, Annual Social and Economic Supplements. "Income, Poverty, and Health Insurance Coverage in the United States: 2006" August 2007.

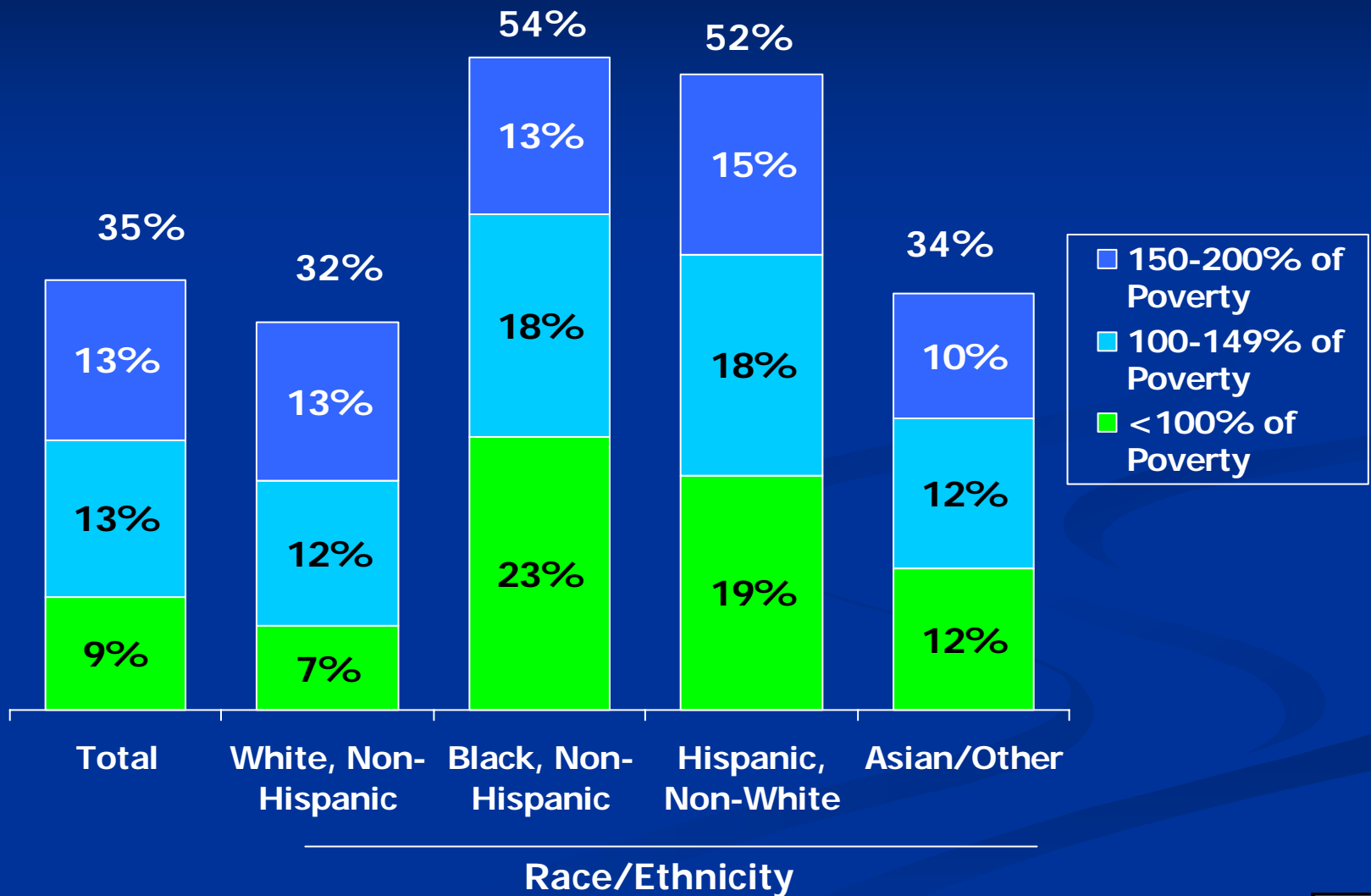
# Nearly one in four African American, and nearly one in five Hispanic seniors live in poverty

---



Note: In 2006, the federal poverty thresholds were \$9,800 for an individual and \$13,200 for a couple.  
SOURCE: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.

