

Streamlining Medicare Savings Program Enrollment

Report Background and Purpose

The Illinois Department of Healthcare and Family Services (HFS or Department) issues the following report pursuant to the requirements in Section 11-5.5 of House Bill 4343, signed into law on June 2, 2022.

The relevant language of the bill is as follows:

Sec. 11-5.5. Streamlining enrollment into the Medicare Savings Program.

(a) The Department shall investigate how to align the Medicare Part D Low-Income Subsidy and Medicare Savings Program eligibility criteria.

(b) The Department shall issue a report making recommendations on how to streamline enrollment into Medicare Savings Program benefits by July 1, 2022.

(c) Within 90 days after issuing its report, the Department shall seek public feedback on those recommendations and plans.

(d) By July 1, 2023, the Department shall implement the necessary changes to streamline enrollment into the Medicare Savings Program. The Department may adopt any rules necessary to implement the provisions of this paragraph.

The Department has conducted its analysis as required in part (a) and is issuing this report of recommendations as prescribed in part (b). In accordance with part (c), the Department welcomes public feedback between July 1 and October 1, 2022. Please submit feedback to HFS.Eligibility.Policy@Illinois.gov

The Medicare Savings Program (MSP) provides assistance with the payment of some costs associated with Medicare. MSP consists of three program categories: Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLIB), and Qualified Individuals-1 (QI-1). The QMB program helps pay for Medicare Part A and Part B premiums, deductibles, coinsurance, and copayments for services covered by Medicare. The Specified Low-Income Medicare Beneficiary (SLIB) and Qualified Individuals-1 (QI-1) programs assist with payment of Medicare Part B premiums. The Department of Human Services (DHS) completes eligibility determinations for MSP.

The Medicare Part D Low-Income Subsidy (LIS) program, also referred to as Extra Help, assists Medicare beneficiaries with the payment of prescription drug coverage. LIS beneficiaries may qualify to receive subsidized premiums, deductibles, and copayments. The Social Security Administration (SSA) determines eligibility for LIS.

Summary of the Department's Methodology

The Department conducted an analysis of potential methods to align the eligibility criteria for the Medicare Savings Program (MSP) with the criteria used by the Medicare Part D Low-Income Subsidy (LIS) program, in order to increase MSP enrollment. The analysis began with the federal

CMS informational bulletin issued November 1, 2021, titled “*Opportunities to Increase Enrollment in Medicare Savings Programs.*” The bulletin is located at: <https://www.medicaid.gov/federal-policy-guidance/downloads/cib11012021.pdf> This bulletin explains two opportunities for states to consider: (1) using Medicare Part D LIS data to initiate MSP applications, and (2) maximizing MSP Qualifying Individuals (QI) enrollment.

The Department analyzed the federal eligibility criteria for LIS programs as well as Illinois’ eligibility criteria for MSP to identify opportunities for improvements. The Department compared the MSP and LIS programs to identify similarities and differences. A full list of these program criteria is included at the bottom of this report as Appendix I.

The Social Security Administration (SSA) currently transmits data from LIS applications (“leads data”) to the Department on a daily basis. The Department completed a thorough review of the file content from the LIS leads data received from SSA and confirmed the required information is available to complete an MSP eligibility determination.

The Department also contacted federal CMS to request additional guidance related to the program alignment options and process, as well as to inquire about the pathways other states have taken or are taking to change their own eligibility criteria. As of the required publication deadline of this report, these technical assistance discussions with CMS are ongoing.

Status Quo Alignment Between MSP and LIS Programs

The Department’s analysis revealed numerous criteria for which the MSP and LIS programs are already aligned. The following list is inclusive of current policy similarities between the MSP and LIS programs, which are therefore not opportunities for alignment as these resources are already treated in the same manner for both programs:

- Cash, Stocks, Bonds, Annuities, Mutual Fund Shares, Promissory Notes, Trusts
- Financial Institution Accounts and Retirement Accounts
- Real Property
- Earned Income
- Social Security, Railroad Retirement, Unemployment Insurance, Disability Benefits, Veterans Benefits, Pensions, Alimony and Support Payments, Rents, Workmen’s Compensation, Death Benefits, Royalties not earned
- Burial Spaces
- Property of a trade or business essential to the means of support
- Non-business property essential to the means of self-support, excluded up to \$6,000
- Stock in regional or village corporations held by natives of Alaska
- Restricted allotted Indian lands
- Payments provided under Federal statute, other than Title XVIII
- Disaster relief assistance
- Retained SSI or social security retroactive payments
- Housing assistance
- Relocation assistance from state or government

- Dedicated financial institution accounts for past due SSI benefits
- In-Kind
- SSI, TANF, educational benefits
- Relationship of Income to Resources
- Resource Limits

Appendix I contains additional details on these program similarities.

