MEMORANDUM

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Policy Research, Inc.

TO: National Academy of Social Insurance
Study Panel on Medicare and Medicaid Dual Eligibles

FROM: Jim Verdier **DATE:** 3/13/2006

SUBJECT: **Budget Estimates for Selected Medicare Savings Program Reform Proposals - REVISED**

This revised memo updates and expands my memo of July 14, 2005. It summarizes my estimates of the federal and state budget impacts of potential options to improve the Medicare Savings Program (MSP) and the Medicare Part D low-income drug subsidy, as outlined in the document sent to me by Kathy King on April 1, 2005, and reprinted at the end of this memo. It also includes estimates for some new options that were developed for the NASI Study Panel on Medicare/Medicaid Dual Eligibles subsequent to my July memo. All the estimates are for calendar year 2006. The estimates also assume 100 percent participation by those who meet liberalized eligibility requirements, and thus show the maximum potential additional state and federal costs.

My estimates of the budget impact of options A.1 through A.4 in the April 1 document rely heavily on the February 2005 draft paper prepared for the Study Panel by Mark Merlis entitled "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," and on subsequent e-mail exchanges with Mark. Mark subsequently revised some of his estimates and included some new options in the final September 2005 version of his paper. The methodology I used to derive budget estimates from the population impact estimates in the Merlis paper is detailed in the tables in the attached Excel spreadsheets. When the number and/or the title of an option changed between my July memo and the September 2005 Merlis paper, I have used the option number and title in the September Merlis paper in this memo and the attached spreadsheets.

Budget estimates for most of the other options in the April 1 Kathy King document could not be developed at the same level of detail as those derived from the Merlis estimates, in large measure because the options themselves were not sufficiently detailed in the April 1 document. The table on the next page summarizes the estimates I have made. The Medicare costs fall entirely in the federal budget, while Medicaid costs are divided between the federal share (57 percent on average) and the state/local share (43 percent), with the exception of the QI costs, which are 100 percent federal.

States are required to make a "clawback" payment to the federal government for each full-benefit dual eligible that is equal in 2006 to 90 percent of the state share of what CMS estimates

per-person Medicaid dual eligible prescription drug expenditures would have been in that year. I have not attempted to estimate the impact of the clawback on any of the options discussed below.

SUMMARY OF BUDGET ESTIMATES, BY OPTION

I've summarized briefly below my estimates of the budget impact of each option For those options that I could not estimate, I have provided a brief summary of the main issues that would have to be addressed to make an estimate, and potential data sources.

Federal and State Budget Impacts of Selected Options, in Millions, Calendar Year 2006

Option	Medicaid State Costs	Medicaid Federal Costs	Medicare Federal Costs
Option 1: Uniform methodologies for MSP benefits and drug subsidies *(Option 5 in 2/18/06 Study Panel draft report and A.1 in my July 2005 memo)*	$2,552	$3,384	$2,747
Option 2: Align MSP categories with MMA drug subsidy categories *(Option 6 in 2/18/06 Study Panel draft report)*	6,159	8,164	2,296
Option 3: Annuitized liquid assets *(Option 8 in 2/18/06 Study Panel draft report and A.3 in my July 2005 memo)*	3,739	4,957	2,214
Option 4: Combine Option 2 with uniform income and asset limits for full benefits	6,107	8,096	2,296
Option 7 in Study Panel draft report: Same as Merlis Option 2, but QMB and QI asset limits are doubled	7,074	9,377	3,444
A.2 Collapse six eligibility categories into two and use uniform methodologies	4,578	6,069	2,296
A.4 Combine uniform income standards and asset methodologies (Option A.2) with higher resource standards	5,614	7,441	3,444
A.5 Eliminate asset recovery for MSP beneficiaries	*	*	*
A.6 Give SSA legislative authority to make MSP eligibility determinations	**	**	**
B.1 Federally fund the entire MSP program Part B premiums Part A and B deductibles and coinsurance	 -3,000 -9,000	 3,000 9,000	
B.2 Provide personalized assistance to probable eligibles to encourage them to enroll and to assist with the application	**	**	**

B.3 Have SSA provide use information they get from beneficiaries on drug subsidy applications to better target the Section 1144 mailings	**	**	**
B.4 Variant – have SSA provide targeted information (obtained from beneficiaries applying for the low-income subsidy) to states for MSP follow-up	**	**	**
B.5 Pursue GPRA model – collaborative workgroups, making information about results available, providing informational material	**	**	**

***** Data not sufficient for an estimate, but costs to Medicaid are likely to be small.
****** Proposal not sufficiently detailed to estimate

Option 1: Uniform methodologies for MSP benefits and drug subsidies

This estimate is based on the population estimates in Table 10 in the September 2005 Merlis paper. It is Option 5 in the Study Panel's February 18, 2006 draft report, and it was Option A.1 in my July 14, 2005 memo. This option would increase state and federal Medicaid costs by an estimated $5.9 billion at 2006 program levels, and would increase Medicare costs for the low-income drug subsidy by $2.7 billion.

