Testimony of

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Part D Low-Income Subsidy

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Good morning, Chairman Kohl, Ranking Member Smith and members of the committee. I am honored and appreciative of the opportunity to provide testimony before the U.S. Special Committee on Aging today. I am the Program Manager of the Oregon Senior Health Insurance Benefits Assistance (SHIBA) Program, one of many State Health Insurance Programs (SHIPs) funded by a federal grant from the Centers for Medicare and Medicaid Services and some state general fund. I would like to thank Congress on behalf of my state and other national partners for approving additional funding for SHIPs this year. My primary reason for being here is to provide testimony about the Low-Income Subsidy (LIS) in Oregon and alert you to the critical role SHIBA plays with people eligible for Part D coverage.

Oregon SHIBA is a statewide free Medicare counseling service based in Salem, Oregon's capitol. SHIBA has a certified volunteer base of approximately 200 volunteers that provide one-on-one counseling assistance to many of Oregon's over 571,000 Medicare beneficiaries (15% of total population). The overriding goal of SHIBA volunteers is to help people understand and make informed decisions about their Medicare benefits, particularly the Part D options because they are so complex.

Since January 1, 2007, the SHIBA counseling network has provided one-on-one counseling assistance to over 20,000 Oregon beneficiaries. The average time spent with each beneficiary has been approximately 38 minutes. The estimated in-kind value to the program for over 14,740 volunteer work hours during this period translates to over $250,000. These estimates illustrate the public reach and impact of Oregon's SHIP.

SHIBA cannot recruit and maintain a volunteer workforce without the assistance of vital local county SHIBA partners. We currently contract with 22 local SHIBA Sponsoring organizations throughout Oregon to provide local SHIBA counseling services to beneficiaries.

During today's hearing you will hear directly from an Oregon beneficiary about her family's need for the LIS. These kinds of stories illustrate a small sample of the widespread need for more low-income beneficiaries to be eligible for the assistance LIS can provide. The attachments include some additional anecdotal beneficiary stories.

Oregon SHIBA's Experience With Part D Prescription Coverage
Beneficiaries repeatedly have expressed the following concerns to SHIBA about the Part D Low Income Subsidy (LIS) program:

- The income and asset requirements for the LIS are restrictive and do not make the benefit available to enough low-income people who need additional assistance with paying for their prescription drugs. They report that the income and asset eligibility guidelines for the Patient Assistance

Programs (PAPs) offered by pharmaceutical companies are more generous than those for the LIS. They also report concerns with the eligibility criteria using of the cash surrender-value of life insurance policies, in-kind support and maintenance, and undistributed funds in retirement savings plans such as 401(k) accounts as assets.

- They often receive conflicting information about the LIS program from representatives of their Private Fee For Service (PFFS) plan, Medicare, the Social Security Administration, and insurance agents.
- There has been a lag in coordination of the reduction in prescription co-pay for LIS beneficiaries when they join new Part D plans, and it has put the burden of proof that they are eligible for the LIS onto the beneficiaries. Many LIS beneficiaries with 100% subsidy report that they did not realize that their subsidy amounts were determined by the Social Security Administration (SSA) rather than by the particular plans that they had selected.
- Letters from the Social Security Administration can be confusing, and beneficiaries often do not realize that they must apply or re-apply in order to receive LIS status.

I would also like to take the opportunity to address the federal grant for SHIBA. In Oregon, the current federal grant level has been insufficient to support the level of local resources and the volunteer base needed to meet the CMS-SHIP performance standards and manage the growing number of calls from retiring baby boomers. The creation of Part D increased the complexity of the coverage under Medicare and magnified the confusion among Oregonians about their choices and the impacts on their out-of-pocket costs. This, in turn, has increased considerably both the volume of calls to SHIBA and the amount of time volunteers spend providing assistance to each caller. Because the drug benefits offered by individual plans can change so dramatically from year-to-year, beneficiaries still require annual assistance to ensure that the plans in which they are currently enrolled will still cover their prescription medications.

The new CMS performance standards have put an increased burden on state SHIP programs to maintain or exceed performance, but the funding base does not support the resources needed to develop a force of volunteers with the specialized knowledge to counsel the growing number of Medicare eligibles. To appropriately address the increasing demand for assistance from SHIBA, particularly for Part D coverage, would require having a minimum of one counseling center in every one of Oregon's 36 counties and a volunteer force of no less than 600 active individuals trained in various specialty areas of Medicare.

Thank you again Mr. Chairman and members of the committee for the opportunity to share testimony with you today. I will do my best to answer any of your questions.

ATTACHMENTS

Oregon SHIBA Funding and Staffing

Under Section 4360 of the Omnibus Budget Reconcililation Act of 1990 (OBRA) Congress authorized the Center for Medicare and Medicaid Services (CMS) to make grants to States and Territories to fund State Health Insurance Programs, this includes the Oregon SHIBA program. In 2007, the State of Oregon agreed to provide funding for the 2007-2009 state biennium to supplement the budgetary needs of Oregon SHIBA. The SHIP grant and state general funds support the state office infrastructure and its intergovernmental contracts to provide financial and training support to the local SHIBA Sponsoring Organizations in most of Oregon's 36 counties.

