Understanding the Medicare Savings Programs (MSPs)

January 2022

Introduction

There are a number of out-of-pocket expenses associated with Medicare Parts A and B. Congress created the jointly funded (federal and state) Medicare Savings Programs (MSPs) to help low income Medicare beneficiaries pay for some or all of the Part A and B out-of-pocket expenses.

At the federal level, CMS provides regulatory oversight of the MSPs (e.g., guidance and policy interpretation). A designated state agency, that is, usually the agency administering Medicaid, is responsible for administering the MSPs. That means if a beneficiary were interested in applying for a Medicare Savings Program, he or she would generally do so the same way he or she applies for Medicaid in his or her state. The Medicaid agency is also the agency that generally conducts redeterminations to evaluate ongoing eligibility. It's important to note that in some states this program isn't called the Medicare Savings Program, but may instead go by a different name.

Because the federal government partially funds the MSPs, the state must follow certain federal regulations. Federal regulations require states (including 209(b) states) to use the SSI income and resource methodologies to determine countable income and countable resources. States may choose to use less restrictive rules, but Federal regulations do not allow states to use more restrictive rules than SSI. Because states have some discretion in setting eligibility rules, CWICs must locate the state-specific details of the MSP eligibility criteria. Most states have a policy manual outlining the MSP eligibility details. CWICs should locate a copy of that manual (online or paper).

To be eligible for a MSP, beneficiaries must have countable income below income limits set by the state Medicaid agency. The laws enacting the Medicare Savings Program established specific percentages of the FPL as the income limits for the MSPs, but some states have opted to use higher amounts.

Understanding Federal Poverty Levels (FPLs)

The U.S. Department for Health and Human Services (DHHS) establishes annual poverty guidelines that are widely used as a poverty measure for administrative purposes — for instance, when determining financial eligibility for certain federal or state programs. The poverty guidelines are often loosely referred to as the "federal poverty level" (FPL).

The FPL amounts are based on family size. For example, in 2022 the FPL for a family size of one is $13,590 ($1,132.50 per month) and for a family size of two it is $18,310 ($1,525.83per month). Each year, DHHS publishes one set of FPL figures for the 48 contiguous states and another set with higher figures for Alaska and Hawaii. The FPLs (or percentages of them) are used as a standard for income eligibility for various Medicaid programs so we reference them repeatedly throughout this document. More information about the FPLs is available at the DHHS web site here: https://aspe.hhs.gov/poverty-guidelines

In addition to countable income falling below the required limits, countable resources must be below certain limits. Beginning January 2010, as a result of the Medicare Improvements for Patients and Providers Act (MIPPA), three of the MSP resource limits aligned with the resource limits for the Low-Income Subsidy (LIS) program. Some states have opted to use higher resource limits than those used by the LIS program, while other states have no resource limits at all. As a result, CWICs must research the details about MSP eligibility in their states.

The MSP includes four separate programs:

1. Qualified Medicare Beneficiary (QMB),
2. Specified Low-Income Medicare Beneficiary (SLMB),
3. Qualifying Individual (QI), and
4. Qualified Disabled Working Individual (QDWI).

As a reminder, a given state may use different names for some or all of these programs, so CWICs need to research the appropriate term to use.

Below is a chart summarizing the basic details of these programs for 2022.

Program	Income Limit	Resource Limit	How It Helps
Qualified Medicare Beneficiary (QMB)	100% Federal Poverty Level	$8,400 single, $12,600 couple	Pays Part A and B premiums, deductibles, co-insurance, and co-payments
Specified Low-Income Medicare Beneficiary (SLMB)	120% Federal Poverty Level	$8,400 single, $12,600 couple	Pays Part B premium only
Qualifying Individual (QI)	135% Federal Poverty Level	$8,400 single, $12,600 couple	Pays Part B premium only
Qualified Disabled Working Individual (QDWI)	200% Federal Poverty Level	$4,000 single, $6,000 couple	Pays Part A premium only

It's important to point out these programs don't help with the Medicare Part D out-of-pocket expenses; a separate program called Low Income Subsidy (LIS) covers those. Additionally, Medicare Savings Programs don't cover Medigap or Medicare Advantage premiums.

