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Medicaid's Role for Medicare Beneficiaries

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Key Takeaways

This brief describes the role that Medicaid plays for 10 million Medicare beneficiaries to help inform upcoming debates about proposals to restructure Medicaid financing in ways that could reduce federal funding.

What is Medicaid's Role for Medicare Beneficiaries?

- Medicaid covers needed services that Medicare does not, such as long-term care in nursing homes and the community. Medicaid also helps make Medicare affordable by covering Medicare premiums and/or cost-sharing, which can be high for people with low incomes.

Who are the Medicare Beneficiaries Who Receive Medicaid?

- Nearly three in four Medicare beneficiaries who receive Medicaid have three or more chronic conditions, such as diabetes or heart disease, which can require regular doctor appointments, medication, and/or medical tests.
- Over 60% of Medicare beneficiaries who receive Medicaid need help with daily self-care activities, such as eating, bathing, or dressing, which are important for independent living.
- Nearly six in 10 Medicare beneficiaries who receive Medicaid have a cognitive or mental impairment, such as dementia, which can create the need for supports to live safely at home.

How Much Does Medicaid Spend on Medicare Beneficiaries?

- Medicare beneficiaries account for 15% of Medicaid enrollment but 36% of Medicaid spending, as a result of their more intensive health needs and service use compared to other Medicaid beneficiaries.
- Nearly three-quarters of states devote more than 30% of their total Medicaid spending to Medicare beneficiaries, and spending for Medicare beneficiaries comprises more than 45% of Medicaid budgets in six states.

Medicaid is an important source of coverage for many Medicare beneficiaries. As of 2011, there are 10 million seniors and younger people with disabilities who receive Medicaid in addition to Medicare. They include frail seniors, people with chronic conditions such as diabetes and heart disease, and those with a variety of disabilities, such as dementia, multiple sclerosis, and mental illness.

President Trump and other GOP leaders have called for fundamental changes in Medicaid financing that could limit federal funding through a block grant or per capita cap, which may affect Medicare beneficiaries who receive Medicaid. In exchange for limits on federal funding, states could be offered increased flexibility beyond what is available under current law but may look to cuts to Medicaid eligibility, benefits, and provider reimbursement as a result of federal funding reductions. Medicare beneficiaries who receive Medicaid could be

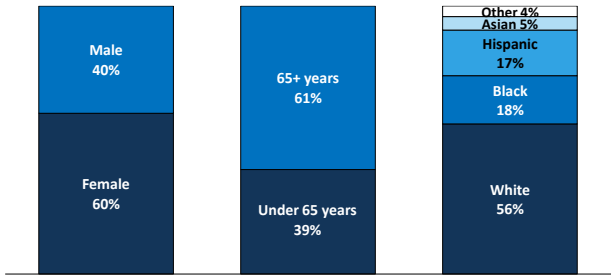
affected by potential cuts, as many of them have higher Medicaid spending relative to other populations due to their more intensive needs. This issue brief describes the role that Medicaid plays for Medicare beneficiaries. Medicaid enrollment and spending for Medicare beneficiaries by state is detailed in the Appendix.

Who are the Medicare Beneficiaries Who Receive Medicaid?

Most Medicare beneficiaries who receive Medicaid are female (60%), over age 65 (61%), and white (56%) (Figure 1). Medicare beneficiaries who receive Medicaid have low incomes and few assets and are typically poorer than other Medicare beneficiaries. Medicare beneficiaries who receive Medicaid have a work history, or for those with childhood onset disabilities (before age 22), qualify for Social Security Disability Insurance (SSDI) and Medicare based on the work history of a retired, deceased, or disabled parent. For examples, see Wanda and Don's stories below.

Figure 1

Demographics of Medicare beneficiaries who receive Medicaid



Total Medicare Beneficiaries Who Receive Medicaid, 2012 = 10.1 Million

NOTE: Total includes those eligible for full Medicaid benefits and those eligible only for assistance with Medicare premiums and cost-sharing.
SOURCE: Kaiser Family Foundation analysis of CMS Medicare Current Beneficiary Survey Cost & Use File, 2012.

