



California

What do the differences in the House and Senate Medicare drug bills mean for low-income residents of California?

There are over 3.47 million seniors in Medicare living in California; approximately 889,000 of them have incomes under 160 percent of poverty (\$14,368 a year for an individual). In addition, approximately 123,000 Californians who qualify for Medicare because of disabilities have incomes below 160 percent of poverty. The Senate bill will give significant help to all of these low-income Californians so that they can better afford the prescription drugs they need. The Senate bill will also ensure that all of the 3.9 million Medicare beneficiaries living in California have access to a prescription drug plan.

Although the Senate bill's provisions are far better than the House's in most areas regarding treatment of low-income beneficiaries, in one area, the House bill is preferable, which is treatment of dual-eligibles as primarily in Medicare.

The Senate Bill's Low-Income Provisions Will Help More Californians

The Senate Bill

Help for more people. The Senate bill provides substantial additional assistance with drug costs to *all* Californians in Medicare who have incomes below 160 percent of poverty. That's over 1 million people—approximately 889,000 low income seniors and 123,000 people with disabilities

The assets test is much more favorable. The Senate bill's assets eligibility test for low-income assistance is more generous than the House bill's. The assets test is \$10,000 for an individual and \$20,000 for a couple. Additionally, low-income people with greater assets still qualify for improved subsidies based on the assistance provided to people with incomes between 135 to 160 percent of poverty.

The House Bill

Fewer people helped. The House bill provides low-income assistance with drug costs only to individuals with incomes up to 135 percent of poverty (\$12,123 a year for an individual)—approximately 632,000 seniors in California and 88,000 people with disabilities. After that, the bill only gives help with premium costs. Compared to the Senate bill, the House bill gives low-income help with drug costs to approximately 292,000 *fewer* Californians in Medicare.

The assets test disqualifies more people from needed subsidies. Many low-income seniors and people with disabilities will be disqualified under the House bill, which has a strict limit on allowable assets for low-income assistance—\$6,000 in assets for an individual, \$9,000 for a couple.

The Senate Bill Will Give Low-Income Californians More Help

The Senate Bill

Help with every prescription. The Senate bill gives much greater help to low-income Californians, especially because *there is no gap in subsidy coverage*.

The examples below illustrate the differences between the bills.

The House Bill

Help with only some prescriptions. The House bill has a huge gap in coverage. After low-income Arizonans have \$2,000 in drug costs—less than the average Medicare beneficiary spends on prescription drugs in a year—Medicare will not help pay for any more prescriptions until an individual has spent \$3,500 out-of-pocket on drugs. That's more than one-third of income for someone at 100 percent of poverty.

Illustrations of Annual Out-of-Pocket Spending

Income Under 100% of Poverty

Beneficiary Rx Use	Senate Bill	House Bill
\$2,000	\$50	\$114
\$3,000	\$75	\$1,114
\$5,000	\$138	\$3,114

Income 100% to 135% of Poverty

Beneficiary Rx Use	Senate Bill	House Bill
\$2,000	\$100	\$114
\$3,000	\$150	\$1,114
\$5,000	\$275	\$3,114

Income 135% to 150%* of Poverty

Beneficiary Rx Use	Senate Bill	House Bill
\$2,000	\$455	\$810
\$3,000	\$555	\$1,810
\$5,000	\$805	\$3,710

* (160 percent in Senate bill)

The Senate Bill Guarantees All Californians Access to a Prescription Drug Plan

The Senate Bill

Public fall-back plans for underserved areas. The Senate bill guarantees that all of the 3.9 million Medicare beneficiaries living in California will have access to a prescription drug plan.

If fewer than two private plans bid in an area, the government will provide a back-up plan. That's important because private plans do not serve rural areas well, and 173,000 of Californians in Medicare live in rural counties. In early 2003, 152,000, or 88 percent, of these individuals did not have access to a Medicare managed care plan.

The House Bill

No public fall-back plan. The House bill does not include a public fall-back plan to guarantee that the drug benefit is available in areas not served by private plans.

Given private plans' poor record of serving rural areas, the lack of a public fall-back plan could spell difficulty accessing the prescription drug benefit for the 173,000 California Medicare beneficiaries living in rural counties.

Note: Population and income estimates were developed using 1999-2001 Census and 2001 CMS data. For the under 65 Medicare population, estimates assume an income distribution mirroring seniors' in the state. Because this group tends to be poorer than others in Medicare, this likely underestimates the number of people who would be eligible for the low-income benefit under both bills and the additional people who would receive low-income assistance under the Senate bill.