Qualified Medicare Beneficiary (QMB)

Of the four Medicare Savings Programs, QMB (sometimes referred to as "quimby") provides the most support. If a Title II disability beneficiary is eligible for QMB, the State Medicaid agency will pay his or her Part B premium as well as any Part A and B deductibles and co-insurance. To be eligible, the beneficiary must:

- Have Medicare Part A;
- Have countable income at or below 100 percent of the current FPL (or a higher limit set by the state);
- Have countable resources below $8,400 for a single person, $12,600 for a couple in 2022 (or a higher limit set by the state); and

- Meet the general nonfinancial requirements or conditions of eligibility for Medicaid in his or her state (e.g., citizenship, residency)

  NOTE: Those eligible for Medicare under Premium-HI for the Working Disabled can't use QMB.

As noted earlier, to determine countable income the state Medicaid agency must use the SSI income methodology, unless CMS has approved a more liberal method. That means applying the $20 General Income Exclusion (GIE) to determine countable unearned income and applying all the SSI earned income exclusions when calculating countable earned income. If the resulting total countable income is below 100 percent of the FPL (or a higher limit set by the state), then the individual would get QMB. Below is an example of how the State Medicaid agency would calculate countable income using the SSI income and resource methodology.

> **Example of person who is eligible for QMB:**
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> Sylvia receives $874 per month of SSDI, has $2,500 in resources, and has just been notified she has completed her Medicare Qualifying Period (MQP) and her eligibility for Medicare will start in three months. She explains that she can't afford to have the Part B premium deducted from her SSDI check and doesn't think Medicare will be useful because she won't be able to pay the deductible and co-insurance. Could Sylvia be eligible for QMB?
>
> Using the SSI deductions, it appears Sylvia will be below 100 percent of the FPL. Her unearned income is $874; after deducting the $20 General Income Exclusion, her countable unearned income is $854. She doesn't have any earned income, so her total countable income is $854 per month. One hundred percent of the FPL for a single person is $1,132.50per month (2022 rate). Sylvia's countable income is below that level. Because her resources are below $8,400, she would likely be eligible for QMB, assuming she meets all the nonfinancial requirements of the State's Medicaid program.

The Department of Health and Human Services (DHHS) publishes the FPL figures annually, usually by mid-February. Cost of Living Adjustments (COLAs) go into effect in January. As a result, COLAs for Title II benefits are disregarded in determining countable income for QMB purposes at least through the month following the month in which the annual FPL update is published. Concerning resources, the MSPs use the same resource methodology as SSI, unless CMS has approved a more liberal method.

When the State Medicaid agency finds a beneficiary eligible for QMB, the state records that information in a data system (known as the SDX) that is shared with Social Security. Social Security will then stop deducting the beneficiary's Part B premium from his or her Title II disability benefit check. As a QMB, the beneficiary will also get help paying his or her Part A and Part B deductibles, co-insurance, and co-payments. Generally, the State Medicaid agency will issue the beneficiary a Medicaid card. This doesn't mean the beneficiary has full Medicaid coverage. Instead, the beneficiary receives this card to give to medical providers, so they know to bill the state for the Part A and B deductibles and co-insurance. Given this involvement by the Medicaid agency, some states refer to QMB eligible individuals as "Limited Medicaid Beneficiaries." It's very important to understand that MSPs don't give beneficiaries access to the full array of Medicaid State Plan services or long-term care waivers. Instead, they have access to Medicare-covered services and the state Medicaid agency is using the Medicaid billing system to pay the Part A and B deductible, co-payments, and co-insurance. A person must meet the criteria for a Medicaid eligibility group to get Medicaid State Plan services.

A determination that an individual is a QMB is normally effective for a period of 12 months. However, a state may make redeterminations more frequently than every 12 months, so long as the state doesn't make them more frequently than every six months. This limitation on the frequency of redeterminations doesn't apply in situations where the state becomes aware of an actual change in the beneficiary's situation that could affect eligibility.

QMB and Medicaid: It's important to understand that beneficiaries receiving QMB may also have full Medicaid coverage because they meet the eligibility criteria for a Medicaid eligibility group. In fact, many concurrent beneficiaries getting both SSI and Title II disability benefits have Medicare, Medicaid, and QMB coverage. QMB and Medicaid are similar in some ways and different in other ways:

Program	Full Medicaid State Plan Services	Pays Part A and B deductibles and co-insurance	Part B Premium
QMB	No	Yes	Yes
Medicaid	Yes	Yes	Maybe (see the note below)

NOTE: In some states, if a person is over the income limits for the Medicare Savings Programs but is Medicaid eligible, the state will pay the Part B premium. Some states impose an income limit on providing this assistance or limit this assistance to select Medicaid eligibility groups. When a state chooses to pay the Part B premium for someone over the MSP income limit, the state is sometimes using 100 percent state funds to do so because the person isn't eligible for the jointly funded federal and state Medicare Savings Programs. Some states have determined that it's financially worthwhile to pay the Part B premium with state funds because it will assure the person has Medicare Part B, which reduce Medicaid costs. Other states haven't made that determination and choose not to offer this assistance.

