



Annual Net Benefit of the
Low-Income Subsidy (LIS)
for People Currently Receiving
Other Public Benefits
(Food Stamps, Housing Assistance)

June 2, 2005

Source: RealBenefits, Inc.

Introduction

More than 14 million Medicare beneficiaries with low-incomes are eligible for new Medicare benefits that will cover between 85% and 100% of their prescription drug costs. However, more than 7 million of these Medicare beneficiaries will not be automatically enrolled in the new benefits and therefore they must sign up to receive them.

Recently, there have been some stories in the media suggesting that people who current receive Food Stamps and/or federal housing subsidies might be worse off if they sign up for the new Medicare prescription drug benefit. The concern is that Medicare beneficiaries who sign up for the new prescription drug benefit will have lower out-of-pocket expenditures which could result in lower Food Stamps payments and/or rent subsidies.

ABC asked Real Benefits, Inc., a non-profit organization based in Boston, to examine the interaction between the Medicare prescription drug benefit and Food Stamps and federal rent subsidies. Real Benefits has developed sophisticated software to analyze the interactive effects of different public benefits and provides public benefit screening and enrollment assistance for USDA and in the states of Illinois, Massachusetts and Florida.

The results of this analysis show that, in all the cases examined, the value of the extra help through the prescription drug benefit exceeds any modest reductions in Food Stamps and/or Section 8 Public Housing benefits. Furthermore, by signing up for the new Medicare benefits now, consumers will get valuable protection against the possibility of needing more medicines as they get older and avoid potential penalties from not signing up before May 2006.

People with Medicare who have limited incomes will be substantially better off with this coverage and we recommend that they apply for the benefit. In most cases, they will save several hundred to several thousand dollars in 2006 by signing up for extra help with their prescription costs.

Annual Net Benefit of the Low-Income Subsidy (LIS) for People with Food Stamps in 3 States

Florida

DRUG COSTS			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45	\$ 10	\$ 10	\$ -	\$ 45	\$ 540
\$ 100	\$ 10	\$ 90	\$ 18	\$ 10	\$ (8)	\$ 82	\$ 982
\$ 200	\$ 20	\$ 180	\$ 63	\$ 10	\$ (53)	\$ 127	\$ 1,522
\$ 300	\$ 30	\$ 270	\$ 108	\$ 10	\$ (98)	\$ 172	\$ 2,062
\$ 400	\$ 40	\$ 360	\$ 153	\$ 10	\$ (143)	\$ 217	\$ 2,602

Illinois

DRUG COSTS			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Total Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45	\$ 15	\$ 10	\$ (5)	\$ 40	\$ 480
\$ 100	\$ 10	\$ 90	\$ 37	\$ 10	\$ (27)	\$ 63	\$ 756
\$ 200	\$ 20	\$ 180	\$ 82	\$ 10	\$ (72)	\$ 108	\$ 1,296
\$ 300	\$ 30	\$ 270	\$ 127	\$ 10	\$ (117)	\$ 153	\$ 1,836
\$ 400	\$ 40	\$ 360	\$ 172	\$ 10	\$ (162)	\$ 198	\$ 2,376

Massachusetts

DRUG COSTS			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Total Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45	\$ 69	\$ 62	\$ (7)	\$ 38	\$ 456
\$ 100	\$ 10	\$ 90	\$ 91	\$ 62	\$ (29)	\$ 61	\$ 732
\$ 200	\$ 20	\$ 180	\$ 136	\$ 62	\$ (74)	\$ 106	\$ 1,272
\$ 300	\$ 30	\$ 270	\$ 181	\$ 62	\$ (119)	\$ 151	\$ 1,812
\$ 400	\$ 40	\$ 360	\$ 226	\$ 64	\$ (162)	\$ 198	\$ 2,376

Source: RealBenefits

Annual Net Benefit of the Low-Income Subsidy (LIS) for People Receiving Food Stamps and Housing Assistance in 3 States

