U.S. Department of Health and Human Services
Assistant Secretary for Planning and Evaluation
Office of Disability, Aging and Long-Term Care Policy

# ANALYSIS OF PATHWAYS TO DUAL ELIGIBLE STATUS:

## FINAL REPORT

May 2019

## Office of the Assistant Secretary for Planning and Evaluation

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This report was prepared under contract #HHSP23320100021WI between HHS's ASPE/DALTCP and the Research Triangle Institute. For additional information about this subject, you can visit the DALTCP home page at https://aspe.hhs.gov/office-disability-aging-and-long-term-care-policy-daltcp or contact the ASPE Project Officer, Jhamirah Howard, at HHS/ASPE/DALTCP, Room 424E, H.H. Humphrey Building, 200 Independence Avenue, S.W., Washington, D.C. 20201. Her e-mail address is: Jhamirah.Howard@hhs.gov.

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# Analysis of Pathways to Dual Eligible Status

## Final Report

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# ACRONYMS

The following acronyms are mentioned in this report and/or appendix.

| | |
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| CCW | Chronic Conditions data Warehouse |
| COPD | Chronic Obstructive Pulmonary Disease |
| DI | Disability Insurance |
| ED | Emergency Department |
| ESRD | End-Stage Renal Disease |
| HCBS | Home and Community-Based Services |
| LCL | Lower Confidence Limit |
| LTSS | Long-Term Services and Supports |
| MA | Medicare Advantage |
| MACPAC | Medicaid and CHIP Payment and Access Commission |
| MAX | Medicaid Analytic eXtract |
| MedPAC | Medicare Payment Advisory Commission |
| MMA | Medicare Modernization Act |
| MMLEADS | Medicare-Medicaid Linked Enrollee Analytic Data Source |
| OASI | Old Age and Survivor's Insurance |
| ResDAC | Research Data Assistance Center |
| RTI | Research Triangle Institute |
| SD | Standard Deviation |
| SNF | Skilled Nursing Facility |
| SSA | U.S. Social Security Administration |
| SSDI | Social Security Disability Insurance |
| SSI | Supplemental Security Income |
| UCL | Upper Confidence Level |

# EXECUTIVE SUMMARY

## Background

Over 11 million people are dually eligible for Medicare and Medicaid services. In 2012, dual eligibles (with partial or full benefits) represented 20% of all Medicare beneficiaries and 15% of all Medicaid beneficiaries but account for about 34% of total Medicare spending and 33% of total Medicaid spending. There are multiple pathways to becoming dually eligible for Medicare and Medicaid. However, current understanding of these pathways remains limited. The objective of this project is to identify the frequency with which the various pathways to dual eligible status are followed and to understand the circumstances and characteristics of individuals surrounding their transition to dual eligible status. Differences in the pathways to dual eligibility have implications for Medicare and Medicaid spending and service use patterns. Understanding these differences can inform policy efforts to support the dual eligible population and individuals at risk for becoming dually eligible.

This study answers the following six specific questions:

1. What is the frequency with which specific pathways to dual eligible status are followed by individuals, as identified from administrative data?

2. For each eligibility pathway, what is the basis of eligibility for both Medicaid and Medicare?

3. What proportion of new dual eligibles are long-term services and supports (LTSS) users, by age? Within the subgroup of new dual eligibles who are LTSS users, how do their pathways to dual status differ by age and by the types of LTSS used?

4. Among new dual eligibles, how many LTSS users are enrolled in Medicaid prior to age 65?

5. Among new dual eligibles, how many begin LTSS use prior to becoming dually eligible?

6. What beneficiary characteristics are associated with the transition to full-dual status?

## Methods

To answer these questions, we utilized the Medicare-Medicaid Linked Enrollee Analytic Data Source for 2006-2010, to identify all individuals who made the transition to full-dual eligibility for the first time between 2007 and 2010. We identified three temporal pathways in which individuals can become dual eligibles: Medicare-to-Medicaid, Medicaid-to-Medicare, and simultaneous transition to eligibility for both programs. Along each pathway, we identified the reasons for Medicaid and Medicare eligibility. We further examined demographics, chronic

conditions, as well as Medicaid and Medicare utilization and spending at the time of initial transition to full-dual status. In this analysis, dual eligibles refer to beneficiaries with full Medicaid benefits as well as full Medicare benefits.

## Results

We identified 3,881,656 individuals who became full-benefit dual eligibles for the first time during 2007-2010. Thus, almost 1 million people a year newly gained full-dual eligibility status. Of these individuals, 67.1% became eligible for Medicare and subsequently for Medicaid, 27.2% became eligible for Medicaid and then Medicare, and 4.9% became eligible for both programs simultaneously (fewer than 1% with temporal pathway undetermined). In the 12 months following initial transition to full-dual status, approximately 70% of individuals retained full-dual coverage for the entire 12 months.

There were major differences among individuals on these temporal pathways in terms of demographic characteristics, reasons for Medicaid and Medicare eligibility, and patterns of Medicaid and Medicare service utilization at the time of transition to full-dual status. Measures of service utilization are limited to fee-for-service beneficiaries of each program.

Among individuals who followed the Medicare-to-Medicaid pathway, the majority were age 65 or older (68.0%) at the time of transition to full-dual status and were eligible for Medicare due to their age (59.4%). This contrasts with those in the Medicaid-to-Medicare pathway, most of whom were younger than 65 (69.1%) and were eligible for Medicare due to disability (65.7%). However, a substantial proportion (39.1%) of individuals in the Medicare-to-Medicaid pathway were also originally eligible for Medicare due to disability.

The prevalence of selected chronic conditions is higher among individuals in the Medicare-to-Medicaid pathway than among those in the other two temporal pathways. This is expected given the finding that individuals on the Medicare-to-Medicaid pathway were generally older than those on the other two pathways.

