

Reducing Health Care Costs for Low Income Seniors FY20 H.1Proposal

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The Baker-Polito Administration's FY20 budget proposes to expand eligibility for the Medicare Savings Program by bringing more than \$100M in federal subsidies directly to ~40,000 low income seniors to significantly reduce their health care costs.

- Currently, 1 in 3 low-income seniors in MA spend >20% of income on health care

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

- Under the MSP, MassHealth and the federal government share the cost of assisting elders 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 seniors

MassHealth is expanding income eligibility for the MSP program from 135% FPL to 165% FPL and doubling the asset limit for MSP

The proposed expansion would significantly reduce Medicare costs for ~40,000 elders, providing thousands of dollars in out-of-pocket savings on average per year to promote elder economic security

- ~40,000 elders will benefit from the expansion
 - ~25,000 elders will be newly eligible for Medicare Part D federal subsidies, drastically reducing annual out-of-pocket prescription drug costs, in addition to receiving MassHealth support for the Medicare premiums and/or cost sharing
 - ~15,000 elders currently with MSP will receive additional support for their Medicare premiums and/or cost sharing
- For example, a 79 year old with \$17,000 in social security income per year could see a drop in annual out-of-pocket health care costs from approximately \$6,000 to \$600, or from 36% to 3% of their income

The proposal generates over \$100 million in federal subsidies that will flow directly to low income seniors, with a new state investment of \$7M net annually (\$4M in FY20)


- The \$100M in federal subsidies directly to seniors comes from increasing the number of individuals eligible for federal Medicare Part D subsidies

The proposed expansion aligns Massachusetts policy with recommendations from the Governor's Council on Optimal Aging and with policies in other states

MSP revision leverages federal funding to reduce costs for low-income elders – sample member impact based on member at 140% FPL

Example: 79 year old individual, ~\$17,000 SSA income per year

	Member spending without revision*	Member spending with revision*
Part A & B cost sharing	\$455	\$455
Part B premium	\$1,608	\$0 (MassHealth pays premium through MSP with 50% federal match funds)
Part D premium	\$567	\$0 (Part D subsidy provides no cost plans)
Part D cost sharing and donut hole	\$3,549	\$116 (Part D Subsidy-level copays)
Total Member Spending	\$6,179	\$571



\$5,558 difference in member spending
(36% vs. 3% of income)

*If a member is not participating in the Prescription Advantage Program or utilizing the Health Safety Net