

Take-Up of Medicare Part D and the SSA Subsidy:
Early Results from the Health and Retirement Study

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Background

- The Medicare Modernization Act of 2003 added a prescription drug benefit (“Part D”) to Medicare starting in 2006
- Part D is optional: most Medicare beneficiaries had a choice about whether to enroll
- Beneficiaries could also apply for the low-income subsidy (“Extra Help”) administered by SSA

Our questions for this project:

- Who enrolled in Part D?
- Who applied for the subsidy?
- What were respondents' subjective experiences of enrollment?

Why care about Part D takeup?

- Is program reaching intended audience?
- Low takeup means there are costs of enrolling, so transfer is inefficient even for people who take up.
- Part D as test case for managed competition.

Background: Literature on program takeup

- Takeup of most programs is very low
 - Stigma
 - Transaction costs/hassle
 - Information
- For a given program, takeup is lower among the elderly (Food Stamps [Haider et al. 2003]; Medicaid [Pezzin & Kasper 2000])
- Important Part D difference: rational non-takeup due to direct cost even if there were no transaction or stigma costs

Take-up of public programs

Table 1:

Program	Take-up Rate
Medicare Part A	99%
Medicare Part B ⁵	95.5%
Employer Sponsored Insurance ⁶	80%-87%
Earned Income Tax Credit ⁷	80-86%
Food Stamps ⁸	54-71%
Unemployment Insurance ⁹	65%-83%
Rental Assistance ¹⁰	64%
SSI (elderly) ¹¹	50%-56%
Medicaid (eligible uninsured children) ¹²	50-70%
AFDC (female heads) ¹³	45%-70%
QMB and SLMB (Medicare Assistance) ¹⁴	43%

Note: Take-up rates are for a variety of different years (1975-1996) and in some cases different countries (rental assistance in the Netherlands, UI in Canada as well as the US). Some program figures include multiple studies.

Source: Remler et al. 2001

Background on Part D

Part D affected people very differently depending on what drug coverage they already had:

1. “Other creditable coverage:” keep coverage
2. Medicaid/SSI recipients: auto-enrolled in both Part D and subsidy
3. Medicare HMOs: almost inevitable Part D coverage
4. Privately purchased coverage
5. No coverage

Part D subsidy rules

Income and asset cutoffs, 2006

	Full subsidy	Partial subsidy
Income	135% FPL	150% FPL
Assets		
Single	\$6,000	\$9,000
Couple	\$10,000	\$20,000

Definition of income

- Earnings, capital income, transfer income, Social Security, pension
- Income of other household members not counted (unlike FPL calculation)
- Disregard first \$240 of income
- Disregard first \$780 of earnings plus half of remaining earnings