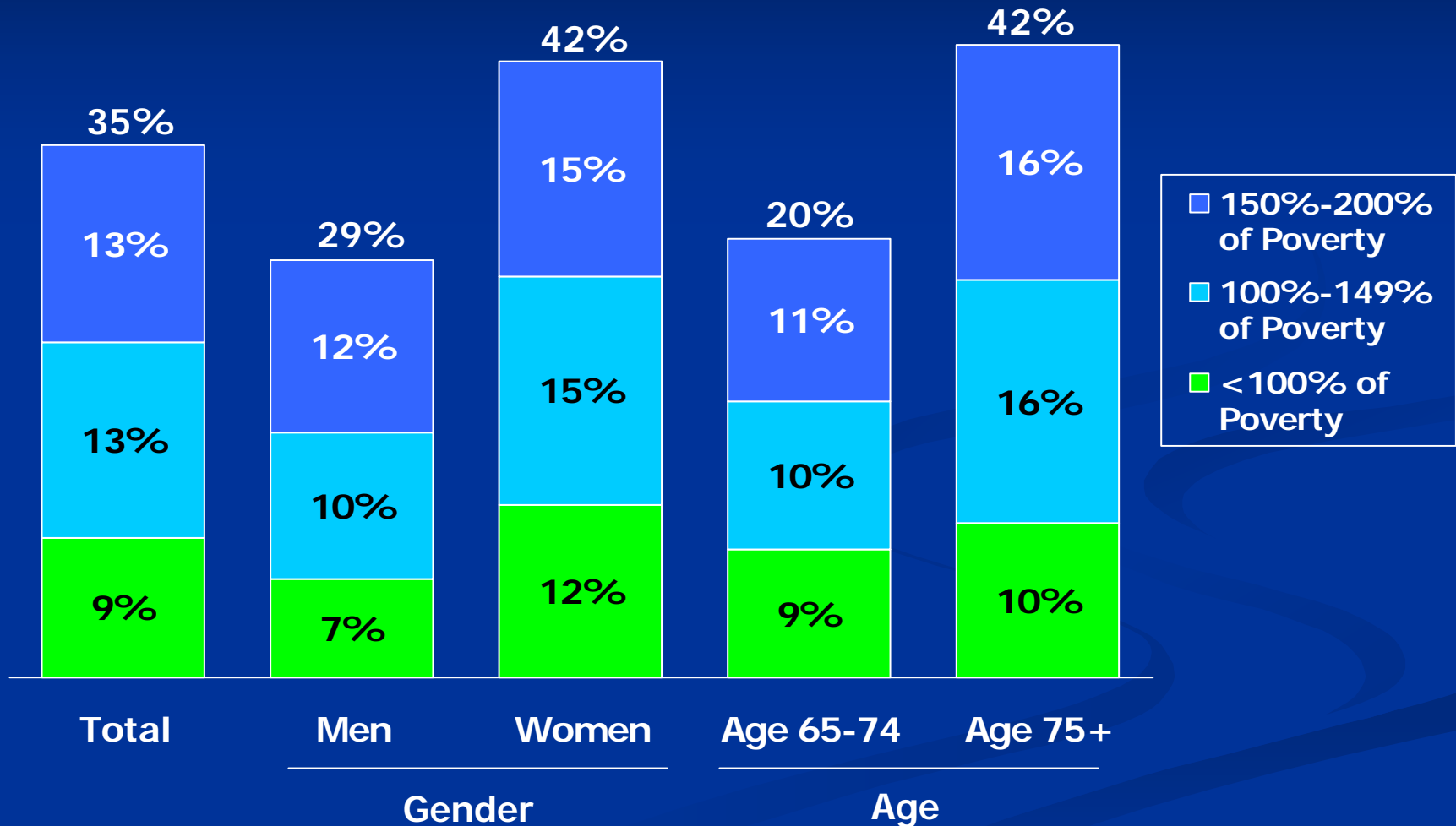
# More than half of African American and Hispanic seniors have incomes below 200% poverty



Note: In 2006, the federal poverty thresholds were \$9,800 for an individual and \$13,200 for a couple.  
 SOURCE: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.

