

Health Care Finance and Administration	Section: Medicare Savings Programs
Policy Manual Number: 120.005	Chapter: Medicare Savings Programs Overview

MEDICARE SAVINGS PROGRAMS OVERVIEW

Legal Authority: Social Security Act § 1905(p)(1); 42 CFR 400.200; 42 CFR 435.406

1. Overview

Medicare is a national health insurance program administered by the federal government for individuals aged 65 and above, and disabled individuals. Medicare is a comprehensive health insurance program, but Medicare enrollees are required to pay premiums, certain out of pocket costs and for services not covered by the program. The Medicare Catastrophic Coverage Act (MCCA) of 1988 created the Medicare Savings Programs (MSPs), which are a set of Medicaid programs available only to Medicare enrollees who meet specific resource and income standards. The MSPs provide for payments of Medicare premiums, coinsurance and deductibles for Medicare-covered services.

The four MSPs are:

- Qualified Medicare Beneficiaries (QMB);
- Specified Low-Income Medicare Beneficiaries (SLMB);
- Qualifying Individuals (QI1); and
- Qualified Disabled Working Individuals (QDWI).

2. Medicare Eligibility

An individual is entitled to receive Medicare benefits when:

- He or she is 65 years or older, is a U.S. citizen or has been permanent legal residents for 5 continuous years, and the individual or his or her spouse has paid Medicare taxes for at least 10 years; or
- He or she is under age 65 and has been receiving either Social Security or Railroad Retirement Board disability benefits for at least 24 months; or
- He or she is receiving dialysis for End Stage Renal Disease (ESRD) or needs a kidney transplant; or
- He or she is eligible for Social Security Disability Insurance (SSDI) and has ALS or Lou Gehrig's disease.

Most Medicare beneficiaries are automatically enrolled in Medicare Parts A and B when they become eligible. Those who are not entitled to Medicare Part A, such as those individuals who are over age 65 but did not pay enough Medicare taxes, must apply for coverage and pay a monthly premium. These individuals are considered entitled to enroll in Medicare, and are eligible for the MSPs.

3. Medicare Enrollment Period

There are two enrollment periods for Medicare Parts A & B:

- a. The initial enrollment period, which includes:

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- The three months prior to an individual’s 65th birthday or 25th month of disability benefits receipt;
 - The month of the 65th birthday or 25th month of disability benefits receipt; and
 - The three months after the month of the 65th birthday or 25th month of disability benefits receipt.
- b. The general enrollment period, which includes the months of January, February and March of each year.
- c. Enrollment Period Exceptions

Enrollment period requirements are waived for certain MSP applicants/enrollees. The following list provides situations when an individual can be immediately enrolled into Medicare Parts A or B.

- Applicants who are enrolled in Medicare Part A, but who refused Part B coverage during initial Medicare enrollment are automatically enrolled into Part B by the state upon approval of an MSP (QMB, SLMB or QI1).
- Applicants who have established Medicare Part B, but who do not have Medicare Part A coverage, are automatically enrolled into Part A by the state upon approval of QMB only. If the applicant is determined to be otherwise eligible for SLMB or QI1, his or her application will be denied on the basis of not being enrolled in Medicare Part A.

Note: Tennessee is a Part A Buy-In state, which means the state has elected to cover QMB for individuals who are eligible to purchase Medicare Part A. Although Part A coverage is an eligibility condition for the QMB program, the Part A Buy-In program allows a state to enroll an otherwise QMB-eligible individual into Part A if the individual has already established Part B.

See a description of the DHS State Office Buy-In Unit below.

4. Medicare Parts and Benefits Overview

Medicare is made up of four separate “Parts”: A, B, C and D.

a. Medicare Part A

i. Eligibility

An individual who receives Social Security benefits and has sufficient work quarters is eligible for premium-free Medicare Part A, if one of the following applies:

1. Age 65 or older;

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2. Disabled for 24 months or more;
3. Fit into a special Medicare-covered group;
4. Enrolled through ESRD program;
5. No longer considered disabled due to work activities (limited eligibility period).

Individuals who are not eligible for premium-free Medicare may become eligible by paying the Part A monthly premium. An individual under age 65 who does not receive SSDI benefits cannot buy into Part A coverage.

ii. Benefits

Medicare Part A coverage includes inpatient hospitalization, some follow-up and 100 days of skilled level nursing home care.

b. Medicare Part B

i. Eligibility

Medicare Part B coverage is available to any individual age 65 or older, or to individuals who have enough work quarters and have been disabled for a minimum of 24 months. Eligible individuals must pay monthly premiums.

ii. Benefits

Medicare Part B coverage includes physician services, laboratory and x-ray services, medical supplies, outpatient hospital care and other services.

c. Medicare Part C

Medicare Part C is also known as the Medicare Advantage plans. Individuals who are eligible for Medicare Parts A and B may choose to receive their Medicare benefits through private health insurance plans. These plans are administered by health insurance companies, rather than the federal government.

d. Medicare Part D

Medicare Part D is the outpatient prescription drug coverage component of Medicare. Anyone who is eligible/enrolled in Part A or B is eligible for Part D. Part D is administered by private health insurance companies and pharmacy benefit managers, but is regulated by CMS.

5. Application for MSPs

a. Application Forms

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Acceptable application forms for the MSPs include the HCFA application or an application submitted to the FFM. The HCFA application and FFM account transfer are processed by the HCFA. In addition, the Low Income Subsidy (LIS) applications for Medicare Part D also initiate an application for the MSPs.

The Social Security Administration (SSA) transmits LIS files to the State daily triggering a review for MSP eligibility.

The MSP application date is the date the LIS application is filed with SSA. If an LIS application is approved for SLMB or QI1, the benefits will begin the date the LIS application was filed at the SSA office. If approved for QMB, the benefits will begin the month after the approval is authorized.

b. DHS State Office Buy-In Unit

For applicants/enrollees who must have Medicare Part A or B established by the state, the DHS State Office Buy-In Unit is responsible for notifying CMS/SSA to begin coverage. The Buy-In Unit sends a manual notification to CMS to begin Medicare in the following situations:

- An applicant is approved for QMB, SLMB or QI1 and needs to be enrolled in Medicare Part B;
- An SSI-recipient has reached aged 65, and must have Medicare Part A established. (The SSA establishes Medicare Part B.); and
- An applicant is approved for QMB and is enrolled in Medicare Part B, but must have Medicare Part A established.