

Medicare Savings Program Expansion – FY23 H.2 Budget Proposal

January 2022

The Baker-Polito Administration’s FY23 budget proposes to further expand eligibility for the Medicare Savings Program and bring more than \$200 million in federal subsidies directly to ~35,000 low-income older adults (age 65 and over) to significantly reduce their health care costs

The Medicare Savings Program (MSP) helps low-income older adults pay for their health care costs

- Under the MSP, MassHealth and the federal government share the cost of assisting older adults with premiums and out-of-pocket costs in Medicare Parts A and B, which cover hospital and medical services
- MSP participants automatically qualify for federal subsidies for Medicare Part D drug coverage, which eliminate premiums, deductibles, and most cost-sharing (including elimination of the “donut hole”) for low-income older adults
- On January 1, 2020, the Baker-Polito Administration expanded eligibility for the MSP program from 135% of the federal poverty level (FPL) to 165% FPL and doubled the asset limit

The Baker-Polito Administration is proposing to further expand income eligibility for the MSP program from 165% FPL to 200% FPL effective January 1, 2023

The proposed expansion would significantly reduce health care costs for ~35,000 older adults, providing thousands of dollars in out-of-pocket savings annually per individual on average to promote economic security and protect the most vulnerable older adults from Medicare premium increases (Medicare premiums are increasing 14% in CY2022)

- ~35,000 older adults will be newly eligible for Medicare Part D federal subsidies, significantly reducing annual out-of-pocket prescription drug costs, in addition to receiving MassHealth support for the Medicare premiums and/or cost sharing
 - An additional ~15,000 older adults currently with MSP will receive increased support for their Medicare premiums and/or cost sharing
- For example, a 79-year-old with \$22,000 in social security income per year could see a drop in annual out-of-pocket health care costs from approximately \$4,300 to \$450, or from 20% to 2% of total income

The proposal generates over \$200 million in federal subsidies that will flow directly to reduce prescription drug costs for low-income older adults, with a new state investment of \$41 million net annually (\$21 million in FY23)

- By expanding eligibility for the MSP program, Massachusetts will enable more low-income older adults to automatically qualify for approximately \$200 million in federal Medicare Part D subsidies

The increased state investment in MSP will continue to be partially offset by savings to the Executive Office of Elder Affairs Prescription Advantage Program and Health Safety Net (HSN), up to the amount of savings realized in these programs