Option 2: Align MSP categories with MMA drug subsidy categories

This estimate is based on Table 12 in the September Merlis report, and it is Option 6 in the Study Panel's February draft report. It would increase state and federal Medicaid costs by $14.3 billion, and would increase Medicare low-income drug subsidy costs by $2.3 billion.

Option 3: Annuitized liquid assets

This estimate is based on Table 15 in the September Merlis report, and it is Option 7 in the Study Panel's draft report. It would increase state and federal Medicaid costs by $8.7 billion, and would increase Medicare low-income drug subsidy costs by $2.2 billion.

Option 4: Combine Option 2 with uniform income and asset limits for full benefits

This estimate is based on Table 17 in the September Merlis report. It would increase state and federal Medicaid costs by $14.2 billion, and Medicare low-income drug subsidy costs by $2.3 billion.

Option 7 in Study Panel draft report: Same as Merlis Option 2, but QMB and QI asset limits are doubled

This option was not included in the September Merlis report, but Mark provided me with population estimates in a September 20, 2005 e-mail. The option would increase state and

federal Medicaid costs by $16.5 billion, and would increase Medicare low-income drug subsidy costs by $3.4 billion.

A.2. Collapse six eligibility categories into two and use uniform methodologies

Based on the population estimates in Table 12 in the draft Merlis February 2005 paper and subsequent e-mails, this option would add an estimated $10.6 billion to federal and state Medicaid costs, and increase projected Medicare low-income drug subsidy costs by about $2.3 billion.

A.4. Combine uniform income standards and asset methodologies (Option A.2) with higher resource standards

Based on the population estimates in Table 16 in the draft Merlis February paper and subsequent e-mails, this would increase estimated Medicaid costs by $13.1 billion, and increase Medicare drug subsidy costs by about $3.4 billion.

A.5. Eliminate estate recovery for MSP beneficiaries

The impact on Medicaid budgets of eliminating estate recovery just for MSP beneficiaries is likely to be small. Only 22 states currently include MSP payments in the services that are recoverable, and 10 of those states are at or below the national median in terms of total recoveries as a percent of total long-term care expenditures (a very rough measure of a state's aggressiveness in estate recovery).[1] Even in those states that nominally include MSP beneficiaries in their estate recovery programs, it is not likely that the state recovers significant amounts of money. Annual Medicaid-paid premiums and cost sharing for QMBs will average about $2,800 in 2006, and the amounts for SLMBs and QIs are less than a third of that, since only Part B premiums (estimated to be $1,070 a year in 2006) are paid by Medicaid. It is not likely that states would devote significant resources to collecting those relatively small amounts of money. States in general do not recover substantial amounts through their estate recovery programs. The AARP survey cited earlier found that the median state recovered 0.57% of its total annual long-term care expenditures through such programs. The Congressional Budget Office estimates that the President's proposals to tighten estate recovery rules in Medicaid would save $3 billion over the next ten years, approximately 0.001 percent of the 2,775 billion in projected Medicaid expenditures over those ten years.[2]

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[1] Naomi Karp, Charles P. Sabatino, and Erica F. Wood, "Medicaid Estate Recovery: A 2004 Survey of State Programs and Practices," Washington, DC: AARP Public Policy Institute, June 2005, Tables 9 and 2. Available on the web at: http://assets.aarp.org/rgcenter/il/2005_06_recovery.pdf.

[2] Congressional Budget Office, "An Analysis of the President's Budgetary Proposals for Fiscal Year 2006," (March 2005).

A.6. Give SSA legislative authority to make MSP eligibility determinations

The reduction in administrative costs for state Medicaid agencies that would result from shifting this responsibility to SSA would be largely offset by the increases in administrative costs for SSA. In each case, the changes in administrative costs would likely be modest, since these MSP eligibility determinations are now made by state eligibility workers for whom it is only a small portion of their work. Removing this responsibility would change state administrative costs only at the margin. Similarly, the increases in SSA administrative costs would likely represent only a marginal increase in the costs SSA will be incurring for other aspects of Medicare Part D eligibility determination.