It's critical that CWICs clarify if their state pays Part B premiums for dual eligible individuals (Medicare or Medicaid eligible) who are over the income limits for MSP eligibility. If that's the case, when a beneficiary goes to work, if he or she remains or becomes eligible for Medicaid (such as through the Medicaid Buy-In), he or she will experience no loss in financial assistance for Part A and B when his or her eligibility for QMB ends. Looking at the chart above, all the financial assistance QMB provides is provided by Medicaid.

Specified Low - Income Medicare Beneficiaries (SLMB)

Someone eligible under SLMB (also referred to as "slimby") will get help paying his or her Part B premium. To be eligible, the beneficiary must:

- Have Medicare Part A;
- Have countable income above 100 percent but at or below 120 percent of the current FPL (or a higher limit set by the state);
- Have countable resources below \$8,400 for a single person, \$12,600 for a couple in 2022 (or a higher limit set by the state); and
- Meet the general nonfinancial requirements or conditions of eligibility for Medicaid in his or her state (e.g., citizenship, residency).

NOTE: Those eligible for Medicare under Premium-HI for the Working Disabled can't use SLMB.

To determine eligibility for SLMB, the states must use the SSI income methodology, unless they have been approved to use a more liberal method. That means applying the \$20 General Income Exclusion to determine countable unearned income and applying all the SSI earned income exclusions when calculating countable earned income. If the resulting total countable income were above 100 percent but at or below 120 percent of the FPL (or a higher limit set by the state), then the individual would get SLMB. Below is an example of how the states would calculate countable income, using the SSI income and resource methodology.

Example of person who is eligible for SLMB:

Bruce receives \$1,190-per month of SSDI, has \$5,500 in resources, and has just been notified Medicare will be starting. Could Bruce be eligible for SLMB?

> Using the SSI deductions, it appears Bruce's countable income will be below 120 percent of the FPL. His unearned income is $1,190; after deducting the $20 General Income Exclusion, his countable unearned income is $1,170. He doesn't have any earned income, so his total countable income is $1,170 per month. One hundred twenty percent of the FPL for a single person is $1,359 per month (2022 rate). Bruce's countable income is below that level. Because his resources are below $8,400, he would likely be eligible for SLMB, assuming he meets all the nonfinancial requirements of the state's Medicaid program.

The COLA deduction explained under QMB also applies to SLMB. Additionally, when a beneficiary is eligible for SLMB, the state records that information in a data system that is shared with Social Security. Social Security will then stop deducting the beneficiary's Part B premium from his or her Title II disability benefit check.

Qualifying Individuals (QI)

Someone eligible under QI will get help paying his or her Part B premium. To be eligible, the beneficiary must:

- Have Medicare Part A;
- Have countable income above 120 percent but at or below 135 percent of the current FPL (or a higher limit set by the state);
- Have countable resources below $8,400 for a single person, $12,600 for a couple in 2022 (or a higher limit set by the state); and
- Meet the general nonfinancial requirements or conditions of eligibility for Medicaid in his or her state (e.g., citizenship, residency); and
- Be ineligible for Medicaid.

> **Note:** Those eligible for Medicare under Premium-HI for the Working Disabled can't use QI.

To determine eligibility for QI, the states must use the SSI income methodology, unless CMS has approved a more liberal method. That means applying the $20 General Income Exclusion to determine countable unearned income and applying all the SSI earned income exclusions when calculating countable earned income. If the resulting total countable income were above 120 percent but at or below 135 percent of the FPL (or a higher limit set by the state), then the individual would get QI. Below is an example of how the states calculate countable income, using the SSI income and resource methodology.

Example of person who is eligible for QI:

Andrew receives $1,400 per month of SSDI, has $6,000 in resources, and has just been notified Medicare will be starting. Could Andrew be eligible for QI?

Using the SSI deductions, it appears Andrew's countable income will be below 135 percent of the FPL. His unearned income is $1,400; after deducting the $20 General Income Exclusion, his countable unearned income is $1,380. He doesn't have any earned income, so his total countable income is $1,380 per month. One hundred thirty-five percent of the FPL for a single person is $1,528.88 per month (in 2022). Andrew's countable income is below that level. Because his resources are below $8,400, he would likely be eligible for QI, assuming he meets all the nonfinancial requirements of the state's Medicaid program.

