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MEDICARE PART D LOW-INCOME SUBSIDY

Assets and Income Are Both Important in Subsidy Denials, and Access to State and Manufacturer Drug Programs Is Uneven

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Highlights

Highlights of GAO-08-824, a report to congressional committees

Why GAO Did This Study

To help defray the cost of prescription drugs for beneficiaries with limited means, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) included the low-income subsidy (LIS) in the Part D prescription drug insurance program. To qualify for the LIS, beneficiaries must be enrolled in a Part D plan and their assets and income must be less than the thresholds established by the law. Part D is administered by the Centers for Medicare & Medicaid Services (CMS), and the Social Security Administration (SSA) administers the eligibility determination for the LIS.

The MMA directed GAO to compare the utilization of and access to Part D prescription drugs among beneficiaries who received the LIS with those who were denied it because of the amount of their assets. This report focuses on beneficiaries' access to prescription drugs by examining (1) the importance of assets and income in LIS denials in 2006 and 2007, and (2) state and manufacturer programs providing access to prescription drugs for Medicare beneficiaries. To do this, GAO analyzed data from SSA, reviewed information on state and drug manufacturer pharmaceutical programs, and interviewed officials from SSA, CMS, state programs, advocacy organizations, and pharmaceutical manufacturer programs.

To view the full product, including the scope and methodology, click on GAO-08-824. For more information, contact A. Bruce Steinwald at (202) 512-7114 or steinwalda@gao.gov.

What GAO Found

In 2006 and 2007, assets and income were both important factors in LIS denials, but income was of greater importance. In 2006, 4.5 million beneficiaries applied for the LIS and more than half were denied the subsidy. About half of LIS denials in 2006 were based solely or in part on applicants' assets exceeding program thresholds, and in 2007, about 30 percent of LIS denials were for this reason. By contrast, 66.2 percent of denials were due at least in part to income in 2006 and 81.2 percent in 2007. Because some applicants in both years were denied the LIS by an initial screen that only asked about assets and were not required to give information on income, it is impossible to know the number of these applicants who would also have been denied the LIS because of their income. Among those who provided detailed information about their assets, applicants denied the LIS often exceeded the asset threshold by a relatively small amount, and in both years more than one-quarter of these applicants exceeded the threshold by less than $5,000.

Basis for Denial of the LIS for Applicants Denied Due to Assets and Income by Percentage of Denied Applicants, 2006 and 2007

Year	Initial assets screening question	Assets, but not income	Both income and assets	Income, but not assets	Total	Number of persons
2006	22.2%	11.6%	16.6%	49.6%	100%	2,252,412
2007	7.1%	11.7%	10.7%	70.5%	100%	366,183

	Assets in part or solely	Income in part or solely
2006	50.4%	66.2%
2007	29.5%	81.2%

Source: GAO analysis of SSA data.

Some states and drug manufacturers offer programs that assist low-income Medicare beneficiaries in obtaining prescription drugs, but the availability of these programs and the assistance they offer are uneven. Twenty-three states offer State Pharmaceutical Assistance Programs (SPAP), which can supplement Part D benefits. These SPAPs differ in the type and extent of assistance they offer, but they generally cover some of the beneficiaries' out-of-pocket prescription drug costs. Prescription drug manufacturers' Patient Assistance Programs (PAP) also assist low-income individuals in obtaining prescription drugs. However, not all PAPs are open to Part D beneficiaries, and the drugs provided are limited to those of the sponsoring manufacturers.

CMS concurred with our report. SSA expressed appreciation that we used its analysis of applicants denied the LIS in 2006 and 2007 as the foundation for our analysis of the impact of the assets test on LIS applicants.