Department Recommendations to Streamline Enrollment

The Department’s analysis uncovered numerous opportunities to streamline MSP enrollment, including the potential to make improvements on both of the CMS bulletin’s recommendations.

The Department recommends the continued and improved utilization of LIS leads data to complete MSP eligibility determinations. As suggested within the “*Opportunities to Increase Enrollment in Medicare Savings Programs*” bulletin, the Department recommends the utilization of LIS leads data to initiate MSP applications. The state currently receives and attempts to manually process a daily file with LIS data to determine MSP eligibility for those customers. The LIS leads data includes the information the Department needs to determine MSP eligibility. The Department plans to gain access to an additional yearly file containing customers who may have been missed in the daily file processing and attempt to determine eligibility for them as well.

The CMS bulletin also acknowledges differences in LIS and MSP income and asset counting rules to determine eligibility. The Department recommends exploration of the option of using section 1902(r)(2)(A) authority to better align the eligibility methodologies of the two programs.

Options available for consideration under 1902(r)(2)(A) authority include the disregard of certain income and assets, increasing the income level to qualify for MSP, and adopting the LIS family size definition when determining eligibility for MSP.

- Disregarding Certain Income and Assets

The Department identified numerous types of income and assets that have varying disregard rules between LIS and MSP. Aligning one or some of those disregards could increase the number of LIS customers who are eligible for MSP in Illinois. Those disregard options include:

- Burial Contracts - As of 2022, irrevocable burial contracts are entirely exempt for the LIS program, but MSP exempts only \$7,248 for irrevocable contracts and \$1,500 for revocable burial contracts.
- Burial Funds – Funds up to \$1,500 that are set aside for burial expenses in an account identified as a burial fund are exempt for MSP; if an individual alleges their resources will be used for burial expenses up to \$1,500 is excluded for an individual and \$3,000 for a married couple from countable resources for LIS.

- Earned Income Deductions – Various differences exist between the allowable earned income deductions for the MSP and LIS. Refer to Appendix I for links to policy sections which detail the budgeting methodology for each program.
- Life Insurance – Exempt if value is less than \$1,500 or policy type is classified as exempt; Cash Surrender Value (CSV) is exempt for LIS.
- Dividend and Interest – Exempt if amount does not exceed the resource limit for MSP; dividend and interest is not countable for LIS.
- Vehicle Exemptions – One vehicle may be exempt if it meets applicable criteria for MSP; vehicles are not countable for LIS.
- Household Goods and Personal Effects – Exempt if value is less than \$2,000 for MSP; household goods and personal effects not countable for LIS.

The Department is still exploring the implementation and has not concluded the extent to which alignment may occur for all identified program differences. The allowable disregard discrepancies between MSP and LIS for burial funds, dividend and interest appear to be minimal. More significant discrepancies have been identified between the programs for earned income deductions, burial contracts, life insurance, vehicle exemptions, household goods and personal effects, and therefore will require additional analysis.

- Increasing The Income Level to Qualify for MSP

The income limits for MSP and LIS eligibility are determined based on a percentage of the federal poverty level (FPL) and are not presently aligned. MSP has three categories with different income levels and varying levels of Part A and B premium assistance. To be eligible for MSP, a customer may have countable income less than 100% for Qualified Medicare Beneficiary (QMB), greater than 100% but less than 120% of the FPL for Specified Low-Income Medicare Beneficiary (SLIB), and at least 120% but less than 135% of the FPL for Qualified Individuals-1 (QI-1). For LIS, to be eligible for a full (100%) premium subsidy, a customer may have countable income less than or equal to 135%. A customer may be eligible for a partial premium subsidy if their countable income is greater than 135%, but less than 150% of the FPL.

The Department recommends the alignment of MSP and LIS income levels, to the extent determined to be feasible. Comparable income levels will result in an opportunity for more consistency between programs and increased MSP enrollment.

- Adopting the LIS Family Size Definition for MSP

For purposes of determining eligibility for LIS, household size includes: the individual applying, their spouse, and any relatives living in the household who are dependent on the individual or their spouse for at least one-half of their financial support. The maximum household size for MSP is two, the individual applying and their spouse.

The Department recommends adopting the LIS household definition for MSP applicants. A larger countable household size increases the income threshold for the applicant.