The COLA deduction explained under QMB and SLMB also applies to QI. Additionally, when a beneficiary is eligible for QI, the state records that information in a data system that is shared with Social Security. Social Security will then stop deducting the beneficiary's Part B premium from their Title II disability benefit check.

Many CWICs wonder what the difference is between SLMB and QI, aside from the income limit. From the beneficiary's perspective, there is one key difference. A person who has Medicaid can use SLMB but can't use QI. The other differences are all administrative. QI is a federal block grant program, so funding is based on availability of grant funds. If a state runs out of the block funds, it could close enrollment in QI until new grant funds are available. Another administrative difference is the match rate; the percentage the federal government pays for the QI program is different from the SLMB program.

QMB, SLMB, QI, and Earnings

Because QMB, SLMB, and QI are all financial needs-based programs, when a person begins working, his or her eligibility could change from one level to another or end altogether. To evaluate the effect of work on MSPs, CWICs should take the following steps:

1. Calculate total countable income (including the earning goal).
2. Compare total countable income to QMB, SLMB, and QI income levels.
3. Identify if the beneficiary will remain in same coverage level, move to a lower coverage level (QMB to SLMB or QMB to QI), or lose MSPs altogether.
4. Determine if the person will keep or become eligible for Medicaid.

Once those steps are complete, CWICs may use the charts below to help clarify how the help with Medicare Part A and B out-of-pocket expenses will change. The first chart outlines the change in coverage that will occur for beneficiaries who won't be eligible for full Medicaid when they begin working. The second chart outlines the change in coverage that will occur for beneficiaries who will maintain or become eligible for full Medicaid when they begin working.

Scenarios for beneficiaries who aren't, nor will become, Medicaid eligible:

Scenario once the work goal is achieved	Part A and B deductibles and co-insurance will be paid?	Part B Premium will be paid?
Has QMB, will have QMB	Yes	Yes
Has QMB, will have SLMB/QI	No	Yes
Has QMB, won't have MSPs	No	No
Has SLMB/QI, will have QMB	Yes	Yes
Has SLMB or QI, will have SLMB/QI	No	Yes
Has SLMB/QI, won't have MSPs	No	No

Scenarios for beneficiaries who will continue to be eligible for Medicaid or will become eligible when they begin working:

Scenario once the work goal is achieved:	Part A and B deductibles and co-insurance will be paid?	Part B Premium will be paid?
Has QMB, will have QMB	Yes	Yes
Has QMB, will have SLMB	Yes (Medicaid)	Yes
Has QMB, won't have QMB/SLMB	Yes (Medicaid)	Maybe (Medicaid)

Scenario once the work goal is achieved:	Part A and B deductibles and co-insurance will be paid?	Part B Premium will be paid?
Has SLMB, will have QMB	Yes	Yes
Has SLMB, will have SLMB	Yes (Medicaid)	Yes
Has SLMB, won't have QMB/SLMB	Yes (Medicaid)	Maybe (Medicaid)

As a reminder, someone who is Medicaid eligible can't get QI; as a result, there is no option in the chart directly above showing the option of QI. Because this second chart reflects the beneficiaries who will maintain or obtain full Medicaid when working, the individual will have more help paying Medicare Part A and B out-of-pocket expenses. In every scenario the person is getting help paying their Part A and B co-insurance and deductibles. That's possible because full Medicaid naturally covers those expenses if QMB isn't available. Remember, Medicaid operates as a secondary insurance to Medicare. The only potential change in assistance is with the groups that lose eligibility for MSP altogether. In that situation, if the state won't pay the Part B premium for dual eligible individuals (Medicare and Medicaid eligible) with income over the 120 percent income limit, then the beneficiary will need to begin paying that premium. In states that pay the Part B premium for dual beneficiaries over 120 percent FPL, the beneficiaries will see no effective change in their coverage.

Let's look at a few examples of how earned income would affect coverage of Medicare Part A and B out-of-pocket expenses.

Example of person who is eligible for QMB, doesn't have Medicaid, and begins working:

Sylvia receives $874 per month of SSDI, has $2,500 in resources, has Medicare, and has QMB. She has been offered a job making $1,500 per month in gross wages. What will happen to Sylvia's eligibility for QMB?