Wanda, a senior living in Oklahoma

Wanda grew up in the aftermath of the Great Depression and helped run her family's farm. She worked past age 65, but eventually had to retire when she needed hip replacement surgery. After her surgery, she spent two years in a nursing home but was eager to return to living in the community. With the services she receives from Medicaid, such as an in-home aide and home-delivered groceries, she was able to move into an apartment in a senior living community. Medicaid also provides transportation to her medical appointments and a case manager to help arrange for services and make sense of confusing paperwork. Wanda has degenerative joint disease in her lower back and poor circulation in her legs and takes medication for thyroid and blood pressure issues. Before receiving Medicaid, she did not have regular doctor visits because her Medicare coinsurance was too expensive for her to afford based on her limited income. She now has a regular doctor whom she likes very much. She describes herself as "the life of the party" and is grateful for the supports Medicaid provides that enable her to live in what she describes as a real "community" where people look out for each other.

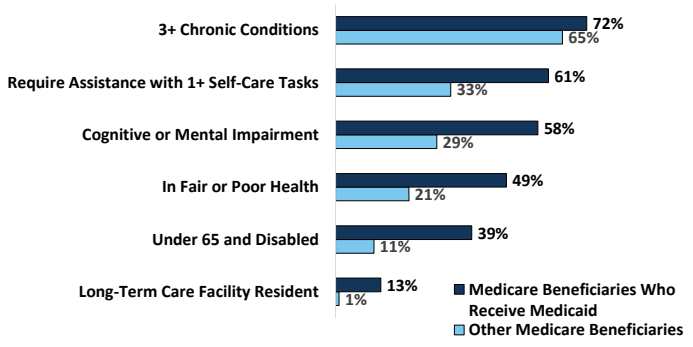
Don, age 41, Michigan

Don was born with developmental disabilities and lived in group homes after his mother became too ill to care for him. He wanted more independence, and with the support of his sister who is his legal guardian, he was able to move into his own apartment. He receives SSDI based on his deceased mother's work history as well as Medicare and Medicaid. Medicaid covers services that Medicare does not, such as dental and in-home caregivers who provide the support he needs to live safely and independently in the community.

Medicare beneficiaries who receive Medicaid tend to have greater medical needs and functional limitations than other Medicare beneficiaries. Nearly three in four Medicare beneficiaries who receive Medicaid have three or more chronic conditions, such as diabetes or heart disease, which can require regular doctor appointments, medication, and/or medical tests. Over 60% of Medicare beneficiaries who receive Medicaid need help with daily self-care activities, such as eating, bathing, or dressing, which are important for independent living. Nearly six in 10 Medicare beneficiaries who receive Medicaid have a cognitive or mental impairment, such as dementia, which can create the need for supports to live safely at home. About half of Medicare beneficiaries who receive Medicaid describe their health as fair or poor, more than double the rate among other Medicare beneficiaries (Figure 2).

Figure 2

Health and functioning of Medicare beneficiaries who receive Medicaid compared to other Medicare beneficiaries



SOURCE: Kaiser Family Foundation analysis of CMS Medicare Current Beneficiary Survey Cost & Use File, 2012.

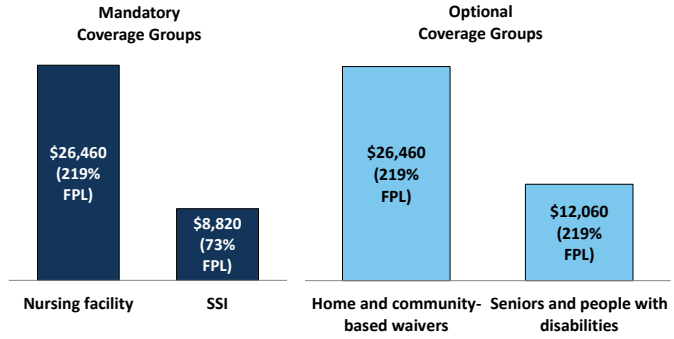
How Do Medicare Beneficiaries Qualify for Medicaid?