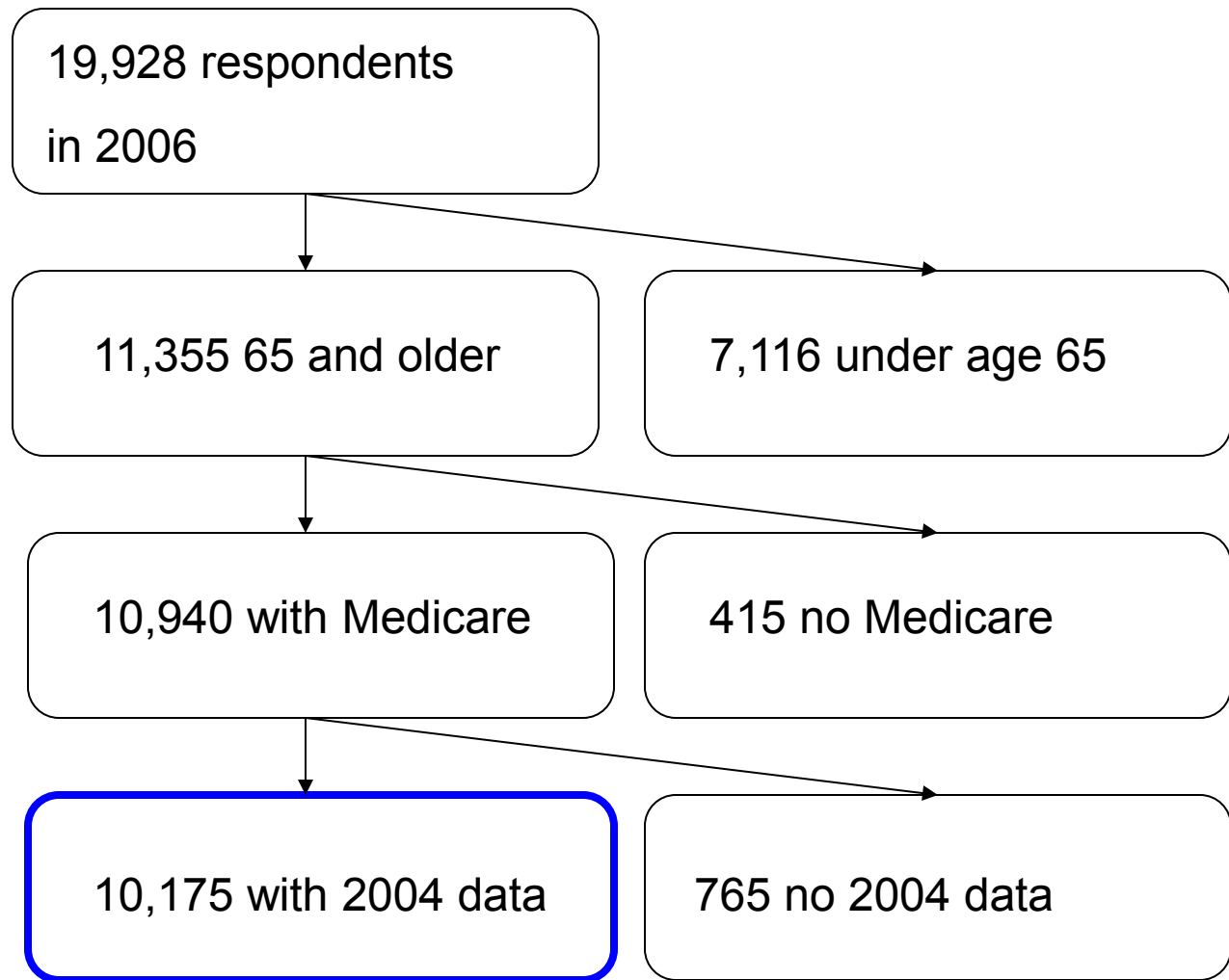
Assets

- Does not include primary residence or vehicles

Data: The Health and Retirement Study

- Began in 1992 with cohort aged 51-61
- Interviewed every two years
- Our sample: respondents who are 65 or older, have Medicare in 2006, and participated in 2004 and 2006
- Sample size: 10,175

Sample



Determining Rx coverage in 2004

Respondents have multiple opportunities to give info on Rx coverage:

- Medicare HMO Rx coverage
- Medicaid
- Private insurance plan Rx coverage
- Later (in q's on utilization): Does respondent have any insurance coverage that does/would help pay for use of prescription drugs?

HRS 2006 questions on Part D

In 2006, the HRS core added questions on Part D upfront, including:

- “Beginning in 2006, Part D of Medicare provides coverage for prescription drugs. Have you signed up for the new Medicare prescription drug coverage?”
- “Have you applied to Social Security for Extra Help in paying for your prescription drugs?” (Note: initial flaw in skip pattern.)

HRS 2006 questions on Part D (continued)

- Information resources used to make the decision
- Name of plan and monthly premium
- Reasons for not signing up
- How difficult was the decision?
- Do you plan to sign up next year?

Other HRS data used for our analysis

- Income, assets: can follow program rules very closely using HRS 2006 data
- Health: self-reported health status in 2004
- Rx use: # of conditions for which medications taken in 2004: high blood pressure, diabetes, heart conditions, stroke, psychiatric conditions
- Cognitive functioning: word recall in 2004 (0-20, missing)
- Education at baseline
- Race, gender, ethnicity, marital status