Therefore, modifying the MSP FPL and household definition to align with LIS may increase MSP enrollment and the likelihood of comparable eligibility outcomes.

Additional Streamlining Options, Not Recommended

The Department's investigation revealed additional discrepancies between the LIS and MSP programs that the Department does not recommend aligning.

- **MSP and LIS Redetermination Periods Should Remain Different**

At this time, the Department does not recommend aligning the MSP and LIS redetermination periods. Federal CMS advised that aligning the redetermination processes is most likely not doable, in part, due to deeming; noting that once an individual qualifies for MSP, they are automatically deemed for LIS, and therefore SSA ceases completion of LIS renewals for those individuals. In addition, MSP redeterminations are completed every twelve months during the time period aligning with the medical redetermination for dually eligible customers. This MSP redetermination date varies for each customer and is determined by the date they first became eligible. LIS redeterminations occur during a set month (August) each year, when SSA systems identify beneficiaries who receive LIS and meet the criteria for a redetermination.

- **MSP and LIS Allowable Income Disregards Should Remain Different**

The allowable monthly income disregard for MSP is \$25 and \$20 for LIS. It would not be advantageous for customers for the state to decrease the allowable disregard amount for MSP to align with LIS.

Conclusion and Next Steps

The Department now welcomes public feedback on this report between July 1 and October 1, 2022. Please submit feedback to HFS.Eligibility.Policy@Illinois.gov

Once HFS receives public feedback and determines the final changes it will implement, the Department will analyze the necessary administrative and programmatic steps to implement the changes to its MSP program. As applicable, Administrative Rule, State Plan amendments and policy revisions will be completed to implement changes for the MSP eligibility group. Any of these recommended changes will require both federal approval as well as Integrated Eligibility System (IES) programming changes that will make full implementation before July 1, 2023 a challenge, but the Department will strive to achieve that date.

HFS looks forward to receiving public feedback on this report and to continuing its work with interested stakeholders on streamlining enrollment for Illinois' MSP eligible population.

Appendix I

Medicare Savings Program (MSP) vs Low-Income Subsidy (LIS) Program Requirements

DIFFERENT PROGRAM REQUIREMENTS		
	MSP	LIS
Burial contracts	Exempt \$7,248 (2022 amt) for irrevocable; Exempt \$1,500 for revocable. Section 120.381 Exempt Resources PM 07-02-08-c	Exempt HI 03030.001
Burial Funds	Exempt \$1,500- must be in a bank account and identified as a burial fund Section 120.381 Exempt Resources PM 07-02-08-a	Exempt \$1,500 individual, \$3,000 for married couple HI 03030.020
Life insurance	Not countable if value is < \$1,500 or policy type is exempt Section 120.381 Exempt Resources PM 07-02-07	Exempt Cash Surrender Value (CSV) HI 03030.020
Dividend and Interest	Not countable if amount does not exceed resource limit PM 08-02-06-i.	Exempt HI 03020.050

All vehicles (autos, trucks, motorcycles, boats, snowmobiles, etc.)	One vehicle may be exempt if criteria is met Section 120.381 Exempt Resources PM 07-02-05	Exempt HI 03030.001
Household goods and personal effects	Exempt if < \$2,000 Section 120.381 Exempt Resources PM 07-02-06-b	Exempt HI 03030.001
FPL	<p>QMB: < 100%</p> <p>SLIB: > 100% < 120%</p> <p>QI-1: >120% < 135%</p> <p>Section 120.74 Qualified Medicare Beneficiary (QMB) Income Standard</p> <p>Section 120.75 Specified Low-Income Medicare Beneficiaries (SLIBs) and Qualified Individuals-1 (QI-1) Income Standards</p> <p>WAG 25-03-02 (2) Medical</p>	<p>Full Subsidy: (100%) < or = 135%</p> <p>Partial Subsidy: (75%) >135% to 140%, (50%) >140% to <145%, (25%) >145% to <150%</p> <p>HI 03020.055</p>
Household composition	Individual and spouse	<p>Individual, spouse, and any relative(s) dependent on the individual or the individual's spouse for at least one-half of their financial support</p> <p>HI 03020.055</p>