To receive Medicaid benefits, including long-term care, Medicare beneficiaries may qualify for Medicaid through various pathways based on their low-income and age and/or disability. Although there is no Medicaid eligibility pathway dedicated to Medicare beneficiaries, there are several pathways through which they typically qualify. For example, all states generally must provide Medicaid to Supplemental Security Income (SSI) beneficiaries, and states can extend Medicaid eligibility for other seniors and people with disabilities up to 100% of the federal poverty level (FPL, $12,060 for an individual in 2017) (Figure 3). In addition, states can expand financial eligibility for people who need long-term care services, in nursing homes and/or in the community, up to three times the SSI benefit rate (equivalent to 219% FPL or $26,460/year for an individual in 2017). These pathways also generally have asset limits set by the state, which typically are at the SSI level of $2,000.

Figure 3

Medicaid eligibility pathways for seniors and adults with disabilities

Maximum income limit as a percent of 2017 annual federal poverty level (FPL) for an individual:



NOTES: States set financial eligibility limits up to the federal maximum for all coverage groups except that Section 209(b) states can use more restrictive financial eligibility rules for SSI beneficiaries. States also can choose to offer HCBS through the Section 1915 (i) state plan option instead of through a waiver. States also set asset limits for age and disability-related pathways.
SOURCE: Kaiser Family Foundation analysis of Medicaid financial eligibility rules.

Medicare beneficiaries who do not qualify for full Medicaid benefits may be eligible for Medicaid's help with their financial obligations under Medicare. Through the Medicare Savings Programs, Medicaid covers Medicare premiums and/or cost-sharing for certain low-income Medicare beneficiaries. Specifically, Medicaid pays both Medicare premiums and cost-sharing for Qualified Medicare Beneficiaries (up to 100% FPL) and Medicare premiums for Specified Low-Income Medicare Beneficiaries (100-120% FPL, $12,060-$14,472/year for an individual in 2017) and Qualified Individuals (up to 135% FPL,

$16,281/year for an individual in 2017). States also set asset limits for the Medicare Savings Programs, which are typically $7,280, although a few states have higher or no asset limits for their Medicare Savings Programs.

What Does Medicaid Provide for Medicare Beneficiaries?

Most Medicare beneficiaries who receive Medicaid (75%, or 7 million, in 2011) **receive both full Medicaid benefits, including long-term care, and help with Medicare's out-of-pocket costs.** Medicare is their primary source of coverage for hospital and physician care, and Medicaid fills in gaps by covering services that Medicare does not, such as long-term care in the community and nursing homes. Long-term cares services are expensive, generally exceeding what people are able to afford out-of-pocket, and are the major benefit that Medicaid provides for these beneficiaries. State Medicaid programs also may cover other services that Medicare does not, such as vision, dental, or hearing, for adult Medicaid beneficiaries. In addition, Medicaid wraps around Medicare to cover Medicare's out-of-pocket costs, such as premiums, deductibles, and co-payments, for acute care services, which can be high for people with low incomes.