Current SHIBA Staffing

The Oregon SHIBA central office currently has 3.5 FTE permanent staff: one Program Manager, a part-time Office Specialist 2 (Administrative Assistant) and two Field Officers/Trainers. Additionally the program retains one Limited Duration Administrative Specialist 2 on a job rotation from another state program working as a Field Officer/Trainer. The current statewide volunteer base is approximately 200 active volunteers with some new volunteers in certification training.

Medicare Population in Oregon

Oregon has over 571,000 Medicare beneficiaries, comprising 15% the total state population of approximately 3.8 million residents. According to statistics from the US Census Bureau, Oregon's aging baby boomers are expected to increase Medicare beneficiaries to 24.2% of the state's population by 2025. In fact, baby boomers are already beginning to call SHIBA with questions about coordination of Medicare benefits with other retirement health insurance plans. They quickly are becoming our dominant and most time-consuming clients.

<u>Part D Plans Offered in Oregon</u>

As of January 2008, about 84%of the Medicare enrollees have a prescription drug plan, compared to 75% nationwide:

- 33% in stand-alone Prescription Drug Plans
- 30% in Medicare Advantage Drug Plans
- 8% in Employer plans taking retiree drug subsidies
- 13% with other prescription drug coverage

In 2008, 22 Insurance companies offered 55 different stand-alone drug plans, and 24 Medicare Advantage Plan companies offer plans with drug coverage. Premiums for the stand-alone plans range from $14.80 to $101.60, the average being $42.26. About 56% offer a zero deductible plan, compared to and estimated 60% nationwide (2007), and 36% offer a $275 deductible, compared to an estimated 31% nationwide (2007). (Source: Kaiser State Health Facts, 2007 reports)

Oregon Medicare Demographics

- Between 2006 and 2013, the fastest growing segments of the population in Oregon will be those 65 to 69 years of age (26% projected growth) and those 70 to 74 years of age (45% projected growth). As these individuals age, their care will begin shifting from the employment-based private insurance system to the publicly financed Medicare program, increasing the demand for education and counseling assistance.
- Those 65-69 years old comprise the largest group of Medicare beneficiaries (23%) and will grow significantly by the year 2010 due to more baby-boomers becoming eligible for Medicare. The percentage is the same nationwide.
- Oregon's next largest Medicare beneficiary age group is ages 70-74 (19%).
- Of the total number of Medicare eligibles, 86% (453,722) are eligible due to their age compared to 85% nationwide, and the rest (72,452) are eligible due disability. (*Source, Kaiser Family Foundation State Health Facts).
- 55% are women, compared to 56% nationwide.
- 65% of retirees do not receive income from pensions.

SHIBA Anecdotal Case Examples

- A 79-year-old woman still works and rides her bike. Those would be the definitions she lists first in describing herself. She lives on a meager $495 monthly social security retirement, necessitating that she continue to work to survive.

  She writes for a senior focused monthly newspaper. Her wages vary from month to month depending on the number of articles she writes, and she is required to pay about $1000 per year in Social Security self-employment tax.

  She averages $500 per month wages from her job, and has a little over $12,000 in a bank CD. The CD is her safety back up "just in case", but it has caused her to be disqualified from being eligible for a variety of resources, including the LIS.

  She has lived in a 25 foot camper trailer for the last 10 years that she owns, but she must pay $300 per month to park it on a cement slab. Her rent, food, medical insurance premiums, taxes and utilities total $915 per month, leaving her a "comfortable" $80 per month in disposable income. Last year, her insurance carrier stopped offering the particular Medicare plan in which she had enrolled, and the premiums for the choices left for her were double what she had been paying. Is it any wonder she is desperate to hang onto her safety net CD?

- This woman is disabled with multiple serious health issues. She had a dual eligible covered by both Medicare and Medicaid prior to 2006. After her husband died, she began to receive widow's benefits, which caused her to lose Medicaid eligibility as well as the LIS, which provided desperately-needed assistance for her expensive prescription medications. Her increase in monthly income put her $44 over the monthly income eligibility level for the LIS. Her living expenses for rent, utilities, food, car, home and medical insurance exceed her net monthly income by $47.

  She uses only generic drugs to limit her out of pocket expenses. She enrolled in a private fee for service Medicare Advantage plan (MA/PFFS) because it allowed her to select a stand-alone prescription drug plan (PDP) that had a copay she could manage. Her doctor prescribed a brand-name drug which would greatly improve her quality of life, but it has no generic equivalent yet. She cannot afford the copay for this drug and must go without it. She cannot access the Glaxo Smith Kline's Prescription Assistance Program until after she has spent $600 out of her own pocket for the brand drug, and she cannot afford that.