Results to be presented

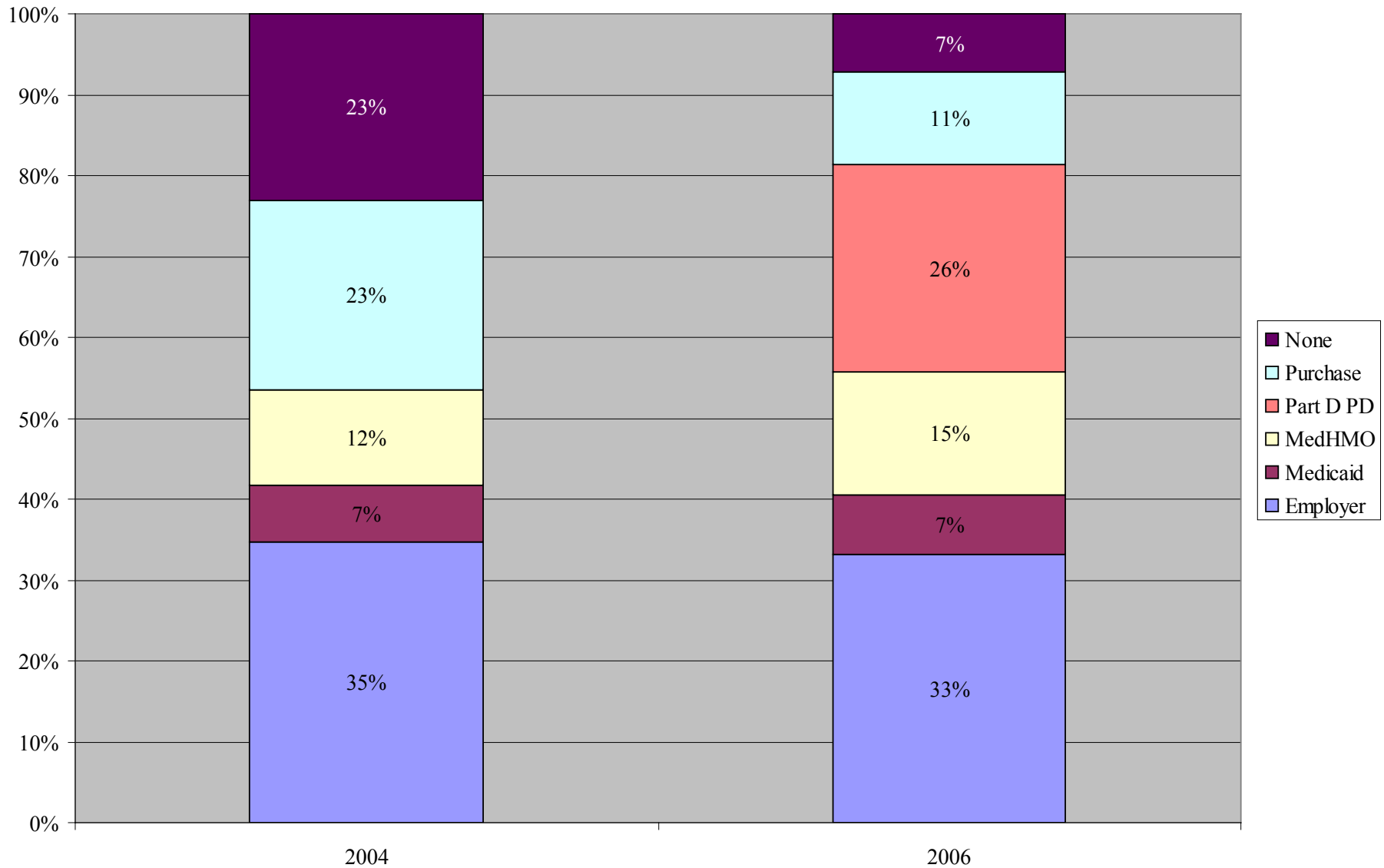
1. What choices did people make about Part D coverage?
2. How many people applied for the subsidy?
3. Which characteristics predict takeup of Part D or the subsidy?
4. Why do people say they didn't sign up?
5. What was respondents' subjective experience of the process (difficulty with/confidence in decision), and do they plan to sign up next year?

Caveats

These analyses are preliminary!

- Weight is preliminary weight.
- No imputation of income and asset data.

