MINDING THE GAPS:
THE STATE OF COVERAGE TO SUPPLEMENT MEDICARE IN MASSACHUSETTS

Executive Summary

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Nancy Turnbull
Katherine Heflin

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EXECUTIVE SUMMARY

Medicare, the federal program that provides health coverage to eligible individuals age 65 or older and to certain younger people with disabilities, is one of the great social policy achievements in our country. It protects 49 million people in the U.S., including 1.2 million people in Massachusetts, of whom approximately 80 percent, or 915,000, are elders. Medicare is critical for helping to ensure access to care and financial protection for its members, and is especially important for low-income beneficiaries, many of whom have serious health needs.

Medicare provides broad *protection* against the cost of many health services, but it has significant gaps in coverage and leaves beneficiaries responsible for substantial deductibles, coinsurance, and copayments. As a result, most beneficiaries buy some form of private insurance coverage to protect themselves from high out-of-pocket costs. Many Medicare beneficiaries in Massachusetts are eligible for public coverage, largely through MassHealth, the state's Medicaid program, but also through federal or state assistance programs.

This policy report examines the state of coverage to supplement Medicare, with a focus on the private health insurance market for Medicare beneficiaries. A complementary poll of Massachusetts elders, conducted by researchers at the Harvard Opinion Research Program at Harvard T.H. Chan School of Public Health, examines the experience of Massachusetts elders with affordability, access, and satisfaction with health care and health coverage.

The major findings of the report are outlined below.

The vast majority of Medicare beneficiaries in Massachusetts have some form of supplemental coverage to help provide financial protection against the significant gaps and cost sharing in Medicare: Medicare beneficiaries in Massachusetts who purchase individual plans to supplement Medicare have a wide range of private coverage options, and many low- and moderate-income beneficiaries can obtain assistance from a number of public programs. About 232,000 people are covered by traditional Medicare supplemental plans, while 218,000 rely on Medicare Advantage HMO and PPO plans. Many other people have retiree health plans through former employers, although the exact number is unknown. Almost one-quarter of Medicare beneficiaries are also enrolled in the state Medicaid program, MassHealth. At least 1 million of the 1.2 million Medicare beneficiaries in the state have prescription drug coverage through private or public plans.

However, some elders in Massachusetts have no health insurance at all: In 2014, a state survey found that approximately 10,000 elders were uninsured at the time of the survey, and 6,000 had been uninsured for the entire year. Forty-six thousand elders (5 percent) had had a spell without insurance in the prior 12 months. Many, if not most, of these individuals were likely ineligible for Medicare because they did not work, or did not work long enough paying into Medicare, to become eligible.

Some other Medicare beneficiaries lack coverage to supplement Medicare: Although precise data are not available on the number of Medicare beneficiaries in Massachusetts who have no coverage to supplement Medicare, nationally 14 percent of Medicare beneficiaries have no supplemental coverage. Lack of any private or public coverage to supplement Medicare leaves beneficiaries "underinsured" and financially liable for the significant cost sharing and gaps in the Medicare program if they receive care.

Coverage to supplement Medicare is expensive, particularly when combined with Medicare Part B premiums and when compared with the average Social Security benefit: While low-premium products are available, most Medicare beneficiaries are purchasing more comprehensive, and expensive, coverage. This suggests that individuals are willing to pay higher premiums for more comprehensive financial protection and lower out-of-pocket costs. However, total annual premiums for the most popular plans combined with the Medicare Part B premium exceed $3,800 per year, which is nearly one-quarter of the average Social Security benefit in Massachusetts (the major source of income for most elders). Many beneficiaries may be suffering undue hardship or sacrificing in other areas to pay their monthly premiums, particularly those with chronic health conditions or serious medical problems.

Affordability of coverage to supplement Medicare is a growing concern: Premiums for the most popular supplemental products have risen in recent years, sometimes very rapidly (in the 50-70 percent range since 2009 for some products, an average annual increase of 9 percent). In almost every case, premiums have increased much faster than Social Security benefits have. The coverage in some popular lower-premium products has also eroded through increases in deductibles and other forms of cost sharing, which has shifted additional costs to the Medicare beneficiaries with these forms of coverage.

Medicare beneficiaries with private coverage, including those with more comprehensive products, still face significant coverage gaps and out-of-pocket expenses, particularly relative to their incomes: Many of the most popular Medicare Advantage plans have sizable cost sharing for certain services. Most prescription drug coverage has tiered copayments that can be significant for individuals who require brand-name or specialty drugs, and these drug plans generally provide no additional protection in the Medicare Part D coverage gap (often referred to as the "donut hole"). Other issues include the escalating cost of medications, which affects out-of-pocket costs for plans with coinsurance, a form of cost sharing that is becoming more common in Part D plans; the movement of more generics and brand-name drugs into higher tiers with larger cost sharing for consumers; and increasingly narrow formularies, which may limit or exclude coverage for specific medications.

Underinsurance and the lack of private insurance for some Medicare beneficiaries result in expenses for the state's Health Safety Net: The state's Health Safety Net (HSN) is a secondary payer for low-income Medicare patients and adults age 65 or older, and a primary payer for certain elders who are uninsured and not eligible for other public coverage. In HSN year 2011 (the most recent for which a report is available), elders accounted for 27 percent of inpatient discharges paid through the HSN and 14 percent of outpatient visits. Because the HSN is largely a secondary payer to Medicare, these services accounted for 8 percent of total inpatient and outpatient payments, or approximately $22 million. Some HSN expenses at community health centers are likely for medications for Medicare beneficiaries who lack full or partial coverage for prescription drugs, as well as for services that Medicare does not cover at all (e.g., dental care).

