

# CRS Report for Congress

Received through the CRS Web

## Medicare Prescription Drug Card: Estimates of Beneficiaries Who Qualify for Transitional Assistance, by State

Chris L. Peterson  
Analyst in Social Legislation  
Domestic Social Policy Division

### Summary

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (P.L. 108-173) established a prescription drug benefit that begins in 2006. Until then, Medicare beneficiaries may select one of the Medicare-endorsed prescription drug discount cards that became available in June 2004. Certain low-income beneficiaries may be eligible for up to \$600 in “transitional assistance” in 2004 and again in 2005. This report provides estimates of the number of noninstitutionalized Medicare beneficiaries who meet the eligibility criteria for the transitional assistance. Nationally, 6.7 million noninstitutionalized beneficiaries are estimated to be eligible for the transitional assistance. Numbers from the Centers for Medicare and Medicaid Services have actual enrollment for transitional assistance at 1,253,132, as of October 1, 2004. This report will be updated to reflect new legislation or data.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (P.L. 108-173) established a prescription drug benefit that begins in 2006. Until then, Medicare beneficiaries may select one of the Medicare-endorsed prescription drug discount cards that became available in June 2004. Certain low-income beneficiaries may be eligible for up to \$600 in “transitional assistance” in 2004 and again in 2005.<sup>1</sup> According to the Centers for Medicare and Medicaid Services (CMS), actual enrollment for transitional assistance was 1,253,132, as of October 1, 2004. **Table 1** shows estimates of the number of noninstitutionalized Medicare beneficiaries who meet the eligibility requirement for the transitional assistance, estimated at 6.7 million nationally.<sup>2</sup>

<sup>1</sup> For more detailed information about the drug card program, see CRS Report RL32283, *Medicare Endorsed Prescription Drug Discount Card Program*, by Jennifer O’Sullivan.

<sup>2</sup> CMS estimated that 7.2 million beneficiaries, including the institutionalized, would be eligible for transitional assistance in 2004, and that 65% (or 4.7 million) of them would enroll (*Federal Register*, vol. 68, no. 240, Dec. 15, 2003, p. 69891).

The first column of numbers in **Table 1** shows the total estimated number of noninstitutionalized Medicare beneficiaries in each state. Of those individuals, the estimated number meeting the income requirement (below 135% of poverty) is shown in the next column. Of those, some have group health insurance that covers prescription drugs, making them ineligible for transitional assistance. That estimate is displayed in the third column of numbers. The difference between the number of beneficiaries meeting the income requirement and those with disqualifying coverage is the estimated number who are eligible for the transitional assistance, shown in the table's penultimate column.

**Source of Data.** The state-by-state percentages in this report were calculated using the March supplement of the Current Population Survey (CPS). The CPS is a survey of 99,000 households selected to be demographically representative of the U.S. civilian, noninstitutionalized population. The analyses in this report were based on data from the CPS for 2000, 2001, and 2002. The sample sizes available for many states are small, especially when examining a subset like Medicare beneficiaries. Small sample sizes increase the likelihood that the characteristics of the survey participants differ from the characteristics of the population they are meant to represent. To increase the reliability of state-level estimates, multiple-year averages were calculated.

**Income and Poverty Defined.** Under P.L. 108-173, the Secretary of Health and Human Services (HHS) is authorized to define "income" for purposes of determining eligibility for the drug card transitional assistance. According to HHS guidelines, annual gross income is to be used, with some exclusions, such as Supplemental Security Income (SSI). To account for these exclusions, the estimates of income used in this report were obtained by taking respondents' total income as reported in the CPS and subtracting from it the types of income specified in the HHS guidance.<sup>3</sup>

The poverty *guidelines*, published by HHS, are used to determine eligibility for many federal programs and were used in this analysis. The poverty *thresholds*, although more commonly used for poverty-related analyses, are a somewhat different measure of poverty developed by the Census Bureau.<sup>4</sup> For a single person living in the 48 contiguous states, 135% of the poverty *guideline* is \$12,569; for a family of two, 135% of poverty is \$16,862. In Alaska, 135% of poverty is \$15,701 for a single person and \$21,074 for a family of two. In Hawaii, 135% of poverty is \$14,445 for a single person and \$19,386 for a family of two.

**Prescription Drug Coverage Defined.** This analysis assumes that all beneficiaries receiving the full Medicaid benefit, military-related health insurance, or job-based coverage had prescription drug coverage. Although prescription drugs are an optional benefit under Medicaid, all 50 states and the District of Columbia offer them as part of their Medicaid benefit package. Surveys of employers report that virtually all job-based health insurance plans available to workers as well as retirees include drugs.

---

<sup>3</sup> A list of the types of income to be included and excluded as part of this calculation is online [[http://medicare.custhelp.com/cgi-bin/medicare.cfg/php/enduser/std\\_adp.php?p\\_faaid=1492&p\\_created=1072239401](http://medicare.custhelp.com/cgi-bin/medicare.cfg/php/enduser/std_adp.php?p_faaid=1492&p_created=1072239401)].

<sup>4</sup> A more in-depth discussion of the differences between poverty guidelines and poverty thresholds appears in CRS Report 95-1041, *Poverty in the United States: 2003*, by Thomas Gabe.