<p>Redeterminations</p>	<p>MSP only- Every 12 months</p> <p>Dual Eligibility- align with medical</p> <p>Section 120.72 Eligibility for Medicare Cost Sharing as a Qualified Medicare Beneficiary (QMB)</p> <p>Section 120.73 Eligibility for Payment of Medicare Part B Premiums for Specified Low-Income Medicare Beneficiaries (SLIBs) and Qualified Individuals-1 (QI-1)</p> <p>PM 06-12-04</p> <p>PM 06-13-04</p> <p>PM 06-14-04</p>	<p>Four types- Subsidy-Changing Event, Other Event, Initial, and Cyclical HI 03050.020</p>
<p>Disregards</p>	<p>\$25 exempt monthly</p> <p>Section 120.362 Exempt Earned Income</p> <p>PM 08-02-01.</p>	<p>\$20 exempt monthly</p> <p>SI 00810.420</p>
<p>Earned Income Deductions</p>	<p>Section 120.362 Exempt Earned Income</p>	<p>HI 03020.030</p>

	Section 120.370 Recognized Employment Expenses <u>PM 08-02-03.</u>	
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SAME PROGRAM REQUIREMENTS		
	MSP	LIS
Cash	Countable Section 120.380 Resources	Countable HI 03020.001
Stocks	Countable Section 120.380 Resources PM 07-02-06	Countable HI 03030.001
Bonds	Countable Section 120.380 Resources PM 07-02-06	Countable HI 03030.001
Annuities	Countable Section 120.347 Treatment of Trusts and Annuities PM 07-02-17	Countable HI 03030.001
Financial Institution Accounts (including savings, checking, and time deposits, also known as certificates of deposit)	Countable Section 120.380 Resources PM 07-02-06	Countable HI 03030.001
Mutual fund shares	Countable Section 120.380 Resources PM 07-02-06	Countable HI 03030.001

Retirement Accounts (including Individual Retirement Accounts (IRA), and 401(k) accounts)	Countable PM 07-02-17	Countable HI 03030.001
Promissory notes	Countable Section 120.380 Resources PM 07-02-06	Countable HI 03030.001
Real property	Homestead- Exempt; Non-Homestead - Equity value countable Section 120.381 Exempt Resources PM 07-02-04 PM 07-02-04-a	Non-Homestead - Equity value countable HI 03030.001
Trusts	Countable and not countable- dependent on terms of trust Section 120.347 Treatment of Trusts and Annuities PM 07-02-15	Countable and not countable- dependent on terms of trust HI 03030.001
Earned Income	Countable- Wages, self-employment, roomer or boarder, rental management income, Workforce investment act Section 120.360 Earned Income PM 08-02-02	Countable-Wages, self-employment, sheltered workshop service, royalties earned HI 03020.020
Social security, railroad retirement, unemployment insurance, disability benefits, veterans benefits, pensions,	Countable Section 120.330 Unearned Income PM 08-02-06. PM 07-02-17	Countable HI 03020.035 SI 00830.160

alimony and support payments, rents, workmen's compensation, death benefits, royalties not earned		
Burial Spaces	Exempt Section 120.381 Exempt Resources PM 07-02-09	Exempt HI 03030.020
Property of a trade or business essential to the means of support	Exempt Section 120.381 Exempt Resources	Exempt HI 03030.020
Non-business property essential to the means of self-support, excluded up to \$6000	Exempt Section 120.381 Exempt Resources	Exempt HI 03030.020
Stock in regional or village corporations held by natives of Alaska	Exempt PM 07-02-18-k	Exempt HI 03030.020
Restricted allotted Indian lands	Exempt PM 07-02-18-k	Exempt HI 03030.020
Payments provided under Federal statute, other than Title XVIII	Exempt PM 07-02-18-k	Exempt HI 03030.020
Disaster relief assistance	Exempt PM 07-02-18-e	Exempt HI 03030.020
Retained SSI or social security retroactive payments	Exempt PM 07-02-18-k	Exempt HI 03030.020
Housing assistance	Exempt PM 07-02-18-f	Exempt HI 03030.020

Relocation assistance from state or government	Exempt Section 120.335 Exempt Unearned Income	Exempt HI 03030.020
Dedicated financial institution accounts for past due SSI benefits	Exempt PM 07-02-18-g	Exempt HI 03030.020
In-Kind	Exempt Section 120.340 Unearned Income In-Kind PM 08-02-06-a.	Exempt HI 03020.005
SSI, TANF, educational benefits	Exempt Section 120.330 Unearned Income PM 08-02-06.	Exempt HI 03020.035 SI 00830.160
Relationship of Income to Resources	Income month received, resource for following month Section 120.380 Resources PM 07-02-06-a	Income month received, resource for following month HI 03030.010
Resource Limits (2022)	Individual \$8,400; Couple \$12,600 WAG 25-03-02 (2) Medical	Individual \$8,400 and \$12,600 HI 03030.025