Rx coverage in 2004 and 2006
Medicare beneficiaries ages 65+ in 2006
HRS 2004 & 2006; n=10,175



RX coverage in 2006 by 2004 status
n = 10,175

Coverage in 2004	Coverage in 2006						Total
	Employer	Medicaid	MedHMO	Part D	Purchase	None	
Employer	0.685	0.009	0.080	0.109	0.098	0.019	1.000
Medicaid	0.026	0.683	0.044	0.171	0.055	0.022	1.000
MedHMO	0.115	0.027	0.705	0.069	0.071	0.014	1.000
Purchase	0.274	0.046	0.096	0.334	0.196	0.056	1.000
None	0.062	0.035	0.071	0.522	0.097	0.212	1.000
Total	0.332	0.073	0.153	0.257	0.114	0.072	1.000

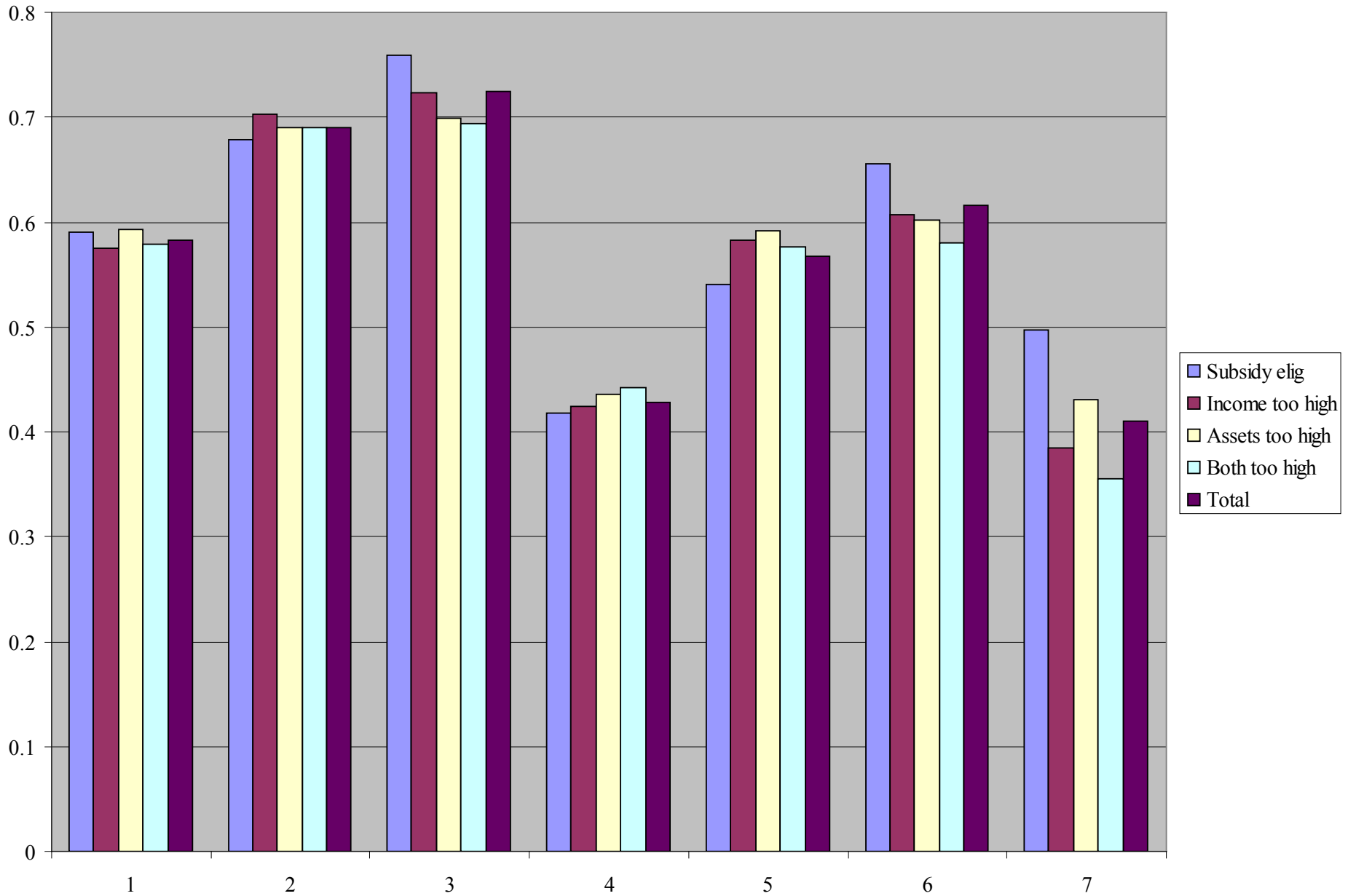
How should we define “takeup”?