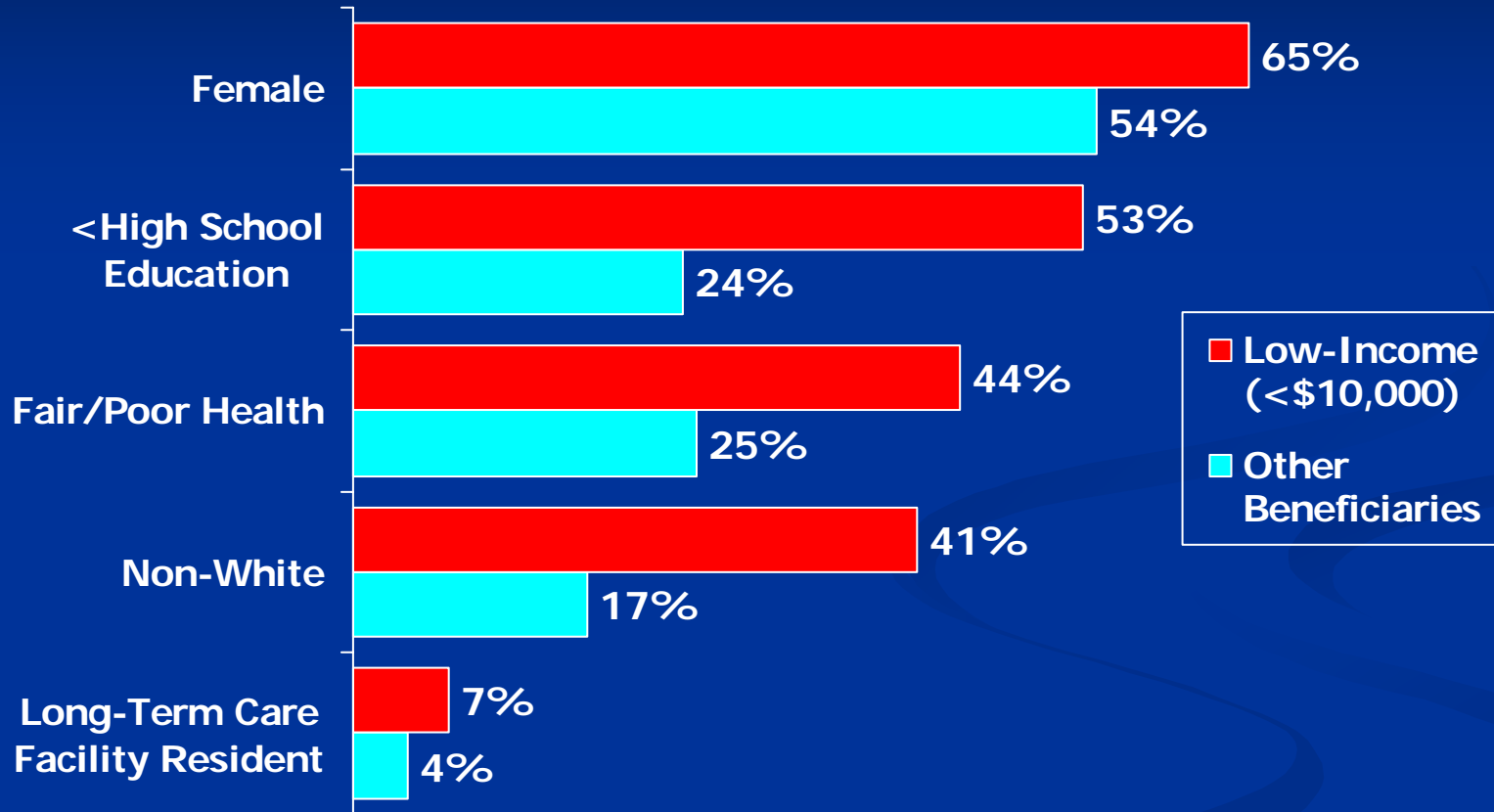
# More than four in ten seniors who are women or age 75+ have incomes below 200% of poverty

Percent with Incomes Below 200% of Poverty:



Note: In 2006, the federal poverty thresholds were \$9,800 for an individual and \$13,200 for a couple.  
 SOURCE: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.

# Selected Characteristics of Low-Income Medicare Beneficiaries vs. Others, 2005



NOTES: Low-income is defined as having annual family income of \$10,000 or less, including income of individual and spouse (if applicable) only. In 2005, 7.1 million Medicare beneficiaries had incomes less than \$10,000

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2005 Cost and Use File.



