

## MEETING THE NEEDS OF COLORADO'S DUAL ELIGIBLES

### **Who are the dual eligibles?**

Within Colorado's Medicaid population there is a noteworthy eligibility group of low-income elders and adults with disabilities known as "dual eligibles." These individuals qualify for the federally administered Medicare program as well as the state-administered Medicaid program because of their low-income, age and/or disability status.

There are two categories of dual eligibles – full and partial. For people who are fully eligible for both programs, Medicare pays for hospitalizations, physician services, prescription drugs, post-hospital home health care and some rehabilitation services. Additionally, Medicaid pays the Medicare Part B premium, co-payments and deductibles that apply to various Medicare covered services as well as mental health care services. For elders and adults with disabilities in need of long-term care, Medicaid pays the full cost of these services, whether in a nursing home or community-based setting. Partial dual eligibles have slightly higher incomes, and Medicaid pays only for the Medicare Part B premium, co-payments and deductibles. As with all Medicaid spending in Colorado, the federal government contributes one dollar for every dollar of state Medicaid spending on services to individuals who are eligible for both programs. This brief focuses on the 83 percent of Colorado's dual eligibles who are fully eligible for both Medicare and Medicaid.

### **Numbers**

Nationally, almost 7.5 million people qualify as dually eligible. These numbers account for only 14 percent of total Medicaid enrollees and 19 percent of all Medicare beneficiaries. Colorado's 73,000<sup>1</sup> dual eligibles make up 15 percent of the state's Medicaid enrollees and 15 percent of Medicare beneficiaries.

### **Demographics**

People who are dually eligible for both Medicare and Medicaid have low incomes and are older and sicker than

<sup>1</sup> This number is based on individual beneficiaries regardless of the time each individual spends in the program.

### **Medicare Programs**

**Medicare Part A – Insurance coverage for inpatient hospital, skilled nursing facility and some home health services. Medicare covers this premium for individuals or spouses who have 40 or more quarters of Medicare covered employment.**

**Medicare Part B – Optional insurance coverage for physician services, outpatient hospital services, durable medical equipment and certain home health services. In 2007, the Medicare Part B premium will be \$93.50 per month.**

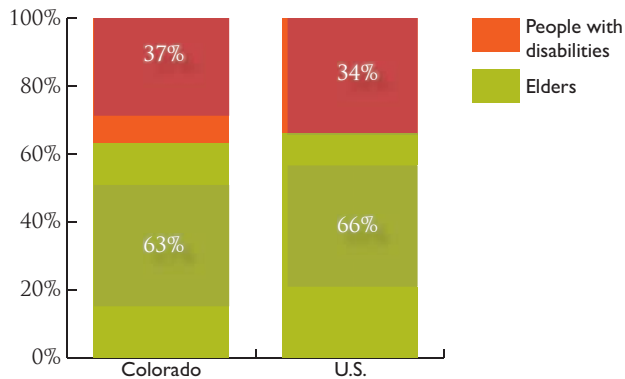
**Medicare Part C – Insurance coverage that combines Parts A and B and is provided by pre-approved private insurance companies. Insurance plans are known as "Medicare Advantage Plans."**

**Medicare Part D – Optional insurance coverage for prescription drugs that is administered by pre-approved private plans. Plans cover different drugs.**

other Medicare and Medicaid beneficiaries. The Centers for Medicare and Medicaid Services' 2003 Medicare Current Beneficiary Survey found that more than half of dual eligibles report they are in fair or poor health, have less education and are more likely to have significant functional limitations than other Medicare beneficiaries.