- Who belongs in the numerator and the denominator?
- For example:
 - Do you count Medicaid recipients as “taking up” the program?
 - Do you exclude people who had employer coverage in 2004?

Alternative definitions of Part D takeup

D1	$\frac{\text{PDP06}}{(\text{PDP06} + \text{PVT06} + \text{UNINS06})}$
D2	$\frac{(\text{PDP06} + \text{HMO06})}{(\text{PDP06} + \text{PVT06} + \text{UNINS06} + \text{HMO06})}$
D3	$\frac{(\text{PDP06} + \text{HMO06} + \text{MCD06})}{(\text{PDP06} + \text{PVT06} + \text{UNINS06} + \text{HMO06} + \text{MCD06})}$
D4	$\frac{\text{PDP06}}{(\text{PVT04} + \text{UNINS04})}$
D5	$\frac{(\text{PDP06} + \text{HMO06})}{(\text{PVT04} + \text{UNINS04} + \text{HMO04})}$
D6	$\frac{(\text{PDP06} + \text{HMO06} + \text{MCD06})}{(\text{PVT04} + \text{UNINS04} + \text{HMO04} + \text{MCD04})}$
D7	$\frac{\text{("Yes" to "did you sign up for Part D?")}}{(\text{All respondents})}$

Different definitions of Part D Takeup



Subsidy applications and outcomes

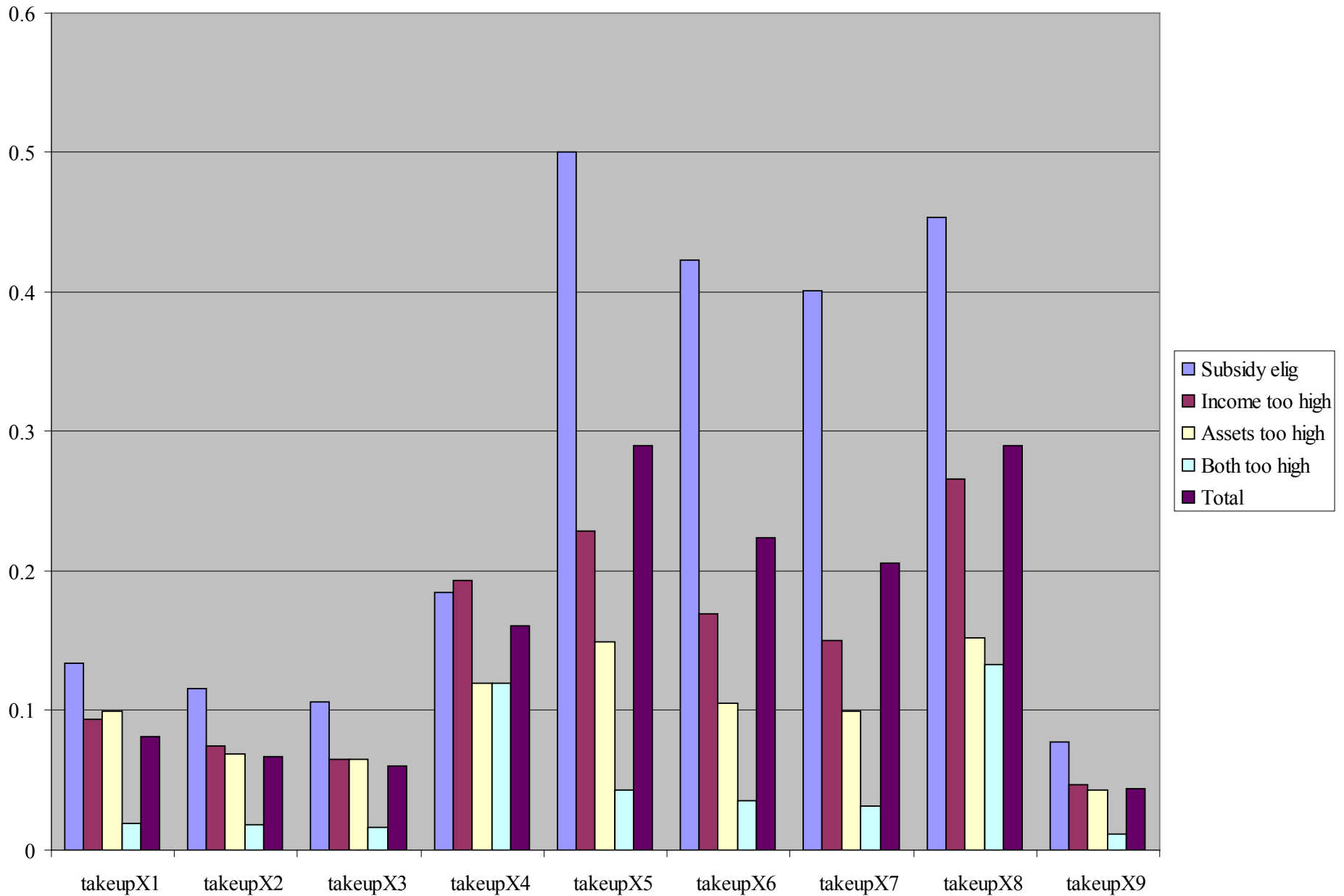
Part D & Medicare HMO enrollees

	Resources relative to eligibility				Total	
	Eligible	Income too high	Assets too high	Both too high		
Sample n	1,259	1,208	221	1,378	4,066	
Row percent	0.296	0.295	0.060	0.350	1.000	
PDP: p(apply for subsidy)	0.134	0.094	0.100	0.019	0.081	
MedHMO: p(apply for subsidy)						
Yes	0.052	0.028	0.000	0.013	0.027	
No	0.736	0.676	0.843	0.721	0.716	
Not asked	0.212	0.296	0.157	0.266	0.257	
Outcome of subsidy application, conditional on applying						
PDP or MedHMO						
Approved	0.566	0.290	0.187	0.329	0.430	
Denied	0.328	0.644	0.656	0.603	0.477	
Waiting	0.107	0.067	0.157	0.068	0.094	

Alternative definitions of subsidy takeup