Her unearned income is $874; after deducting the $20 General Income Exclusion, her countable unearned income is $854. Her earned income is $1,500; after deducting the $65 Earned Income Exclusion and dividing the remaining earnings in half, her countable earned income is $717.50. That means her total countable income is $1,571.50 per month.

Sylvia's income isn't only over the QMB income limit (100 percent FPL is $1,132.50 – 2022 rate); it's also over the SLMB (120 percent FPL is $1,359 – 2022 rate) and QI income limit (135 percent FPL is $1,528.88 – 2022 rate) for a single person. She will have to begin paying her Part A and B co-insurance and deductibles, as well as her Part B premium.

As an option, Sylvia could explore her eligibility for Medicaid (e.g., Medicaid Buy-In). If she is eligible for Medicaid, that program would pay her Medicare Part A and B deductibles and co-insurance. Depending on the state she lives in, Medicaid may also pay her Part B premium. Another option is to explore Impairment Related Work Expenses (IRWEs) or Blind Work Expenses (BWEs). If Sylvia has enough of these deductions, her countable income may fall below the QI, SLMB, or even QMB limit.

Example of person who is eligible for QMB and Medicaid, and begins working:

Ericka receives $899 per month of SSDI, has $1,000 in resources, has Medicare and Medicaid, and has QMB. She has been offered a job making $600 per month in gross wages. What will happen to Ericka's eligibility for QMB?

Her unearned income is $899; after deducting the $20 General Income Exclusion, her countable unearned income is $879. Her earned income is $600; after deducting the $65 Earned Income Exclusion and dividing the remaining earnings in half, her countable earned income is $267.50. That means her total countable income is $1,146.50 per month.

Ericka's income is over the QMB income limit (100 percent FPL is $1,132.50 – 2022 rate), but it's below the SLMB limit (120 percent FPL is $1,359 - 2022 for a single person). That means she'll continue getting help paying for her Part B premium, but through SLMB rather than QMB. While Ericka doesn't have the QMB program to pay her Part A and B deductible and co-insurance, she does have full Medicaid coverage. If she maintains her eligibility for Medicaid when she begins working she would continue to get help paying the Part A and B deductibles and coinsurance. In effect, Ericka will continue to have the same coverage she has now. If Ericka can't maintain Medicaid when working, you should explore IRWEs or BWEs to see if her countable income could fall below the QMB limit.

Qualified Disabled and Working Individuals (QDWI)

The last Medicare Savings Program is very different from the other three. Qualified Disabled Working Individual (QDWI) only pays the Part A premium for those who are "buying-into" Medicare under "Premium HI for the Working Disabled."

To be eligible for QDWI, an individual must:

- Be using Premium-HI for the Working Disabled to maintain Medicare;
- Have countable income below 200 percent of the current FPL;
- Have countable resources below $4,000 for a single person, $6,000 for a couple;
- Be not otherwise eligible for Medicaid; and
- Meet the general nonfinancial requirements or conditions of eligibility for Medicaid in his or her state (e.g., citizenship, residency).

As with the other MSPs, QDWI uses the SSI income and resource methodologies to determine countable income and resources. With QDWI, states aren't allowed to use more liberal income and resource methodologies, an option they have with the QMB, SLMB, and QI program. While 200 percent of the FPL may not seem high, an individual can have a relatively high monthly income and use this program. There are two key factors that make that possible: The individual no longer has a Title II benefit check when he or she is using this program, and the earned income disregards allow him or her to have wages of more than twice the income limit. Let's look at an example.

Example of person who is likely eligible for QDWI:

Frank has $3,200 per month in gross wages, and his EPMC is about to end. He'd like to maintain Medicare through Premium-HI for the Working Disabled but is concerned about affording the Part A premium. He has $3,500 in resources. Could Frank be eligible for QDWI?

His unearned income is $0, because he's no longer receiving his SSDI benefit. His gross wages are $3,200 per month; after deducting the $20 General Income Exclusion and the $65 Earned Income Exclusion, and dividing the remaining amount in half, he has $1,557.50 in countable earned income. Because he has no unearned income, his total countable income is $1,557.50 per month.

Two hundred percent of the FPL for a single person is $2,265 per month (2022 rate). Frank's total countable income is below that level. Because his resources are below $4,000, he would likely be eligible for QDWI, assuming he meets all the nonfinancial requirements of the state's Medicaid program.

As this example demonstrates, an individual can have a substantial amount of earned income and still use QDWI.

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