- I have worked with many people who "just miss" qualifying for LIS. Actually, my Mom is one of them. Her income per year comes to $17,000, "just" a bit over the eligibility requirements. She lives very frugally. (Wasco County SHIBA)

- An elderly female client has Alzheimer's and cannot communicate very well. She and her husband have an annual income that is below the Federal Poverty Limits, but because they have a couple of life Insurance policies worth about $33,000, they do not qualify for LIS unless they cash the policies out and spend the proceeds. (Washington County SHIBA Volunteer)

- One of our clients is a 69-year old woman with a monthly income of $595. She felt she could not afford Part B, and did not realize that she would incur a penalty for signing up late; she enrolled late and pays a 20% penalty on her Part B premiums, which equal $115.70 per month. She has modest savings "for emergencies" of about $28,000. Because of this, she is not eligible for any Medicare Savings programs and she is not eligible for LIS. At a prior time, she was eligible for the Medicare Savings Program but she decided not to enroll because it would have enabled Medicare to put a claim on her estate. She still owns her own home, and is afraid of losing it. She takes some medications, but is cautious because it is difficult to afford the co-pays. (Multnomah County SHIBA)

- One of our clients is a 65-year old woman who is a new Medicare beneficiary. She delayed enrollment in Part B and Part D until the last point at which she could enroll without penalty due because of the cost of the monthly premiums. Although she is currently healthy and takes no medications, she is aware that she needs insurance for catastrophic coverage. She has an income of about $700/mo from the Social Security Administration. The earnings from part-time self-employment help cover her monthly expenditures. Her estimated monthly income is about $1500, which places her $233 over income requirement for the LIS eligibility. She must use funds from her retirement savings account, valued about $30,000, to supplement monthly expenses. (Multnomah County SHIBA)

- A 48-year old male client had a recent liver transplant. He earns $115 in excess of the requirement for LIS eligibility, and he has $700 in savings. He cannot afford the cost of the post-transplant drugs once he is in the Part D coverage gap. (Multnomah County SHIBA)

- A 64-year old female client has a monthly income that places her $34 over limit for LIS eligibility. He medical conditions require that she use expensive brand medications that have no generic equivalent. The cost forces her to skip the purchase of some of the drugs, resulting in an exacerbation of her

illnesses. (Multnomah County SHIBA)

- A chronically mentally ill gentleman, whose wife works episodically at nursing care facilities, takes one medication that costs over $750 per month. He has applied for LIS twice but was determined to be ineligible for the LIS subsidy because his disability payment and her income exceed the requirements for eligibility. He found himself in the coverage gap since late March of 2008, and he has been trying to subsist on samples since because he cannot afford the out-of-pocket cost of the drug. The medication he takes is not available under the manufacturer's Patient Assistance Program for people with Part D coverage and his particular condition. Because of his mental illness, this person is at risk for harm if he does not have access to his medications. (Josephine County SHIBA)

- The representatives from the Social Security Administration frequently give misinformation to clients in this rural part of Oregon, and this continues to cause confusion among beneficiaries. (Josephine County SHIBA)

- An 83- year old rural woman with a monthly income level of $1600 cannot afford her drugs during the coverage gap. A misinformed community member pressured her to drop her Part D and sign up for Patient (Pharmaceutical) Assistance Program to receive her drugs for free all year long. This particular community member has been telling everyone he knows this is working for him and everyone should be doing it. Some people will likely be hurt by the Part D penalty if they follow this advice and fail to enroll in Part D or if they disenroll and want to enroll later. (Coos County SHIBA)

- Although we have provided education and training to the poverty-focused programs at Community Services Consortium, the local SHIBA sponsor, we have found that the local workers are so overwhelmed with the demands of their regular jobs that they forget to explain the LIS opportunity that is available.

- A rural client assisted by SHIBA receives $1267 per month from Social Security and has no assets at all. He used everything he had to pay off his trailer. His ex-wife still lives with him and she pays him $300 to help him with the heat, utilities and the $250/month trailer space fee. The help makes him ineligible for LIS. He has prior medical bills to pay and so he has to go to the local homeless shelter to get his diabetes medicines. (Benton County SHIBA)

- A rural client is eligible for Medicare coverage because of a long-term disability due to chronic depression. One of his medications is extremely expensive, but it is the only anti-depressant, which works for him. He approached a SHIBA volunteer to enroll in Part D, but the least expensive plan cost well over $4,000 annually in premiums. This was

unaffordable, representing over one-fourth of his total income of $17,214 from the Social Security Administration. He has no other income, and has no assets.

For him the only workable strategy was to forego Part D entirely, apply for LIS and use the LIS denial letter to support an application to the drug manufacturer's Prescription Drug Assistance Program. The manufacturer denied his initial application, but accepted on appeal. As a result, the client receives the expensive antidepressant at no cost, and his other medications have been changed to generics. Although this has been a good solution, he has no guarantee it will continue, because he has to reapply annually to continue coverage by the Prescription Drug Assistance Program. Part D has been no help to him at all, but clearly it would, if only the LIS criteria were more flexible. (Lincoln County SHIBA)