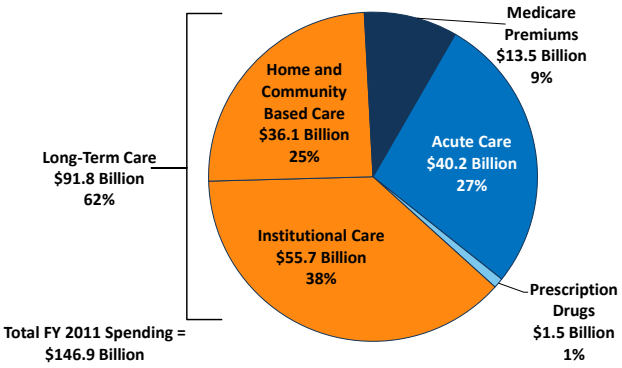
Some Medicare beneficiaries do not qualify for full Medicaid benefits but receive Medicaid help with their Medicare premiums and cost-sharing. This group makes up the remaining 25% of the Medicare beneficiaries who receive Medicaid. Medicare's out-of-pocket costs can be difficult to afford for people with low incomes. For example, in 2017, Medicare requires beneficiaries to pay a $1,316 deductible for inpatient hospital stays. Medicare beneficiaries also are responsible for 20% of Medicare-covered outpatient services after meeting a $183 deductible. In addition, the monthly premium for Medicare outpatient coverage is $134 per month in 2017, which alone is over 10% of monthly income for an individual at 100% FPL.

How Much Does Medicaid Spend on Medicare Beneficiaries?

As of 2011, Medicaid spent $147 billion on Medicare beneficiaries, with 62% of this spending devoted to long-term care services (Figure 4). Most long-term care spending for Medicare beneficiaries who receive Medicaid goes to institutions like nursing homes, with the remainder funding supports in the community. About one-quarter of Medicaid spending on Medicare beneficiaries went to acute care services. These include those for which Medicare is the primary payer, such as hospital, physician, lab, and x-ray services, and those that Medicaid covers but Medicare does not, such as vision, dental, and hearing services. Less than 10% of Medicaid spending for Medicare beneficiaries funded Medicare premiums.

Figure 4

Distribution of Medicaid spending for Medicare beneficiaries by service, 2011



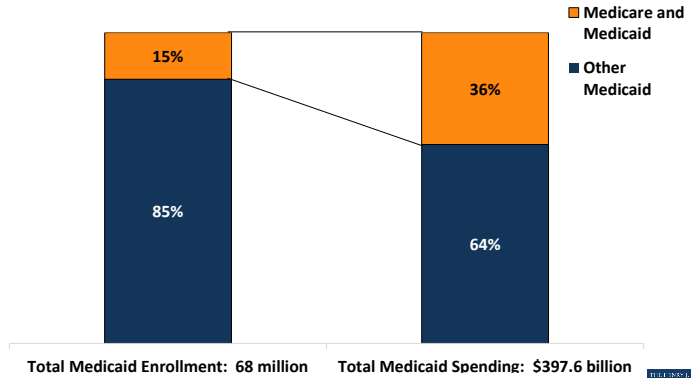
SOURCE: Kaiser Family Foundation and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 data were unavailable, 2010 MSIS data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT, and adjusted to 2010 CMS-64 spending levels.

Medicare beneficiaries account for 15% of Medicaid enrollment but 36% of Medicaid spending (Figure 5). Medicaid spending for Medicare beneficiaries is disproportionate to their enrollment as a result of their more intensive health care needs and service use.

Medicaid spending on Medicare beneficiaries as a share of total Medicaid spending varies by state (Figure 6). Nearly three-quarters of states devote more than 30% of their total Medicaid spending to Medicare beneficiaries, and spending for Medicare beneficiaries comprises more than 45% of Medicaid budgets in six states. This variation is due to population differences among the states as well as state choices about eligibility and services. In addition, because the most current available data are from 2011, they do not reflect any changes in total state spending as a result of state adoption of the Affordable Care Act's Medicaid expansion.