X1	(PDP with subsidy=yes)/ PDP
X2	(PDP w/subs=yes + MedHMO w/subs=yes)/ (PDP + MedHMO06), excluding missing data
X3	(PDP w/subs=yes + MedHMO w/subs=yes)/ (PDP + MedHMO06), including missing data
X4	(PDP w/subs=yes + MedHMO w/subs=yes + MedHMO w/ miss subs)/ (PDP+MedHMO06), including missing data
X5	(PDP with subsidy=yes + Mcd)/ (PDP + Mcd)
X6	(PDP w/subs=yes + MedHMO w/subs=yes + Mcd)/ (PDP + MedHMO06 + Mcd), excluding missing data
X7	(PDP w/subs=yes + MedHMO w/subs=yes + Mcd)/ (PDP + MedHMO06 + Mcd)), including missing data
X8	(PDP w/subs=yes + MedHMO w/subs=yes + MedHMO w/ miss subs + Mcd))/ (PDP+MedHMO06 + Mcd), including missing data
X9	(Anyone with subsidy=yes)/(anyone with Part D=yes)

Different definitions of subsidy application



Average takeup

- Part D takeup is 43-73%, depending on definition
- No asset/income gradient in Part D takeup
- Subsidy takeup is 4-29% overall, 8-50% among eligibles
- Both are very low if we rely only on respondent responses to questions about takeup

Multivariate analysis

- How does takeup vary with respondent characteristics?
 - Use of prescription drugs
 - Self-reported health
 - Memory score (word recall)
 - Education
 - Income/assets
 - Age

Multivariate analysis

- Estimate a separate regression for each definition of takeup (7 for Part D, 9 for subsidy)

$$Y = b_0 + b_1 \cdot (\# \text{ of Rx}) + b_2 \cdot (\text{SR health}) + b_3 \cdot (\text{memory score}) \\ + b_4 \cdot (\text{demographics}) + b_5 \cdot (\text{income}) + b_6 \cdot (\text{assets})$$

- Demographics include age, race, sex, ethnicity, marital status
- Also estimated with linear variables as vectors of dummies

Summary of regression results for Part D (Table 5)