# Role of Medicare and Medicaid

---

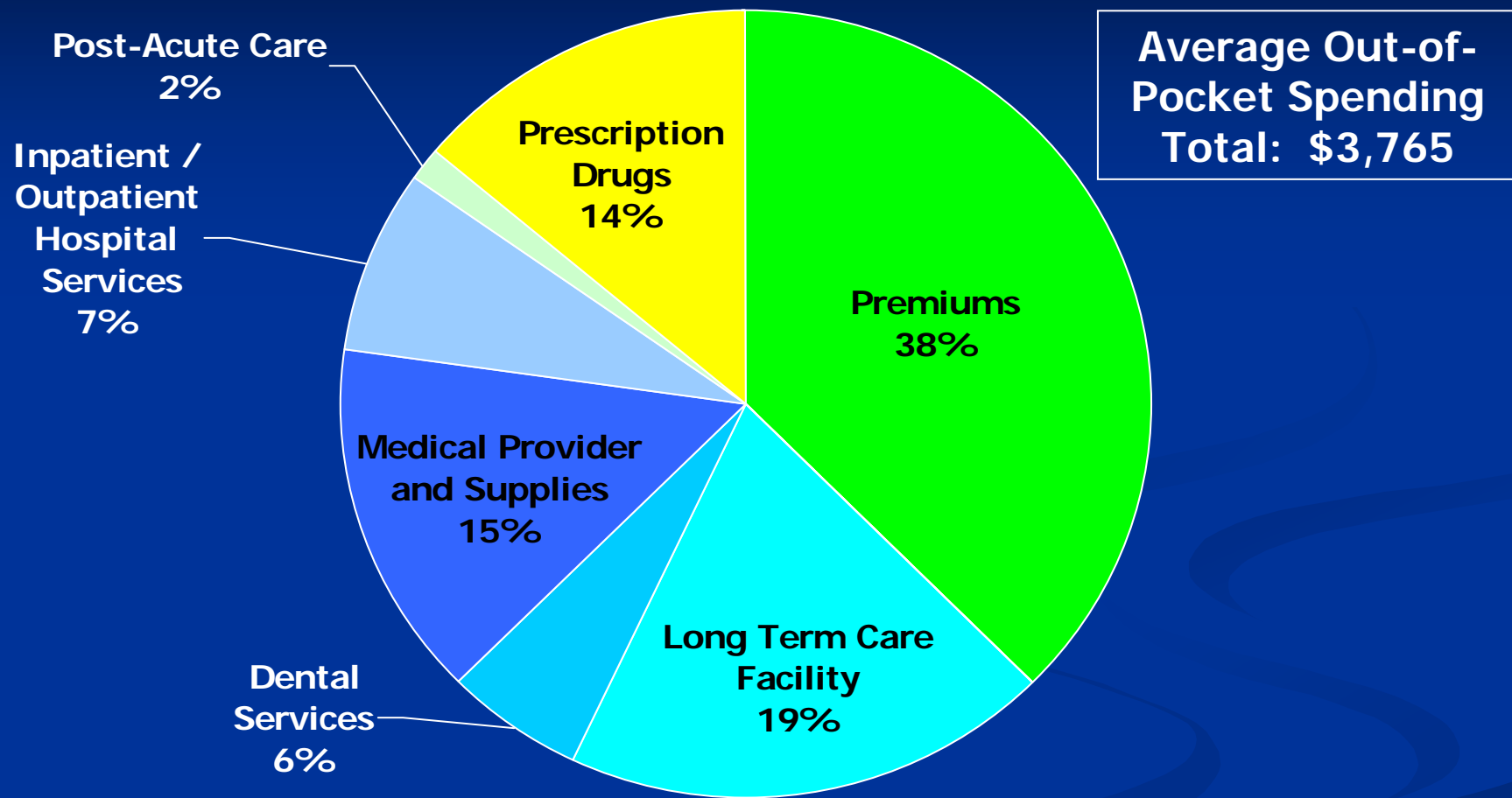
- Medicare provides coverage of basic benefits, including prescription drugs, but has high cost-sharing and benefit gaps
- Part D has helped to fill a major gap, particularly with the low-income subsidy; still >3 million eligibles are not getting needed help
- Medicaid helps to make Medicare work for those with very low income and assets (full Medicaid, QMB, SLMB, QI) – but asset tests have not been indexed so many are not eligible
- Many low-income beneficiaries remain exposed to relatively high out-of-pocket costs because they are:
  - Unaware of benefits to which they are entitled
  - Frustrated by application process
  - Ineligible due to asset test

## Medicare premiums, cost-sharing and benefit gaps contribute to financial burden of medical care, 2008

---

- ❖ Part B premiums (annual) \$1,157/individual; \$2,313 couple
- ❖ Part A deductible: \$1,024
- ❖ Part B deductible: \$135
- ❖ SNF Copay: \$128/day for first 20 days
- ❖ No stop loss (unlike typical large employer plan)
- ❖ Part D premiums, coinsurance, coverage gap (\$3,216 in 2008)
- ❖ Premiums for supplemental coverage (retiree, Medigap)
- ❖ Dental, vision, equipment and repairs
- ❖ Long-term care