**Table 1. Estimates of Average Number of Noninstitutionalized Medicare Beneficiaries Who Met Eligibility Criteria for Transitional Assistance, by State, 2000-2002**  
(in thousands)

	Total Number of Beneficiaries	Number Meeting Income Requirement <sup>a</sup> (A)	Of Those Meeting Income Requirement, Number with Disqualifying Rx Coverage <sup>b</sup> (B)	Beneficiaries Eligible for Transitional Assistance	
				Number (A-B)	Percentage (with 90% confidence intervals) <sup>c</sup>
Alabama	676	264	122	142	21.0% ± 2.4%
Alaska	50	16	10	6	11.1% ± 2.5%
Arizona	705	174	63	112	15.8% ± 2.5%
Arkansas	484	183	78	105	21.8% ± 2.4%
California	3,646	1,284	708	575	15.8% ± 1.2%
Colorado	483	132	58	75	15.4% ± 2.2%
Connecticut	535	116	42	74	13.9% ± 1.8%
Delaware	114	29	14	16	13.7% ± 2.0%
District of Col.	72	32	15	16	22.5% ± 3.3%
Florida	2,936	907	368	539	18.4% ± 1.2%
Georgia	898	337	127	210	23.4% ± 2.9%
Hawaii	167	56	26	30	18.1% ± 2.4%
Idaho	163	40	20	21	12.8% ± 2.3%
Illinois	1,592	455	149	307	19.3% ± 1.7%
Indiana	880	261	82	179	20.3% ± 2.1%
Iowa	439	111	42	69	15.7% ± 2.0%
Kansas	409	115	45	71	17.2% ± 2.1%
Kentucky	605	206	102	105	17.3% ± 2.3%
Louisiana	596	242	98	143	24.1% ± 2.8%
Maine	231	80	37	43	18.7% ± 1.9%
Maryland	681	191	84	108	15.8% ± 2.1%
Massachusetts	883	269	113	156	17.7% ± 2.0%
Michigan	1,341	379	184	195	14.5% ± 1.6%
Minnesota	533	131	56	75	14.0% ± 2.2%
Mississippi	390	169	93	76	19.6% ± 2.7%
Missouri	737	185	78	107	14.5% ± 2.1%
Montana	146	40	17	23	15.8% ± 2.3%
Nebraska	224	56	18	38	17.0% ± 2.4%
Nevada	255	66	26	40	15.8% ± 2.3%
New Hampshire	179	42	13	28	15.8% ± 2.0%
New Jersey	1,283	353	155	199	15.5% ± 1.6%
New Mexico	277	103	46	57	20.6% ± 2.9%
New York	2,650	903	488	415	15.6% ± 1.2%
North Carolina	1,171	454	173	281	24.0% ± 2.1%
North Dakota	93	27	6	20	21.9% ± 2.4%
Ohio	1,577	441	174	266	16.9% ± 1.6%
Oklahoma	501	160	63	96	19.2% ± 2.4%
Oregon	459	125	61	65	14.1% ± 2.2%
Pennsylvania	1,888	530	209	322	17.0% ± 1.4%
Rhode Island	174	59	27	32	18.4% ± 1.9%
South Carolina	646	257	117	140	21.6% ± 2.3%
South Dakota	113	33	11	22	19.9% ± 2.2%
Tennessee	769	318	167	151	19.7% ± 2.6%
Texas	2,310	828	339	489	21.2% ± 1.7%
Utah	192	50	22	29	14.9% ± 2.8%

	Total Number of Beneficiaries	Number Meeting Income Requirement <sup>a</sup> (A)	Of Those Meeting Income Requirement, Number with Disqualifying Rx Coverage <sup>b</sup> (B)	Beneficiaries Eligible for Transitional Assistance	
				Number (A-B)	Percentage (with 90% confidence intervals) <sup>c</sup>
Vermont	85	30	16	14	16.5% ± 2.2%
Virginia	917	280	114	166	18.2% ± 2.4%
Washington	748	183	103	79	10.6% ± 2.0%
West Virginia	346	121	53	68	19.6% ± 2.0%
Wisconsin	766	172	87	85	11.1% ± 1.7%
Wyoming	65	18	8	10	15.4% ± 2.3%
<b>U.S. Total</b>	<b>38,077</b>	<b>12,013</b>	<b>5,323</b>	<b>6,689</b>	<b>17.6% ± 0.3%</b>

**Source:** Table prepared by the Congressional Research Service based on data from the March supplement of the Current Population Survey, 2001-2003.

- a. The income requirement is that beneficiaries must have income below 135% of the poverty level, as defined by the Department of Health and Human Services' federal poverty guidelines. In the 48 contiguous states, annual income in 2004 at 135% of poverty is \$12,569 for a single person and \$16,862 for a married couple. In Alaska, 135% of poverty is \$15,701 for a single person and \$21,074 for a family of two. In Hawaii, 135% of poverty is \$14,445 for a single person and \$19,386 for a family of two.
- b. The estimates in the table are based on the assumption that all beneficiaries with employer-sponsored health insurance, military-related coverage, or Medicaid had prescription drug coverage.
- c. The range given for the 90% confidence interval demonstrates that, because the estimates are based on only a portion of the population, the estimates are subject to variability. The size of the confidence intervals depends primarily on sample size. A 90% confidence interval means that if all possible samples were surveyed under the same sample design and general conditions, the estimated percentage in each income category would lie within the confidence interval 9 out of 10 times. The *number* of beneficiaries is based on the corresponding percentage point estimate. The number of beneficiaries is subject to the same kind of variability as the percentage, even though the 90% confidence interval is not provided.