Florida

DRUG COSTS			RENT			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS AND HOUSING ASSISTANCE	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Rent Paid by Beneficiary [Current]	Rent Paid by Beneficiary [With LIS]	Change in Rent Subsidy Amount [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS and Reduced Rent Subsidy]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Total Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 277.20	\$ 277.20	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45.00	\$ 262.20	\$ 275.70	\$ (13.50)	\$ 10	\$ 10	\$ -	\$ 32	\$ 384
\$ 100	\$ 10	\$ 90.00	\$ 247.20	\$ 274.20	\$ (27.00)	\$ 10	\$ 10	\$ -	\$ 63	\$ 756
\$ 200	\$ 20	\$ 180.00	\$ 217.20	\$ 271.20	\$ (54.00)	\$ 10	\$ 10	\$ -	\$ 126	\$ 1,512
\$ 300	\$ 30	\$ 270.00	\$ 187.20	\$ 268.20	\$ (81.00)	\$ 14	\$ 10	\$ (4)	\$ 185	\$ 2,200
\$ 400	\$ 40	\$ 360.00	\$ 157.20	\$ 265.20	\$ (108.00)	\$ 50	\$ 10	\$ (40)	\$ 212	\$ 2,544

Illinois

DRUG COSTS			RENT			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS AND HOUSING ASSISTANCE	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Rent Paid by Beneficiary [Current]	Rent Paid by Beneficiary [With LIS]	Change in Rent Subsidy Amount [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS and Reduced Rent Subsidy]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Total Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 277.20	\$ 277.20	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45.00	\$ 262.20	\$ 275.70	\$ (13.50)	\$ 10	\$ 10	\$ -	\$ 32	\$ 384
\$ 100	\$ 10	\$ 90.00	\$ 247.20	\$ 274.20	\$ (27.00)	\$ 10	\$ 10	\$ -	\$ 63	\$ 756
\$ 200	\$ 20	\$ 180.00	\$ 217.20	\$ 271.20	\$ (54.00)	\$ 10	\$ 10	\$ -	\$ 126	\$ 1,512
\$ 300	\$ 30	\$ 270.00	\$ 187.20	\$ 268.20	\$ (81.00)	\$ 33	\$ 10	\$ (23)	\$ 166	\$ 1,992
\$ 400	\$ 40	\$ 360.00	\$ 157.20	\$ 265.20	\$ (108.00)	\$ 69	\$ 10	\$ (59)	\$ 193	\$ 2,316

Massachusetts

DRUG COSTS			RENT			FOOD STAMPS			NET BENEFIT OF LIS FOR PEOPLE RECEIVING FOOD STAMPS AND HOUSING ASSISTANCE	
Out of Pocket Drug Costs [Current]	Out of Pocket Drug Costs [With LIS]	Net Savings in Out of Pocket Drug Costs [With LIS]	Rent Paid by Beneficiary [Current]	Rent Paid by Beneficiary [With LIS]	Change in Rent Subsidy Amount [With LIS]	Food Stamp Allocation [Current]	Food Stamp Allocation [With LIS and Reduced Rent Subsidy]	Change in Food Stamp Amount [With LIS]	Monthly Net Benefit (Savings)	Total Annual Net Benefit (Savings)
\$ -	\$ -	\$ -	\$ 277.20	\$ 277.20	\$ -	\$ 10	\$ 10	\$ -	\$ -	\$ -
\$ 50	\$ 5	\$ 45.00	\$ 262.20	\$ 275.70	\$ (13.50)	\$ 10	\$ 10	\$ -	\$ 32	\$ 384
\$ 100	\$ 10	\$ 90.00	\$ 247.20	\$ 274.20	\$ (27.00)	\$ 16	\$ 10	\$ (6)	\$ 57	\$ 684
\$ 200	\$ 20	\$ 180.00	\$ 217.20	\$ 271.20	\$ (54.00)	\$ 52	\$ 10	\$ (42)	\$ 84	\$ 1,008
\$ 300	\$ 30	\$ 270.00	\$ 187.20	\$ 268.20	\$ (81.00)	\$ 88	\$ 10	\$ (78)	\$ 111	\$ 1,332
\$ 400	\$ 40	\$ 360.00	\$ 157.20	\$ 265.20	\$ (108.00)	\$ 124	\$ 10	\$ (114)	\$ 138	\$ 1,656

Source: RealBenefits

Notes

This review was conducted using RealBenefits. RealBenefits is a venture of Community Catalyst, Inc. that combines the use of innovative Internet technology with outreach and advocacy to provide information and enrollment assistance services to low-income elderly and disabled people.

The RealBenefits web-based application, intended for use by advocates and service-providers, performs very sophisticated and accurate eligibility screening for state and national benefit programs such as Food Stamps, Medicaid, SCHIP, and other health programs; fuel assistance programs; Earned Income Tax Credit; SSI; Child Care Assistance. RealBenefits technology powers the USDA/FNS National Food Stamps Pre-Screening Tool which allows consumers to estimate their Food Stamp benefits. RealBenefits tools are widely used by community-based organizations and health care providers in Massachusetts, Florida and Illinois.

