Today, many older adults and people with disabilities in Washington State lose affordable, comprehensive health coverage when they qualify for Medicare. It doesn’t have to be this way.

What is the Medicare Cliff?

Lower-income adults can get free Apple Health or subsidized Exchange plans. But after people start Medicare, they lose this coverage and have to pay more for health care, experiencing the “Medicare Cliff.”

- **Medicare is not free.** It has significant out-of-pocket costs and excludes important services, like dental and vision.
- **Help is limited.** Medicare enrollees in Washington can get help with these costs only if they have extremely low income – much lower than the programs for younger people and people without disabilities (see chart, by poverty level).
- **Barriers to help.** Medicare enrollees face additional barriers to affordability help: an extended application process and an “asset test” that bars help if they have even minimal savings to cover emergencies.

The Medicare Cliff Hurts Women and Communities of Color

At a time when many inequities are coming into focus, the impact of the Medicare Cliff on low-income seniors and people with disabilities has been overlooked.

- **Poverty impact.** Half of Medicare enrollees with income under 200% FPL pay 27% or more of their income for health costs. Said differently, people living on less than ~$2,000 a month are struggling to pay over $500 a month toward health costs.
- **Equity impact.** Women and people of color are particularly impacted because they have disproportionately lower income.

Washington Can Fix the Cliff – With Federal Matching Funds

34 states have expanded programs that help Medicare enrollees with health costs. Washington has taken no action. Our report explains how Washington can fix the Cliff, with federal matching funds.

This session, the Legislature can extend policies successfully piloted during the pandemic and study next steps:

1. **Support Health Care Authority decision packages that start reducing barriers to existing programs by:**
   - Removing the asset test for some Medicare affordability programs, and
   - Allowing seniors and people with disabilities to attest to eligibility so affordability help starts sooner.
2. **Direct Health Care Authority to study options to equitably expand Medicare affordability programs.**
Medicare Affordability: Frequently Asked Questions

Who is on Medicare?
Medicare begins at age 65, or earlier for people who get Social Security for two years due to disabilities or blindness.

What out-of-pocket costs do Medicare enrollees face?
Medicare enrollees face significant health costs with no cap on out-of-pocket costs. In 2022:

| Part A (hospital) | + $1,556 annual deductible  
+ $389 per day coinsurance after deductible (days 61-90), increasing to $778/day (days 90+) |
| Part B (medical) | + 170 monthly premium (or higher, depending on income)  
+ $233 annual deductible, plus 20% coinsurance after deductible |
| Part D (drugs) | + additional premiums (depends on income and plan)  
+ additional cost-sharing (depends on income and plan) |
| Uncovered services | + costs for routine dental, hearing, and vision care  
+ costs for personal care services |
| Plus... | + For those without 40 work quarters, monthly Part A premiums as high as $499  
+ Premiums and cost-sharing for supplemental coverage (Medicare Advantage or Medigap)  
+ Late enrollment penalties |

Isn’t Medicare a federal program? Will Congress fix Medicare affordability?
Medicare was created in the 1960s and has rarely been updated. Though Congress expanded other health programs under the Affordable Care Act, Congress did little to update Medicare. Congress left state options in place to expand wrap-around assistance for Medicare, with help from federal funds. Thirty-four states now have broader assistance than Washington provides. Congress may fix some limited pieces of the Medicare affordability problem by adding a dental benefit and capping some prescription costs. If Congress makes these changes, it would lower state costs to address remaining gaps.

What programs in Washington State help with Medicare costs today?
Although states can expand affordability assistance to low-income Medicare enrollees, Washington has not done so, maintaining the minimum program levels allowed under federal law. As a result, Washingtonians on Medicare can get help with their health care costs only if they have extremely limited income and lifetime savings (assets). By contrast, younger adults without disabilities can get assistance on a sliding scale, with no income cap, and no savings limit.

<table>
<thead>
<tr>
<th>Medicare Wrap Program</th>
<th>What It Covers</th>
<th>Max Income</th>
<th>Max Savings</th>
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</table>
| Medicaid for aged, blind, disabled population | • Medicare premiums and cost-sharing  
• Benefits Medicare doesn’t cover | ~75% FPL (or spend down excess) | $2,000 |
| Medicare Savings Program - QMB | • Medicare premiums and most cost-sharing | ~100% FPL | ~$8,000 |
| Medicare Savings Program - Other | • Medicare premiums and some help with Rx cost-sharing only | ~135% FPL | ~$8,000 |

What options could Washington take to make Medicare more affordable?
The state has several options described in our report to draw down additional federal funds to make Medicare more affordable for Washington residents, including:

- Raising the income limits for Medicaid or Medicare Savings Programs; or
- Changing or eliminating the asset limit for Medicaid or Medicare Savings Programs.