Medicare beneficiaries in some counties have limited access to lower-cost Medicare Advantage plans: There are substantial variations in premium rates and plan and product options available by county. In particular, there are significantly fewer choices available to residents in nonurban and less populated parts of the state.

The large number of plan types and products, and the lack of standardized benefits and cost sharing, make it difficult to compare plans and premiums: Even for someone with substantial health insurance knowledge, it is difficult to compare all of the options available for coverage to supplement

Medicare. The differences in plan designs are particularly complex and variable for prescription drugs plans, which have multiple copayment tiers and vastly different formularies. Key features of plans often change every year (e.g., plan name, deductibles, premiums, and copayments). Although research shows that consumers benefit greatly when they review their plan options, only 14 percent of Medicare beneficiaries change their drug plan in a given year. Adequate counseling on health coverage for people 65 and older may not occur because there is no longer a standard age at which people are qualifying for and enrolling in Medicare, as many workers are staying employed longer than workers did in the past. Employers have historically been an important source of advice and guidance for older and about-to-retire workers, but many companies have neither the resources nor expertise to help their workers navigate the increasingly complex landscape of Medicare eligibility and coverage.

Although a variety of public programs exist to help pay the out-of-pocket costs that Medicare beneficiaries may face, these programs are complicated, fragmented, and hard to navigate: Massachusetts is fortunate to have a variety of public programs, including MassHealth, Medicare Savings Plans, Prescription Advantage, and the Health Safety Net, that provide access and financial protection to lower- and moderate-income Medicare beneficiaries and elders without Medicare or coverage that supplements Medicare. However, eligibility rules for these programs are complex, and navigating the coverage landscape is difficult. In addition, the eligibility criteria can vary from program to program, causing gaps and eligibility cliffs for people in some income groups and significant changes in coverage for people who have even modest changes in income from year to year, or as individuals turn age 65.

Many Medicare beneficiaries eligible for additional coverage and assistance are not enrolled: Nationally, less than one-third of eligible Medicare beneficiaries enroll in the Medicare Savings Programs (MSPs). Although the exact number of eligible but unenrolled people in Massachusetts is unknown, the percent of eligible but unenrolled beneficiaries here is likely comparable to the national figure. A complicated enrollment process and asset tests are the major barriers to enrollment in these programs.

The state has made significant efforts to simplify the application process for these programs and to do outreach to find eligible individuals. The state's SHINE program (Serving the Health Insurance Needs of Everyone) is a vital resource that helps people through the health coverage maze by providing free assistance and counseling on health insurance to individuals and their families and caregivers. This program has become ever more important as the Medicare program has grown in complexity and as the number of private and public coverage options has increased. In addition, Medicare beneficiaries can get assistance by calling the Medicare call center.

The income cutoff for MassHealth eligibility is lower for elders than for people under age 65, and even at the same income level, elders may have less access to affordable health coverage than non-elders because of asset tests for public programs that do not apply to younger individuals: Owing to the state's health reform law and the Affordable Care Act, affordable health coverage is available to most people in the state with incomes below 300 percent of the federal poverty level (FPL), through employers, MassHealth, or ConnectorCare. Eligibility for ConnectorCare and for MassHealth for non-elders is based solely on income; no asset test applies. However, for people age 65 or older, both the MassHealth program and the MSPs have asset tests. Eligibility for public coverage (except for the HSN and Prescription Advantage) ends at 135 percent FPL for elders residing in the community, compared with 300 percent FPL for people younger than age 65, and Medicare beneficiaries are not eligible for ConnectorCare. Only 16 percent of elders

in the state are covered by MassHealth, compared with 31 percent of people under age 65 who have either MassHealth or ConnectorCare coverage.

There is little ongoing publicly available analysis and reporting that synthesizes the experience of Medicare beneficiaries in accessing and affording coverage and care: Huge changes have occurred in Medicare in the last decade, including the implementation of Medicare Part D, a proliferation of new private options for Medicare beneficiaries in Massachusetts, the implementation of important and innovative initiatives for certain groups of Medicare beneficiaries who are dually eligible for Medicaid, legislation to close the Medicare "donut hole," and, recently, new changes to premiums for certain high-income Medicare beneficiaries. While both the federal and state governments regulate and monitor private health plans that supplement Medicare, no entity has assumed responsibility for regular public reporting about the state of coverage for Medicare beneficiaries, leading to gaps in basic and important information, including total enrollment and trends in coverage and premiums. In contrast, the Center for Health Information and Analysis and the Health Policy Commission are responsible for regular monitoring and analysis of the other parts of the health insurance market, and this has generated a robust community dialogue about opportunities for improvement in these markets.

Private plans and public programs that supplement Medicare are an essential means for ensuring access to care and financial security for Medicare beneficiaries. While most Medicare beneficiaries in Massachusetts have coverage to supplement Medicare, some do not. Most people are facing rapidly rising premiums and increased cost sharing, particularly for prescription drugs. Low-income elders often have less access to affordable coverage than low-income individuals who are not elderly. Massachusetts has long been a leader in expanding health coverage, and it's time to focus additional policy attention on approaches to strengthen and secure coverage to supplement Medicare, particularly for Medicare beneficiaries with low incomes and serious health conditions.

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