B.1. Federally fund the entire MSP program

The Urban Institute has estimated that Medicaid payments to Medicare for Medicare Part B premiums in 2003 were 2.3 percent of total Medicaid expenditures of $266 billion in that year, or approximately $6 billion.[3] With 2006 Medicaid expenditures estimated at about $312 billion in 2006 by both CMS and CBO, 2.3 percent would represent a little over $7 billion in that year. Since the federal government already pays 57 percent of those costs, taking over the remaining 43 percent state share would add approximately $3 billion to federal Medicaid expenditures at 2006 program levels, and save the same amount for states. Medicaid expenditures for Part A and B deductibles and coinsurance account for approximately 7 percent of total Medicaid spending, which would put the state share at approximately $9 billion at 2006 program levels, using the same methodology.[4]

B.2. Provide personalized assistance to probable eligibles to encourage them to enroll and to assist with the application

More specificity is needed about which entities would provide this assistance, and the number of eligibles who would be targeted, before the budget impact of this option can be estimated.

B.3. Have SSA provide use information they get from beneficiaries on drug subsidy applications to better target Section 1144 mailings

SSA may be able to provide estimates of the additional administrative costs that this option might entail, but I expect the additional costs would be small. If additional beneficiaries enroll in the drug subsidy program as a result of this initiative, there would be additional Medicare costs

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[3] Kaiser Commission on Medicaid and the Uninsured, "The Medicaid Program at a Glance," January 2005.
[4] This estimate is very approximate, since existing data sources do not report Medicaid payments for Part A and B cost sharing with much precision or reliability.

of about $1,400 per beneficiary for enrollees in the full drug subsidy and $1,300 per beneficiary for enrollees in the partial drug subsidy, based on CBO estimates for 2006.

B.4. Variant – have SSA provide targeted information (obtained from beneficiaries applying for the low-income subsidy) to states for MSP follow-up

Some of the SSA administrative costs for option B.3 would be shifted to states under this option. Estimating those state costs would be problematic, given the wide variation in state administrative structures, the limited availability of data on state administrative costs, and the uncertainty about the extent of state follow-up.

B.5. Pursue GPRA model – collaborative workgroups, making information about results available, providing informational material

More information about which entities would have responsibility for these activities, and about the scope of the activities, would be needed to estimate the budget impact of this option.

One Percentage Point Increase in Current MSP Participation Rates

This section provides rough rule-of-thumb estimates of the budget impact of increasing MSP participation rates by one percentage point. It does not include any estimates of federal or state administrative costs that might be needed to achieve this increase in participation. The calculation shown on the next page uses the annual Medicare/Medicaid costs per enrollee used in the spreadsheets (separately transmitted) for options A.1 through A.4.[5] The estimates for QMB, SLMB, and QI enrollment in 2006 are derived from Medicaid Statistical Information System (MSIS) files for 2003, and assume an increase in enrollment of 6 percent between 2003 and 2006. The estimates below assume that all the estimated 73,000 new MSP enrollees would receive the full Medicare Part D low-income subsidy, and that they would not otherwise have received that subsidy. Under these assumptions, total additional Medicaid costs (state and federal) would be $244.9 million, and increased Medicare costs would be $102.2 million.[6]

[5] The costs per enrollee for full duals and QMBs are probably a bit high, since they are based on average costs for current enrollees. The costs for new enrollees are likely to be somewhat lower, since a large share of those anticipating high use of Medicare services have probably already enrolled.

[6] This calculation assumes that whatever is done to increase participation results in a uniform one percentage point increase in participation in all components of the MSP, and that there are no interactions among the components, such as movement of beneficiaries from one category to another.

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Study Panel on Medicare and Medicaid Dual Eligibles
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DATE: 3/13/2006

	Current # of Enrollees	X 1% X	2006 Cost Per Enrollee	= Increased Cost (Millions)
MEDICAID COSTS (57% Federal, 43% State)				
Full Duals	6,300,000	63,000	$3,600	$226.8
QMB	430,000	4,300	$2,800	$12.0
SLMB	370,000	3,700	$1,070	$4.0
QI (100% Federal)	200,000	2,000	$1,070	$2.1
Subtotal				$244.9
MEDICARE COSTS (100% Federal)				
Full Drug Subsidy		73,000	$1,400	$102.2
Total				**$347.1**

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Attachment to Agreement Scope of Work Text
April 1, 2005 E-mail from Kathy King
on behalf of the National Academy of Social Insurance

Potential Options to Be Scored

Note: This list does not include combining the MSP and low-income drug subsidy programs.