Certain assumptions were made in completing this analysis:

1. Population assumed to be those ages 65 or older with incomes at 120% of the federal poverty level (FPL) living in a one-person household.
2. Market rent amount used was assumed to be \$500. Rent for the subsidized housing calculations is 30% of the adjusted monthly income.
3. Food Stamps coupon assumed to be \$149 which is the maximum monthly Food Stamp amount for a one-person household.
4. LIS recipient assumed to pay 10% of their drug costs out-of-pocket.



Information Partners Can Use on: MEDICARE PRESCRIPTION DRUG COVERAGE AND OTHER FEDERAL MEANS-TESTED PROGRAMS

New Medicare Prescription Drug Coverage

As of May 25, 2005

Example: Jane has income near the poverty line. She qualifies for Medicaid, food stamps, and HUD housing assistance.

Jane has Medicare and gets \$798 a month in Social Security. Her income is too high for her to qualify for Medicaid in her state. She must spend \$150 a month on medical bills in order to “spend down” her income to the medically needy income limit and receive Medicaid coverage. Medically needy coverage is determined on a monthly basis.

Jane receives assistance with her home energy bills through the LIHEAP program. Her utility company receives the funds directly from the state energy assistance program. Home energy assistance is not affected by a change in her medical spending, so it does not change once she receives Medicare’s extra help.

She currently pays \$200 a month out-of-pocket for her prescription drugs, and \$50 every month for visits to her doctors for total medical expenses of \$250 per month. After she spends \$150 on medical bills, she qualifies for Medicaid, which pays the additional \$100 of her medical expenses. She also receives \$10 a month in food stamps and HUD housing assistance that reduces her rent to \$191 a month. She has \$467 a month to pay other expenses ($\$798 - \$150 - \$191 + \$10 = \$467$).

Since Jane receives Medicaid, she automatically qualifies for extra help paying Medicare prescription drug costs (and doesn’t need to apply for extra help) for the full 2006 calendar year, even if she doesn’t qualify for Medicaid in some later months because she has lower medical expenses.

Once she starts receiving the extra help from Medicare, she pays no premium, has no deductible, and pays only small copayments for her prescription drugs. She will pay a total of \$9 in prescription drug co-pays. Added to her doctor visits, her total medical expenses are \$59. Her medical bills are no longer high enough to cause a need for Medicaid (she doesn’t exceed the \$150 limit under spenddown). She continues to receive \$10 a month in food stamps. However, because her drug bills declined, her HUD benefits are adjusted changing her rent to \$219 ($\28 more than before).

Although her assistance from various sources is adjusted, the extra help she receives from Medicare increases the income available to her. She now has \$530 available for other expenses, \$63 more a month than she had before receiving the extra help ($\$798 - \$59 - \$219 + \$10 = \$530$).

During a month in 2006 where Jane’s medical expenses for items other than prescription drugs are high, Medicaid will again be available to her once she has medical bills of at least \$150. For example, if, in addition to the \$9 in total prescription drug copays, she has another \$150 in medical expenses, such as doctor visits and dental care, she will meet her “spend down” amount and will qualify for Medicaid. She has not lost her ability to rely on the Medicaid program in months when she has higher medical bills.

	Without Extra Help Paying Medicare Prescription Drug Plan Costs	With Extra Help Paying Medicare Prescription Drug Plan Costs	Change
Income and Non-Medical Assistance			
Monthly Income	\$798	\$798	No change
Benefits			
Food stamps benefit*	\$10	\$10	No change
Jane's Total Monthly Income/Assistance	\$808	\$808	No change
Expenditures & Assistance with Expenditures			
Medical Expenditures			
Jane's Drug Spending	\$200	\$9	
Other Medical Bills	<u>+\$50</u>	<u>+\$50</u>	
Total Medical Expenditures	\$250	\$59	
Medicaid Assistance	-\$100	\$0	
Out-of-Pocket Spending for Medical Care	\$150	\$59	-\$91
Meets \$150 spenddown requirement to reach medically needy limit and qualifies for Medicaid?	Yes	No	
Housing Spending			
Rent under HUD-housing assistance**	\$191	\$219	+\$28
Jane's Expenses	\$341	\$278	-\$63
Jane's cash available for other expenses	\$467	\$530	\$63 more in cash

* \$10 is the minimum monthly food stamps benefit for eligible people living alone.

** Rent payment reflects rent as 30% of adjusted income.