Figure 5

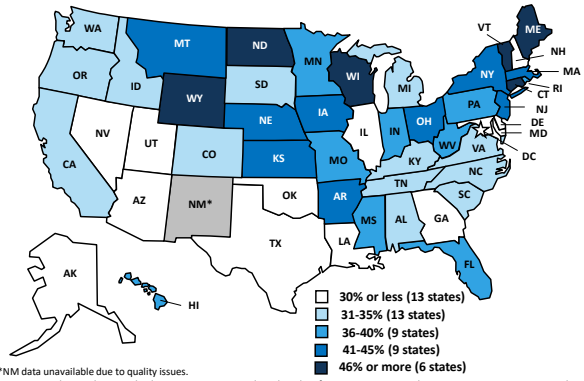
Medicare beneficiaries as a percent of total Medicaid enrollment and spending, 2011



SOURCE: Kaiser Family Foundation and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 data were unavailable, 2010 MSIS data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT, and adjusted to 2010 CMS-64 spending levels.

Figure 6

Medicaid spending for Medicare beneficiaries as a percent of total Medicaid spending by state, 2011



NOTE: *NM data unavailable due to quality issues.
SOURCE: Kaiser Family Foundation and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 data were unavailable, 2009 MSIS data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT, and then adjusted to 2010 CMS-64 spending levels.

Looking Ahead

Because Medicaid spending for Medicare beneficiaries is disproportionate to their enrollment, policy changes that lead states to limit per enrollee Medicaid spending or cut costly services could especially affect these beneficiaries. Medicare beneficiaries who receive Medicaid are poorer than other Medicare beneficiaries, and many have intensive medical and long-term care needs as a result of old age, disability, and chronic illness. Medicare beneficiaries rely on Medicaid to cover expensive but necessary services, especially long-term care in the community and nursing homes, that are generally not available through Medicare or private insurance. They also depend on Medicaid to make Medicare affordable because Medicare's out-of-pocket costs can be high for those with low incomes. In addition, because the share of state Medicaid budgets devoted to Medicare beneficiaries varies by state, any changes that limit federal Medicaid financing will impact individual states differently. Because changes to Medicaid's financing structure could have significant consequences for enrollees and states, the potential implications warrant careful consideration for their impact on Medicare beneficiaries.

Appendix

Table 1: Enrollment and Spending for Medicare Beneficiaries Who Receive Medicaid By State, FY 2011

State	Total Medicare Beneficiaries Receiving Medicaid (in 100s)	Medicare Beneficiaries Receiving Medicaid as a Share of:		Total Medicaid Spending on Medicare Beneficiaries (in millions)	Distribution of Medicaid Spending for Medicare Beneficiaries by Type of Service (in millions):			Medicaid Spending on Medicare Beneficiaries as % of Total Medicaid Spending
		All Medicare Enrollees	All Medicaid Enrollees		Medicare Premiums	Medical Care	Long-Term Care	
United States	9,972,300	21%	15%	$146,906	$13,489	$41,652	$91,765	36%
Alabama	212,100	24%	20%	$1,633	$250	$258	$1,125	35%
Alaska	15,100	22%	11%	$358	$22	$72	$264	27%
Arizona	146,400	15%	12%	$1,990	$203	$1,757	$31	22%
Arkansas	128,300	24%	18%	$1,703	$159	$652	$892	42%
California	1,294,400	26%	11%	$18,677	$2,248	$7,480	$8,949	34%
Colorado	77,500	12%	10%	$1,466	$95	$358	$1,013	34%
Connecticut	155,000	27%	20%	$2,977	$178	$439	$2,360	48%
Delaware	27,100	18%	11%	$369	$33	$67	$270	25%
DC	23,400	29%	10%	$520	$34	$89	$396	25%
Florida	675,500	19%	18%	$7,190	$1,122	$2,014	$4,054	39%
Georgia	303,900	24%	16%	$2,283	$295	$392	$1,596	29%
Hawaii	36,500	17%	13%	$606	$57	$491	$58	38%
Idaho	39,600	17%	15%	$499	$40	$143	$317	31%
Illinois	364,600	19%	12%	$3,997	$379	$902	$2,716	30%
Indiana	172,900	17%	14%	$2,584	$161	$629	$1,795	39%
Iowa	88,500	17%	15%	$1,532	$104	$351	$1,077	45%
Kansas	68,400	16%	17%	$1,106	$81	$178	$847	41%
Kentucky	194,100	25%	20%	$1,817	$212	$365	$1,241	31%
Louisiana	201,600	29%	16%	$1,962	$259	$333	$1,370	30%
Maine	104,000	38%	28%	$1,299	$114	$647	$539	52%
Maryland	119,800	15%	12%	$2,221	$186	$485	$1,549	29%
Massachusetts	255,100	23%	17%	$5,533	$407	$2,177	$2,949	41%
Michigan	290,700	17%	12%	$3,956	$389	$1,410	$2,157	32%
Minnesota	149,300	19%	14%	$3,397	$172	$1,103	$2,121	40%
Mississippi	162,200	32%	21%	$1,602	$201	$386	$1,014	37%
Missouri	187,200	18%	16%	$2,810	$177	$898	$1,736	36%
Montana	19,700	11%	15%	$399	$27	$73	$299	41%
Nebraska	44,300	16%	16%	$719	$42	$195	$482	42%
Nevada	50,500	14%	13%	$434	$72	$115	$247	28%
New Hampshire	34,500	15%	20%	$589	$24	$104	$462	46%
New Jersey	208,300	15%	20%	$4,300	$321	$846	$3,133	45%
New Mexico	69,100	21%	12%	N/A	$78	N/A	N/A	N/A
New York	839,300	28%	14%	$22,838	$1,278	$4,658	$16,902	43%
North Carolina	335,100	22%	17%	$3,346	$414	$784	$2,148	31%