# Distribution of Out-of-Pocket Health Care Spending by Medicare Beneficiaries, 2003



**Total = \$159 Billion in Out-of-Pocket Expenses, 2003**

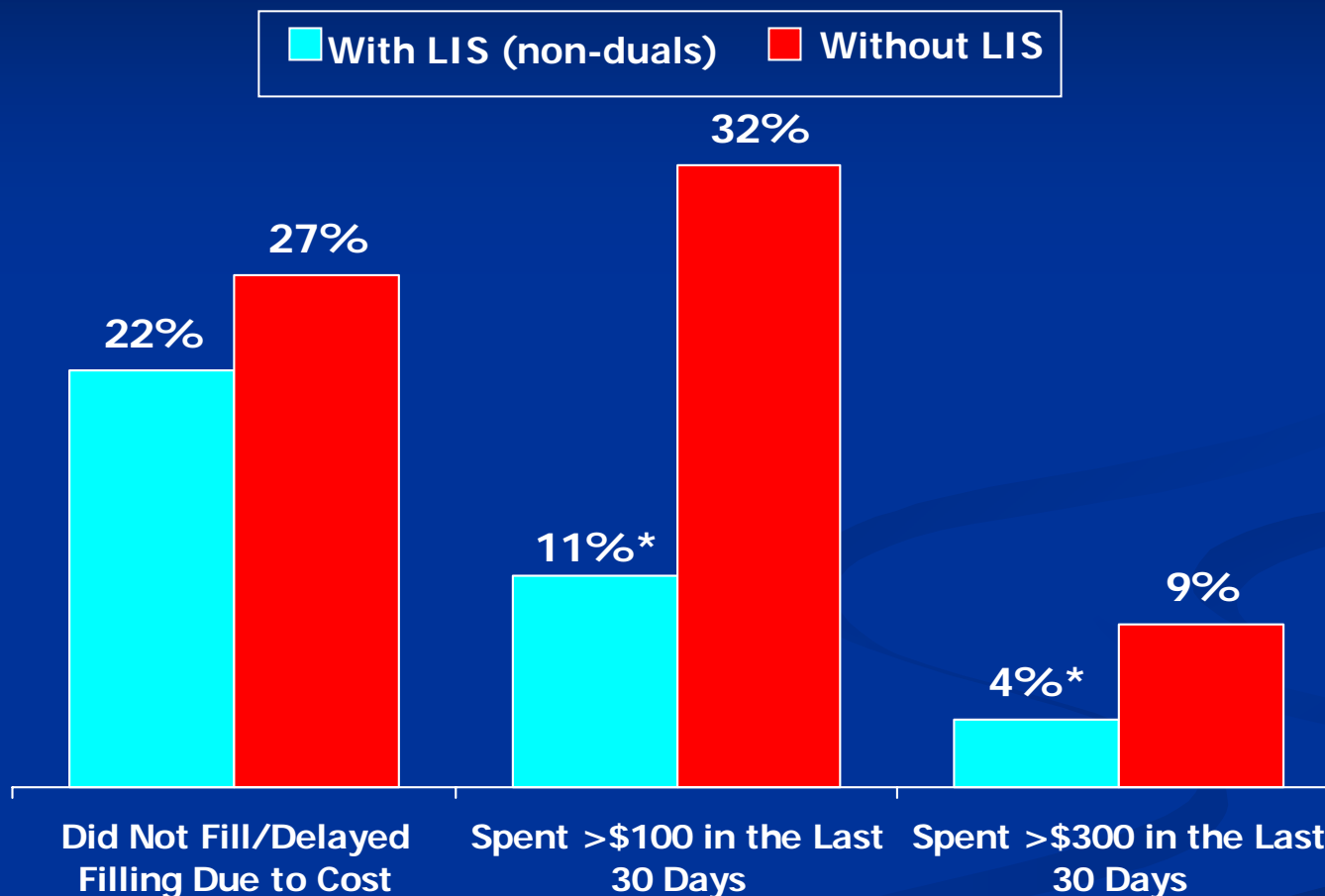
Note: Includes institutionalized beneficiaries, including long-term care. Total includes premiums for Medicare Parts A and B and private health insurance.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2003 Cost and Use file.

# Part D Low-Income Subsidies Make a Difference

## Subsidies substantially reduce out-of-pocket Rx spending

(Among Low-Income Seniors Taking 1 or More Rx)



NOTES: LIS is the Part D low-income subsidy. Sample excludes institutionalized seniors. "Did not fill/delayed filling" refers to not filling or delayed filling or refilling a prescription because of cost in the past twelve months. Weighted percentages. Excludes seniors for whom LIS status is unknown (n=686). Significance testing: with LIS versus without LIS (\*p < 0.05). Low-income is defined as at or below 150% of poverty. In 2006, federal poverty level: \$9,800/individual and \$13,200/couple. Numbers are rounded. SOURCE: Kaiser/Commonwealth/Tufts-New England Medical Center National Survey of Seniors and Prescription Drugs, 2006.