A. Improving the Medicare Savings Program and the Low-Income Subsidy

1. Simplifying income and resource standards and methodologies for determining them
    a. Use uniform methodologies for determining income and assets
        1. Use applicant's actual family size
        2. Disregard in-kind income from adult children with whom beneficiaries are living
        3. Disregard certain kinds of resources
            i. Income producing property
            ii. Life insurance policies
            iii. Vehicles

2. Collapse six eligibility categories into two and use uniform methodologies (income for full benefits at 79% of poverty; income for QMB and SLMB set at 125 % of poverty, and QI income level set at MMA level for partial subsidy)
    a. Variant – treat uniform rules as a floor and allow states to have more generous standards
    b. Variant – allow states to cover additional people (or those who lose benefits as a result of the standardization) at their own expense
3. Annuitize assets
    a. liquid assets
    b. retirement funds
    c. life insurance
4. Combine uniform income standards and asset methodologies with higher resource standards ($4,000/6,000 for full duals, $10,000/$15,000 for QMB, and $20,000/$40,000 for SLMB and Q1)
5. Eliminate estate recovery for MSP beneficiaries
6. Give SSA legislative authority to make MSP eligibility determinations
    a. Variant – All states would be required to use the standard qualifications for MSP

b. Variant – As with 209b states in Medicaid, states could opt out of having SSA make eligibility determinations and continue to apply more restrictive eligibility criteria

B. Making the Current Programs Work Better

1. Federally fund the entire MSP program
   a. Variant – increase the federal match rate for MSP enrollees
   b. Variant- provide a financial bonus for higher take-up rates
   c. Variant- increase the match rate just for outreach activities

2. Provide personalized assistance to probable eligibles to encourage them to enroll and to assist with the application. This type of personalized outreach could be done by SSA, local AoAs, SHIPs, private organizations under contract, or other volunteers
3. Have SSA provide use information they get from beneficiaries on drug subsidy applications to better target the Section 1144 mailings
4. Variant – have SSA provide targeted information (obtained from beneficiaries applying for the low-income subsidy) to states for MSP follow-up
5. Pursue GPRA model – collaborative workgroups, making information about results available, providing informational material

National Academy of Social Insurance
Medical Savings Programs Reform/Expansion Options
Estimated Medicaid and Medicare Budget Impact
Calendar Year 2006

Option 1: Uniform Methodologies for MSP Benefits and Drug Subsidies

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	0%	X	35	=	0.0	X	$3,600	=	$0.0
Disabled	0%	X	6	=	0.0	X	$3,600	=	$0.0
QMB									
Aged	3%	X	35	=	1.05	X	$2,800	=	$2,940.0
Disabled	10%	X	6	=	0.6	X	$2,800	=	$1,680.0
SLMB									
Aged	2%	X	35	=	0.7	X	$1,070	=	$749.0
Disabled	3%	X	6	=	0.18	X	$1,070	=	$192.6
QI (100% Federal)									
Aged	1%	X	35	=	0.35	X	$1,070	=	$374.5
Disabled	0%	X	6	=	0.0	X	$1,070	=	$0.0
Subtotal					2.9				$5,936.1
MEDICARE COSTS (Net Change) (100% Federal)									
Full drug subsidy[4]	2%	X	41	=	0.82	X	$1,400	=	$1,148.0
Partial drug subsidy[5]	3%	X	41	=	1.2	X	$1,300	=	$1,599.0
Subtotal					2.1				$2,747.0
TOTAL					**4.9**				**$8,683.1**

[1] Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," September 2005, Table 10.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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Option 2: Align MSP Categories with MMA Drug Subsidy Categories[1]