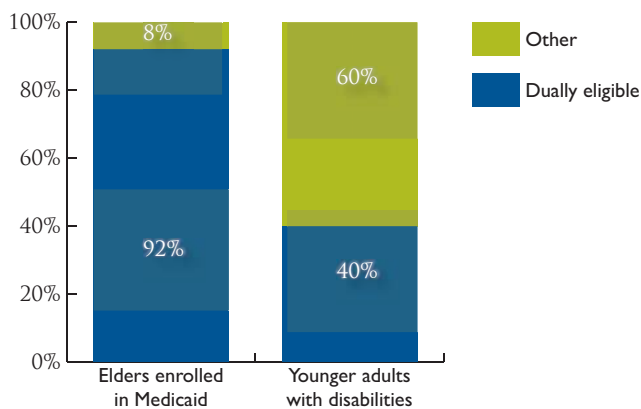
Roughly two-thirds of dual eligibles across the country are 65 years or older, while one-third are between the ages of 18-64 years and qualify because they have a permanent disability and are deemed eligible for the Social Security Disability Insurance (SSDI) program. The age distribution of dual eligibles in Colorado is 63 percent elders and 37 percent working-age adults with disabilities.

**Graph 1. Total dual eligible enrollment, Colorado vs. U.S., 2003**



In Colorado, 92 percent of elder Medicaid enrollees are Medicare beneficiaries. Forty percent of working-age adults with disabilities on Medicaid qualify for both programs.

**Graph 2. Colorado dual eligibles as a percent of Medicaid enrollees, 2003**



### What services do dually eligible people receive?

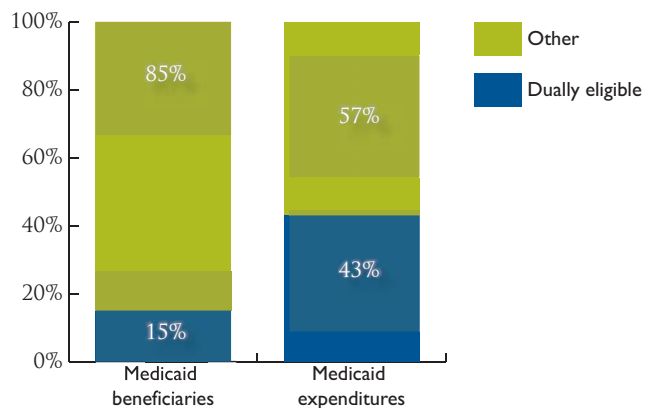
Medicare covers acute care, including physician visits and hospital admissions, nursing facility care up to a 100-day limit, home health care and prescription drug coverage. The 100-day nursing facility benefit and limited home health care benefit are for rehabilitation therapies and follow a hospital stay for a medical condition that requires further rehabilitative and skilled nursing care. The prescription drug benefit that Medicaid previously paid for dual eligibles was transferred to the Medicare program on January 1, 2006, as part of the federal 2003 Medicare Modernization Act.

For dual eligibles, Medicaid pays the Medicare Part B premium (\$93.50/month in 2007), co-payments and deductibles, and ongoing long-term care services beyond the Medicare 100-day limit in a skilled nursing facility or community-based setting. Medicare beneficiaries often become eligible for Medicaid after “spending down” their personal assets for long-term care services.

### How much does Colorado spend on dual eligibles?

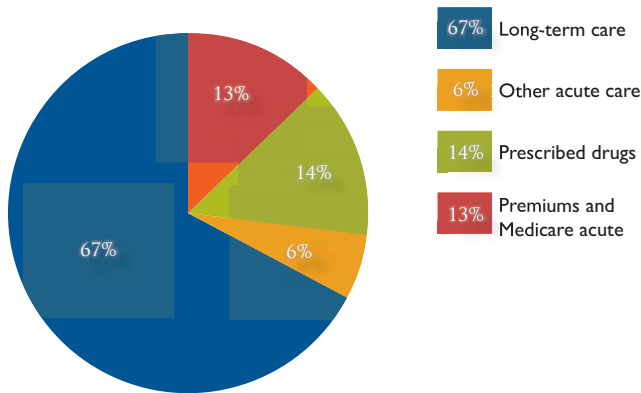
In 2003, national spending for individuals who are dually eligible for Medicare and Medicaid accounted for 40 percent of all Medicaid spending. Colorado exceeded this threshold, spending 43 percent of the Medicaid budget on this population, roughly \$1.2 billion of the total Medicaid budget, or nearly \$16,000 per individual enrolled. Although the dual eligible population makes up a small percent of total Medicaid enrollees, expenditures made on their behalf account for a significant proportion of the Medicaid budget. This is especially true for elders who accounted for 60 percent of all dual eligible expenditures in Colorado.