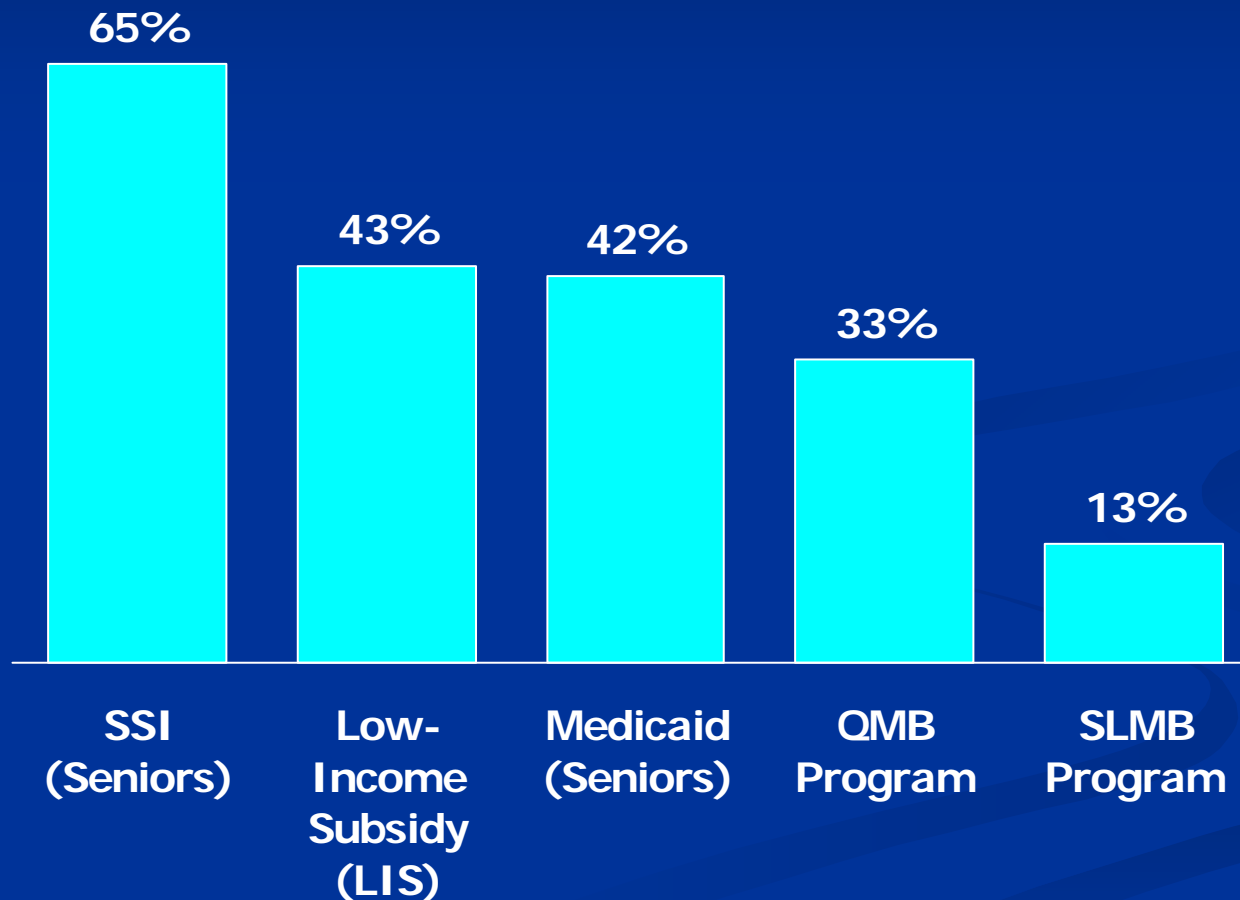
# Eligibility Pathways & Benefits for Medicaid Assistance

Pathway	Income Eligibility	Asset Limit Individual/ Couple	Covered Costs and Services
SSI **	< 74% of poverty (SSI income eligibility)	\$2,000 \$3,000	Medicaid benefits, Medicare premiums and cost-sharing
Qualified Medicare Beneficiary (QMB)	< 100% of poverty	\$4,000 \$6,000	Medicare premiums and cost-sharing
Specified Low-Income Beneficiary (SLMB)	100-120% of poverty	\$4,000 \$6,000	Medicare premiums
Qualifying Individual (QI)	120-135% of poverty	\$4,000 \$6,000	Medicare premiums

Note: \*\* States that elect the so-called "(209b)" option can set lower levels. QI is not an entitlement program; funding for the program is capped and beneficiaries are eligible to participate on a first-come, first-served basis. In 2006, federal poverty level: \$9,800/individual and \$13,200/couple.