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	0%	X	35	=	0.0	X	$3,600	=	$0.0
Disabled	0%	X	6	=	0.0	X	$3,600	=	$0.0
QMB									
Aged	11%	X	35	=	3.85	X	$2,800	=	$10,780.0
Disabled	23%	X	6	=	1.38	X	$2,800	=	$3,864.0
SLMB									
Aged	-3%	X	35	=	-1.05	X	$1,070	=	-$1,123.5
Disabled	-7%	X	6	=	-0.42	X	$1,070	=	-$449.4
QI (100% Federal)									
Aged	3%	X	35	=	1.05	X	$1,070	=	$1,123.5
Disabled	2%	X	6	=	0.1	X	$1,070	=	$128.4
Subtotal					4.9				$14,323.0
MEDICARE COSTS (Net Change) (100% Federal)									
Full drug subsidy[4]	4%	X	41	=	1.64	X	$1,400	=	$2,296.0
Partial drug subsidy[5]	0%	X	41	=	0.0	X	$1,300	=	$0.0
Subtotal					1.6				$2,296.0
TOTAL					**6.6**				**$16,619.0**

1 Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," September 2005, Table 12. Full benefit dual eligible income limits vary by state, asset limits are $2,000/$3,000. QMB income limits are 135% FPL and asset limits are $6,000/$9,000. QI incomelimits are 150% FPL and asset limits are $10,000/$20,000.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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Option 3: Annuitized Liquid Assets

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	5%	X	35	=	1.8	X	$3,600	=	$6,300.0
Disabled	5%	X	6	=	0.3	X	$3,600	=	$1,080.0
QMB									
Aged	0%	X	35	=	0	X	$2,800	=	$0.0
Disabled	0%	X	6	=	0	X	$2,800	=	$0.0
SLMB									
Aged	2%	X	35	=	0.7	X	$1,070	=	$749.0
Disabled	2%	X	6	=	0.12	X	$1,070	=	$128.4
QI (100% Federal)									
Aged	1%	X	35	=	0.35	X	$1,070	=	$374.5
Disabled	1%	X	6	=	0.1	X	$1,070	=	$64.2
Subtotal					3.3				$8,696.1
MEDICARE COSTS (100% Federal)									
Full drug subsidy[4]	2%	X	41	=	0.82	X	$1,400	=	$1,148.0
Partial drug subsidy[5]	2%	X	41	=	0.8	X	$1,300	=	$1,066.0
Subtotal					1.6				$2,214.0
TOTAL					**4.9**				**$10,910.1**

[1] Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," September 2005, Table 15.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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Option 4: Combine Option 2 with Uniform Income and Asset Limits for Full Benefits

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	0%	X	35	=	0.0	X	$3,600	=	$0.0
Disabled	1%	X	6	=	0.1	X	$3,600	=	$216.0
QMB									
Aged	11%	X	35	=	3.85	X	$2,800	=	$10,780.0
Disabled	21%	X	6	=	1.26	X	$2,800	=	$3,528.0
SLMB									
Aged	-3%	X	35	=	-1.05	X	$1,070	=	-$1,123.5
Disabled	-7%	X	6	=	-0.42	X	$1,070	=	-$449.4
QI (100% Federal)									
Aged	3%	X	35	=	1.05	X	$1,070	=	$1,123.5
Disabled	2%	X	6	=	0.1	X	$1,070	=	$128.4
Subtotal					4.9				$14,203.0
MEDICARE COSTS (Net Change) (100% Federal)									
Full drug subsidy[4]	4%	X	41	=	1.64	X	$1,400	=	$2,296.0
Partial drug subsidy[5]	0%	X	41	=	0.0	X	$1,300	=	$0.0
Subtotal					1.6				$2,296.0
TOTAL					**6.5**				**$16,499.0**

[1] Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," September 2005, Table 17. Full benefit dual eligible income limits are 79 percent of poverty rather than varying by state, asset limits are $2,000/$3,000. QMB income limits are 135% FPL and asset limits are $6,000/$9,000. QI income limits are 150% FPL and asset limits are $10,000/$20,000.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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Option 7: Same as Option 2, but QMB and QI Asset Limits are Doubled[1]

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	0%	X	35	=	0.0	X	$3,600	=	$0.0
Disabled	0%	X	6	=	0.0	X	$3,600	=	$0.0
QMB									
Aged	13%	X	35	=	4.55	X	$2,800	=	$12,740.0
Disabled	24%	X	6	=	1.44	X	$2,800	=	$4,032.0
SLMB									
Aged	-3%	X	35	=	-1.05	X	$1,070	=	-$1,123.5
Disabled	-7%	X	6	=	-0.42	X	$1,070	=	-$449.4
QI (100% Federal)									
Aged	3%	X	35	=	1.05	X	$1,070	=	$1,123.5
Disabled	2%	X	6	=	0.1	X	$1,070	=	$128.4
Subtotal					5.7				$16,451.0
MEDICARE COSTS (100% Federal)									
Full drug subsidy[4]	6%	X	41	=	2.46	X	$1,400	=	$3,444.0
Partial drug subsidy[5]	0%	X	41	=	0.0	X	$1,300	=	$0.0
Subtotal					2.5				$3,444.0
TOTAL					**8.2**				**$19,895.0**