Our results also revealed racial/ethnic differences in the transition to full-dual eligibility. Nearly half of all individuals on the Medicaid-to-Medicare pathway and roughly one-third of those on the Medicare-to-Medicaid pathway were racial/ethnic minorities. Among a cohort of new Medicare enrollees in 2006 who were not also Medicaid-eligible at the time of initial Medicare coverage, the chances of transitioning to full-dual eligibility in the subsequent months through 2010 were 3-4 times as high for individuals of racial/ethnic minority groups as those who were nonHispanic Whites.

Reason for Medicaid eligibility at the time of transition to full-dual status varied by temporal pathway. Receipt of Supplemental Security Income (SSI) cash assistance was the predominant reason for Medicaid eligibility among individuals making the Medicaid-to-Medicare transition. For individuals following the Medicare-to-Medicaid pathway, "Other" and "Medically Needy" were the two most frequent reasons for Medicaid eligibility. A substantial portion of the "Other" Medicaid eligibility category includes individuals age 65 or older who qualify for Medicaid due

to the special income rule, which allows states to cover individuals who require institutional level care but have an income too high to qualify for Medicaid otherwise.

Patterns of Medicare and Medicaid service utilization and spending at the time of initial transition to full-dual status vary by specific transition pathway. Below are a few highlights:

- Among individuals making the Medicare-to-Medicaid transition, a substantial proportion used Medicare-covered services in the first month of transition to full-dual status: 13.7% with a hospitalization, 8.6% with an emergency department visit, and 17.0% with skilled nursing facility (SNF) care.

- Total Medicare spending in the first month of full-dual coverage is about four times higher for individuals in the Medicare-to-Medicaid pathway than for those in the other temporal pathways, driven by their relatively higher utilization of hospital inpatient care, emergency department visits, and SNF services.

- In general, individuals eligible for Medicaid in the "Medically Needy" and "Other" categories had similar rates of both Medicaid and Medicare utilization. These individuals had the highest utilization of Medicaid covered nursing facility services and Medicare-covered SNF services in the first month of full-dual coverage.

- Individuals in the "Other" Medicaid eligibility group had the highest total Medicaid spending (average $1,404 per beneficiary) and highest total Medicare spending (average $4,884 per beneficiary) in the first month of full-dual coverage.

- Among individuals making the Medicare-to-Medicaid transition (most of whom were age 65 or older), 30.0% received some form of Medicaid covered LTSS--predominantly institutional services--in the first month of full-dual coverage. In comparison, 16.9% of individuals on the Medicaid-to-Medicare pathway (most of whom were under age 65) had any Medicaid LTSS use--predominantly home and community-based services.

- Individuals eligible for Medicaid in the "Other" category had the highest rate of Medicaid LTSS use (45.2%) in the first month of full-dual coverage, followed by those in the "Medically Needy" category (29.6%).

- Among individuals who newly became full-dual eligible and who also began a new spell of Medicaid LTSS use at some point during 2007-2010, only about one-fifth began using LTSS before transition to full-dual status. Thus, most of these new LTSS users started using LTSS upon or after initial transition to full-dual status.

## Conclusion

There are several different pathways to becoming dual eligible. Individuals can become eligible for one of the programs before the other based on age, disability, or income; it is also possible to simultaneously become eligible for both programs. These pathways typically differ for younger

adults (ages 18-64) and for older adults (age 65 or older). The reason for Medicare eligibility is relatively stable and predictable because Medicare is a federal program with uniform eligibility rules and benefits. Generally, individuals qualify for Medicare because of age or disability. However, the pathway to Medicaid eligibility is more complex and varied, due to different eligibility rules and benefits across the states. Broadly, individuals making the transition to full-dual status qualified for Medicaid by one of the following eligibility categories: Low Income--SSI-Cash, Low Income--Poverty, Medically Needy, Section 1115 Waiver, or Other (a residual category capturing individuals who meet state eligibility criteria based on special income rule or other requirements).

Given a long-standing interest in the issue of spenddown to Medicaid among older adults, the focus of policy attention has been on the Medicare-to-Medicaid transition, which is likely accompanied by the use of expensive uncovered medical care and LTSS. Among individuals making the Medicare-to-Medicaid transition, it is plausible that many in the "Medically Needy" or "Other" Medicaid eligibility categories qualified for Medicaid by spending down their incomes to the level of state Medicaid eligibility. Medicaid-to-Medicare is also an important pathway, whereby qualified low income or disabled individuals receive Medicaid-covered services before they become Medicare eligible. Most individuals following this pathway were under age 65 or people who became dually eligible by aging into 65, rather than older people who spent down to Medicaid.

Although Medicaid LTSS use certainly figures in the transitions of many individuals to full-dual status, our results indicate that most people make the transition without using Medicaid LTSS. This suggests that they make the transition because they are older and poor (if on the Medicare-to-Medicaid pathway), or because they have attained Medicare eligibility upon turning 65 or have been on Social Security Disability Insurance for 24 months (if on the Medicaid-to-Medicare pathway).

This study shows that reasons for Medicaid and Medicare eligibility, demographic characteristics, presence of chronic conditions, and service utilization at the time of initial transition to full-dual status vary by pathway, suggesting that different subgroups of dually eligible beneficiaries may have different care needs. In particular, a substantial portion of the people transitioning to full-dual status have severe mental illness, or Alzheimer's disease or related dementias. Individuals with these conditions tend to have more complex care needs and higher health care spending than people without these conditions. In addition, a disproportionate number of people transitioning to dual status are racial/ethnic minorities.

The findings from this study can inform policy efforts to support individuals at risk of becoming dual eligibles and address their care needs both during and after the transition to full-dual status.