# BUT, programs for low-income beneficiaries have relatively low participation rates

## Participation Rates:



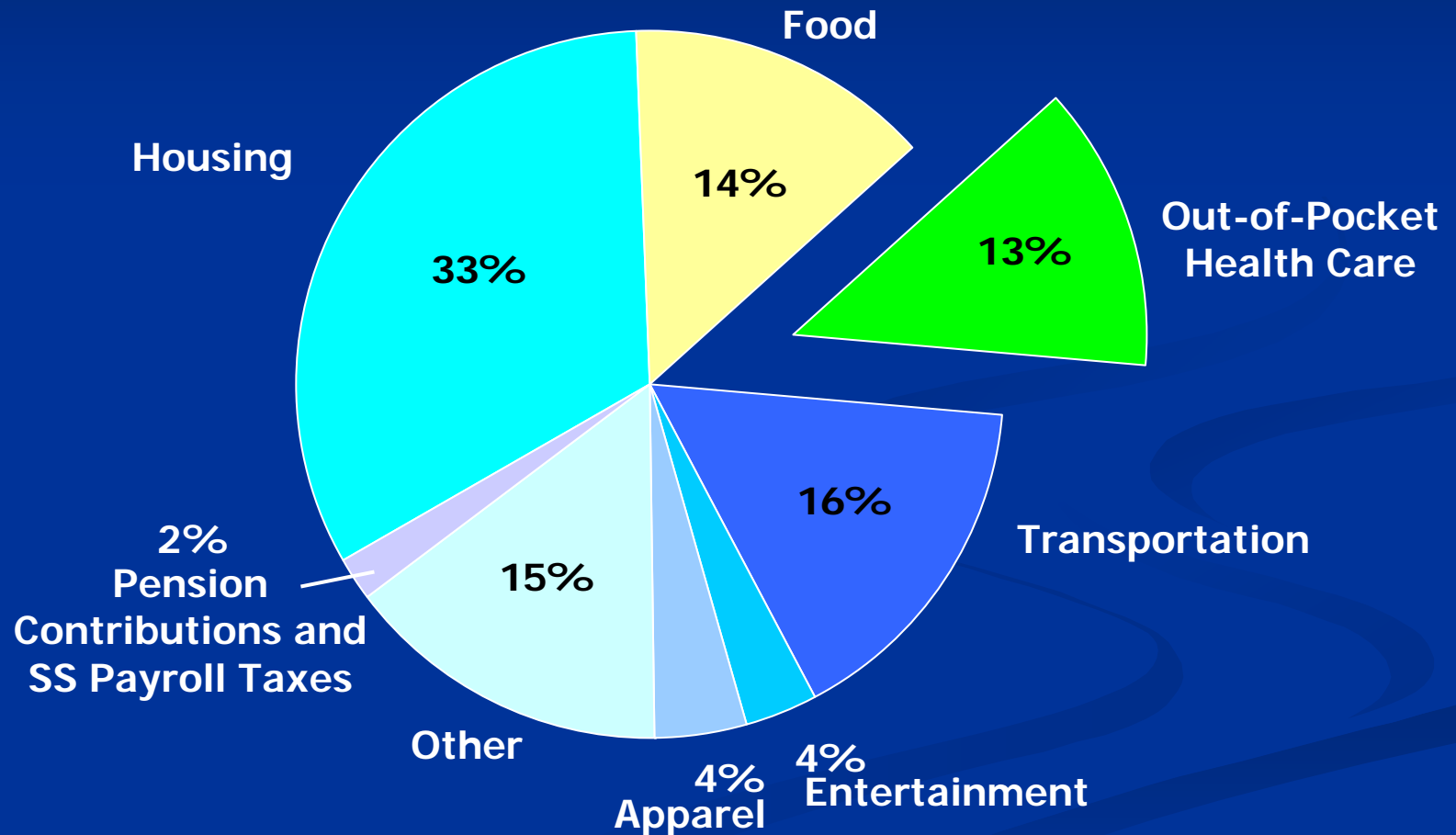
SOURCE: Medicaid and SSI rates from GAO, March 2005; QMB and SLMB rates from CBO, July 2004. LIS rates calculated from KFF Low-Income Subsidy Fact Sheet, July 2007 (excludes dual eligibles who are automatically enrolled and individuals in employer plans).

# Median out-of-pocket health care spending as a percent of income is higher for seniors than for the non-elderly



SOURCE: Kaiser Family Foundation. "The Burden of Out-of-Pocket Health Spending Among Older Versus Younger Adults: Analysis from the Consumer Expenditure Survey, 1998-2003," August 2007.

