



Low-Income Older Adults Facing the Medicare Cliff:

A Summary of the Research | May 2024

With the passage of the Affordable Care Act (ACA), many states expanded access to Medicaid for low-income adults ages 19 to 64 with incomes up to 138% of the Federal poverty level (FPL). As these individuals relying on expanded Medicaid become eligible for Medicare, they may lose their Medicaid coverage, with its cost-sharing protections, and be unable to afford the higher Medicare premiums, deductibles, and co-payments. This disruption in coverage is known as the “Medicare Cliff”.

About the Research

The National Council on Aging (NCOA) and the Leading Age LTSS Center @UMASS Boston conducted research to analyze what happens to persons facing the Medicare Cliff. The study team utilized a mixed methodology approach that included a literature review, analysis of longitudinal Health and Retirement Study (HRS) data, qualitative interviews with individuals who have experienced the Medicare Cliff, and in-depth interviews with key informants to discuss possible policy reforms and financial offsets.

This research was intended to identify policy reforms to ensure that older adults who are new to Medicare do not lose the help they were receiving via Medicaid, so that they can continue to afford the care they need. While the primary focus was on the Medicare Cliff population—low-income adults who are no longer eligible for Medicaid and Marketplace assistance subsidies that enable them to afford the care they need as they become eligible for Medicare—we also explored options to improve access to Medicare Savings Programs (MSPs) for financially and medically vulnerable older adults who are eligible for but not accessing MSPs.

About 280,000 older adults hit the “Medicare Cliff” each year, meaning they lose their Medicaid coverage and previous help they had affording health insurance premiums.

<https://www.ncoa.org/article/avoiding-the-medicare-cliff-a-profile-of-low-income-older-adults>

Summary of the Research

Who is Affected by the Medicare Cliff?

Analysis of HRS data found that the Medicare Cliff population can be characterized as follows:

- Median age 67 years old
- More likely to be female (58%)
- Just over half non-Hispanic White (52%), with the other half comprised of 27% non-Hispanic Black, 17% Hispanic, and 4% non-Hispanic other individuals
- Nearly two-thirds were married
- Over half (54%) were retired, meaning they reported no income from earnings
- 31% reported fair or poor health with an average of 2.6 chronic conditions and \$2,900 in median out-of-pocket medical costs
- A median household income of \$35,900 and median financial assets of \$4,800, with a total median net worth of \$130,100

When comparing the Medicare Cliff population with the individuals who receive both Medicare and Medicaid (i.e., dual eligibles) and those are only on Medicare, the researchers found the Medicare Cliff population:

- Had significantly higher out-of-pocket medical costs compared to individuals dually eligible for Medicare and Medicaid, and those with Medicare only
- Experienced greater financial resource decline over time
- Saw a worsening of their health in the two years after hitting the Medicare Cliff

“My mental well-being was desperately affected...when they make decisions like this to drop me from Medicaid, it really impacts my life. And I just wish they would have more empathy and put themselves in the place of a fixed-income individual.”

—WOMAN EXPERIENCING THE MEDICARE CLIFF

Interviews with older adults experiencing the Medicare Cliff revealed that they encountered confusing (and sometimes conflicting) communication about the transition between Medicaid and Medicare; could have benefitted from additional counseling assistance, such as that provided by State Health Insurance Assistance Programs (SHIPs); and often were forced to cut expenses in other areas to make ends meet.

Areas for Policy Reform

Key informants identified the more stringent financial eligibility requirements under Medicaid for the 65+ population and the Medicare Savings Programs as the most important factor in why people hit the Medicare Cliff.

Recommended Policy Reforms

Three major areas for policy reform emerged from this research:

1. Allowing the Medicare Cliff population to maintain Medicaid eligibility as they enter Medicare
2. Improving the education and enrollment process for MSPs without changing eligibility criteria
3. Changing eligibility criteria for MSPs to remove or raise the asset limit, and/or synchronize the income eligibility threshold with other benefits

Within each area, the researchers identified possible interventions alongside an assessment of the impact and cost of each intervention. The ideal combination would be policy reforms that offer high impact with low implementation costs. As illustrated in Figure 1, the intervention with high impact and only moderate costs is improved education and outreach for MSPs. While removing the asset test would have high impact, it also has cost, which is not ideal. Nevertheless, this policy option may still be worthwhile given the identified potential ways to pay for it which can help offset the costs.

Figure 1. Policy Reform Impacts and Relative Comparative Implementation Costs

INTERVENTION	IMPACT*			PROGRAM & ADMINISTRATIVE COSTS		
	LOW	MED	HIGH	LOW	MED	HIGH
Improve MSP education & outreach			X		X	
Strengthen SHIP counseling		X		X		
Remove MSP asset limit			X			X

*Impact considers improvements in participation rates over current levels, reductions in administrative burdens and complexity both for program operation and applicants, and improvements in access to MSPs for those most financially and functionally in need. Program and administrative costs reflect both the cost from expanded participation and upward or downward changes to administrative costs.

Yet policy reforms come at a cost. Identifying feasible budget “offsets” – i.e., how to fairly and on a bipartisan basis pay for these policy reforms – is a question of critical importance. A vital next step is to identify the costs associated with the various policy reform(s) to be pursued to identify and evaluate the possibilities for an offset.

To explore further the implications of proposed policy reforms, the research team identified the following as possible next steps:

- Convene states with “best practices” regarding MSP consumer outreach and education with those states that are struggling and enabling a transfer of knowledge
- Grant funding to test and develop improved SHIP training, communication pieces, website material, and to identify other best practices that can further enable SHIPs to better counsel this population
- Host a working policy forum, with experts from states, think tanks, advocacy organizations, consumers, and academia to help identify and prioritize policy objectives and policy reforms
- Invest in analysis and modeling to drill down on the policy recommendations coming out of this report, identify the cost implications (both savings to the system and additional costs from increased enrollment), and the sources of revenue to support these policy reforms

Learn More

Link to final report and other materials at www.ncoa.org/research as well as link to LeadingAge LTSS Center: www.ltsscenter.org