[1] Mark Merlis, September 20, 2005 e-mail to Jim Verdier. Income and asset limits are the same as option 2, except asset limits for QMBs are $12,000/$18,000 and for OIs are $20,000/$40,000. Not included in Merlis September 2005 report; option 7 in NASI report.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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A.2. Collapse six eligibility categories into three and use uniform methodologies

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	-1%	X	35	=	-0.4	X	$3,600	=	-$1,260.0
Disabled	1%	X	6	=	0.1	X	$3,600	=	$216.0
QMB									
Aged	8%	X	35	=	2.8	X	$2,800	=	$7,840.0
Disabled	17%	X	6	=	1.02	X	$2,800	=	$2,856.0
SLMB									
Aged	-3%	X	35	=	-1.05	X	$1,070	=	-$1,123.5
Disabled	-7%	X	6	=	-0.42	X	$1,070	=	-$449.4
QI (100% Federal)									
Aged	6%	X	35	=	2.1	X	$1,070	=	$2,247.0
Disabled	5%	X	6	=	0.3	X	$1,070	=	$321.0
Subtotal					4.5				$10,647.1
MEDICARE COSTS (Net Change) (100% Federal)									
Full drug subsidy[4]	4%	X	41	=	1.64	X	$1,400	=	$2,296.0
Partial drug subsidy[5]	0%	X	41	=	0.0	X	$1,300	=	$0.0
Subtotal					1.6				$2,296.0
TOTAL					**6.1**				**$12,943.1**

[1] Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," February 2005, Table 12. August 18th - 24th e-mails to Jim Verdier.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.

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A.4. Combine uniform income standards and asset methodologies (Option A.2) with higher resource standards

	Percent of Medicare beneficiaries qualifying[1]		Medicare enrollees in 2006[2] (millions)		Number qualifying (millions)		Annual Medicaid/ Medicare cost per enrollee[3]		Increase in annual spending (millions)
MEDICAID COSTS (57% Federal, 43% State)									
Full Benefit									
Aged	0%	X	35	=	0.0	X	$3,600	=	$0.0
Disabled	1%	X	6	=	0.1	X	$3,600	=	$216.0
QMB									
Aged	9%	X	35	=	3.15	X	$2,800	=	$8,820.0
Disabled	18%	X	6	=	1.08	X	$2,800	=	$3,024.0
SLMB									
Aged	-3%	X	35	=	-1.05	X	$1,070	=	-$1,123.5
Disabled	-7%	X	6	=	-0.42	X	$1,070	=	-$449.4
QI (100% Federal)									
Aged	6%	X	35	=	2.1	X	$1,070	=	$2,247.0
Disabled	5%	X	6	=	0.3	X	$1,070	=	$321.0
Subtotal					5.2				$13,055.1
MEDICARE COSTS (100% Federal)									
Full drug subsidy[4]	6%	X	41	=	2.46	X	$1,400	=	$3,444.0
Partial drug subsidy[5]	0%	X	41	=	0.0	X	$1,300	=	$0.0
Subtotal					2.5				$3,444.0
TOTAL					**7.7**				**$16,499.1**

[1] Mark Merlis, "Eligibility Standards for Medicare/Medicaid Dual Eligibles: Issues and Options for Reform," February 2005, Table 16. August 18th - 24th e-mails to Jim Verdier.

[2] CMS/CBO estimates, rounded. Excludes 1.6 million institutionalized beneficiaries.

[3] CBO, "A Detailed Description of CBO's Cost Estimate for the Medicare Prescription Drug Benefit," July 2004, p. 29; Brian Bruen and John Holahan, "Shifting the Cost of Dual Eligibles: Implications for States and the Federal Government," Kaiser Commission on Medicare and the Uninsured, November 2003; Robert Pear, "Medicare Costs Rise, So Premiums Will, Too," New York Times, April 1, 2005 (2006 Part B premiums will rise to $89.20 per month, or $1,070 per year).

[4] CBO estimates the annual per-beneficiary cost of the full drug subsidy at $1,400.

[5] CBO estimates the annual per-beneficiary cost of the partial drug subsidy at $1,300.