# For seniors, out-of-pocket spending on health care consumes 13 percent of household expenses, on average

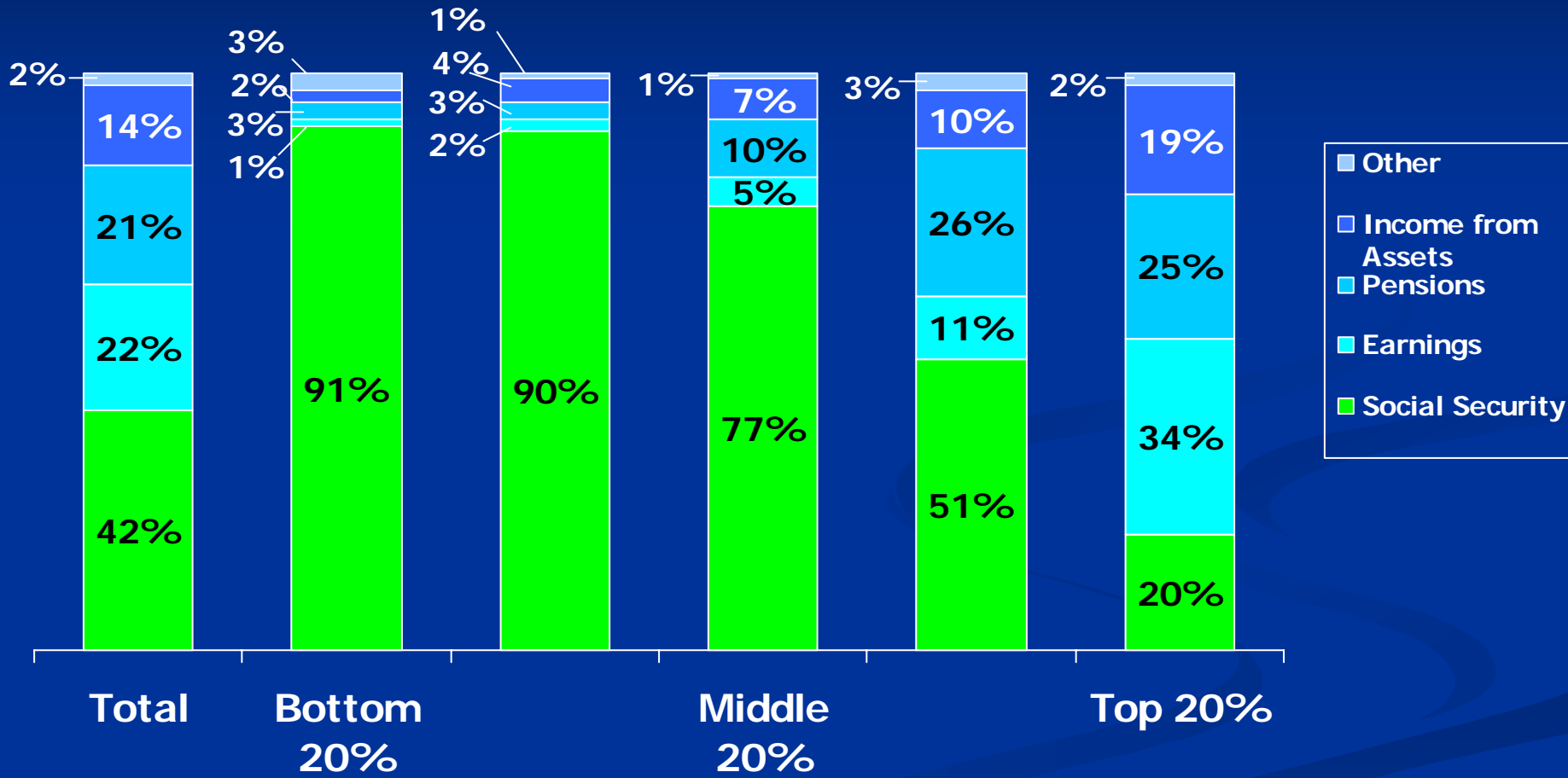


NOTE: Other includes alcohol, personal care, reading, education, tobacco, and cash contributions to persons.

SOURCE: Social Security Administration. *Expenditures of the Aged Chartbook*. May 2007.



# Social Security is the primary source of income for low and middle-income older Americans



Elderly Population in Quintiles

SOURCE: Kaiser Family Foundation analysis of the 2004 Current Population Survey.

# Key Issues Looking to the Future

---

- Low-income seniors are exposed to high and rising out-of-pocket costs – even with the new drug benefit
- Health care costs are increasing at a faster rate than income, compounding the burden on family budgets
- The House-passed CHAMP Act would improve benefits for low-income Medicare beneficiaries – but its future is uncertain
- For many with modest incomes, the erosion of supplemental coverage and rising premiums are a concern
- No serious discussion underway to address the high cost of long-term care
- Low-income older Americans rely heavily on public programs, and are particularly vulnerable to changes that could threaten their retirement security