**Graph 3. Colorado dual eligible beneficiaries vs. expenditures, 2003**



Long-term care represents the largest share of expenditures made on behalf of individuals who are dually eligible. In 2003, long-term care expenditures accounted for almost 70 percent of Colorado’s Medicaid spending for this group or a total of \$778 million. Prescription drugs (pre-Medicare Part D), Medicare cost sharing and other acute care made up the remainder.

Graph 4. Colorado Medicaid expenditures for dual eligibles by service category, 2003



### Prescription drugs, Medicare Part D and the “clawback” payment

The second most expensive benefit provided to individuals who are dually eligible is prescription drugs. Prior to January 1, 2006, state Medicaid programs provided prescription drug coverage to all dually eligible beneficiaries and received federal matching funds to do so. In 2003, Colorado spent \$163 million on prescription drugs for this population, accounting for 14 percent of total Medicaid expenditures for dual eligibles. As part of the 2003 Medicare Modernization Act, Congress created Medicare Part D, a prescription drug benefit for all Medicare beneficiaries. This plan was implemented on January 1, 2006, and all dually eligible beneficiaries now receive prescription drug coverage from the federal Medicare Part D program.

Private drug plans administer the Part D benefit and typically use more stringent drug formularies than state Medicaid programs. Therefore, not all drugs are covered uniformly across plan options. States can choose to cover the non-Medicare Part D drugs, but do not receive a federal match to help cover the costs. In FY2006-07, Colorado anticipates spending nearly \$3.5 million<sup>2</sup> on non-Medicare Part D drugs for dually eligible individuals.

Although this new benefit saves Colorado’s Medicaid program millions of dollars, Congress requires states to pay a monthly payment to the federal government to help finance the prescription drug program. This “clawback” payment is based on a state’s previous Medicaid pharma-

ceutical expenditures for dually eligible enrollees. The base amount is the average monthly per-capita cost for pharmaceuticals in 2003. The base amount increases annually and is multiplied by the monthly dual eligible caseload and then multiplied by a specified percentage. In 2006, the percentage is 90 percent which decreases to 75 percent by 2015.

The clawback payments began January 2006 and the Colorado General Assembly appropriated close to \$30 million in FY2005-06 for Colorado’s first payment that covered January through June. The FY2006-07 appropriation exceeded \$73<sup>3</sup> million primarily because it will cover an entire fiscal year. Colorado also pays any administrative costs associated with the pharmaceutical program for dual eligibles.

### Sources

Kaiser Commission on Medicaid and the Uninsured. July 2005. *Dual Eligibles: Medicaid Enrollment and Expenditures for Medicare Beneficiaries*.

Kaiser Commission on Medicaid and the Uninsured. February 2006. *Dual Eligibles: Medicaid’s Role for Low-Income Medicare Beneficiaries*.

Kaiser Family Foundation, StateHealthFacts.org Web site (accessed 6/20/2006).

<sup>2</sup> Colorado Department of Health Care Policy and Financing Supplemental Budget Request 2/15/06

<sup>3</sup> Colorado Department of Health Care Policy and Financing Budget Request 11/1/06

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1576 Sherman St., Ste. 300 • Denver, CO 80203-1728 • 303.831.4200 • 303.831.4247 fax • [www.coloradohealthinstitute.org](http://www.coloradohealthinstitute.org)

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