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		All Medicare Enrollees	All Medicaid Enrollees		Medicare Premiums	Medical Care	Long-Term Care	
North Dakota	16,300	15%	19%	$402	$11	$44	$348	56%
Ohio	345,300	18%	15%	$6,400	$383	$1,239	$4,779	41%
Oklahoma	119,700	19%	14%	$1,304	$133	$296	$875	30%
Oregon	108,500	17%	15%	$1,545	$142	$308	$1,094	35%
Pennsylvania	443,500	19%	18%	$7,317	$550	$877	$5,889	36%
Rhode Island	41,100	22%	19%	$760	$40	$434	$286	38%
South Carolina	160,200	20%	17%	$1,633	$172	$513	$948	34%
South Dakota	22,100	16%	16%	$264	$27	$46	$191	34%
Tennessee	279,100	26%	18%	$2,582	$335	$1,583	$663	31%
Texas	642,900	21%	13%	$7,438	$1,016	$2,255	$4,166	27%
Utah	30,200	10%	9%	$465	$33	$173	$259	25%
Vermont	30,000	26%	15%	$264	$6	$173	$86	21%
Virginia	191,700	16%	18%	$2,325	$223	$403	$1,700	34%
Washington	180,600	18%	13%	$2,271	$308	$278	$1,685	31%
West Virginia	87,200	23%	20%	$1,037	$107	$119	$812	36%
Wisconsin	168,300	18%	13%	$3,581	$164	$1,925	$1,493	49%
Wyoming	11,600	14%	13%	$258	$6	$76	$176	47%

NOTES: Medical care includes acute care and prescription drugs. New Mexico spending data, with the exception of Medicaid payments for Medicare premiums, is not reported due to data quality issues. Much of Arizona's and Hawaii's long-term care spending shows up as managed care spending, and cannot be separated out into acute care versus long-term care within managed care spending. As a result, not all long-term care spending in these states is being captured as long-term care spending.

SOURCE: Kaiser Family Foundation and Urban Institute estimates based on data from FY 2011 MSIS and CMS-64 reports. Because 2011 data were unavailable, 2010 MSIS data were used for Florida, Kansas, Maine, Maryland, Montana, New Mexico, New Jersey, Oklahoma, Texas, and Utah, and then adjusted to 2011 CMS-64 spending levels. 2011 Medicare enrollment numbers from Centers for Medicare & Medicaid Services (CMS), CMS Program Statistics, accessed March 2016.