- **Significant positive effect on takeup**
 - Number of conditions with Rx (2-4 pts)
 - Worse self-reported health (~1 pt)
 - Female (3-9 pts)
- **Inconsistent but generally positive effect**
 - Better memory
- **Significant negative effect**
 - Age (~-0.5 pt/yr)
- **Insignificant negative effect**
 - Black
- **Zero effect**
 - Other nonwhite race
 - Education
 - Income
 - Assets
- **Inconsistent effect**
 - Hispanic

Summary of regression results for subsidy (Table 6)

- Whether or not Medicaid recipients are included as “taking up” matters a lot (columns 1-4 versus 5-8)
- For example, “health” variables have a big effect if Medicaid recipients are included; smaller if they are not (but still positive)
- **Significant positive effect on takeup**
 - Female (3-9 pts)
- **Inconsistent but generally positive effect**
 - Number of conditions with Rx
 - Worse self-reported health
- **Significant negative effect**
 - Income
 - Assets
 - Age (~ -0.3 pt/yr)
 - Education
- **Inconsistent but generally negative effect: marital status**
- **Insignificant negative effect: Black**
- **Inconsistent effect: memory score, other nonwhite, Hispanic, female**

What do respondents say about why they did not sign up?

- Respondents who reported not signing up for either Part D or the subsidy were asked why.
- Multiple choice
- For those who chose “Other,” interviewers could enter text response
- Text responses were coded by a research assistant

Why do people say they didn't sign up for Part D?

	Rx coverage in 2006		Total
	Purchase	None	
Sample n	1,118	728	1,846
(1) Already have good coverage	0.617	0.113	0.423
(2) Didn't know it was available	0.023	0.014	0.019
(3) Heard about it too late	0.008	0.019	0.012
(4) Medicare plan too expensive	0.029	0.107	0.059
(5) Medicare plan too restrictive	0.002	0.005	0.003
(6) Haven't made a decision yet	0.032	0.129	0.069
(7A) Other: no additional info	0.011	0.036	0.021
(7B) Other: text = no meds	0.062	0.217	0.122
(7C) Other: text = other coverage	0.045	0.038	0.042
(7D) Other: text = other	0.109	0.273	0.172
(8A) Why not enroll = DK	0.013	0.010	0.012
(8B) Why not enroll = missing	0.000	0.002	0.001
(8C) Missing data on Part D enrollment	0.050	0.038	0.046

Why do people say they didn't sign up for Part D?

Examples of "other" text responses

UNINSURED

- "I just didn't know enough about it to sign up, do you think I should?"
confusion
- "Honey I don't do anything, I'm just retired and on SS and welfare."
no reason
- "Part D cost more than the prescriptions R uses."
rip-off
- "Looked like it was a hoax."
skeptical
- "I think it sucks."
skeptical
- "It is a Mickey Mouse program, written for the drug companies"
skeptical

PRIVATELY PURCHASED INSURANCE

- "All part of Medicare masterpiece."
skeptical
- "Because it's all bullshit."
skeptical

Why do people say they didn't sign up for the subsidy?

Examples of "other" text responses

- "I didn't know it was available." confusion
- "I need someone to help me because I can't see." confusion
- "I never in my life use handouts." dislike program
- "Because you never get help." dislike program
- "Our religious community decided not to." misc

Difficulty by memory score

Very or somewhat difficult							
Memory score:	Employer	Medicaid	MedHMO	Part D	Purchase	None	Total
0 - 4	0.117	0.139	0.085	0.327	0.164	0.119	0.182
5 - 6	0.093	0.172	0.089	0.342	0.147	0.150	0.184
7	0.081	0.139	0.050	0.359	0.096	0.187	0.168
8	0.115	0.149	0.129	0.415	0.132	0.153	0.195
9	0.104	0.136	0.073	0.456	0.118	0.131	0.200
10	0.051	0.165	0.122	0.400	0.112	0.267	0.174
11	0.079	0.136	0.078	0.432	0.103	0.148	0.183
12 - 13	0.071	0.120	0.079	0.431	0.185	0.175	0.188
14	0.085	0.032	0.073	0.414	0.196	0.198	0.189
Total	0.086	0.145	0.088	0.397	0.141	0.169	0.185

Recap of results for Part D

- Use of prescription drugs and self-reported health predict takeup of Part D.
- People who didn't take up Part D didn't want it.
- The decision was difficult for some but not for most.
- Most beneficiaries are confident about their decision.

Recap of results for subsidy

- Many people report not having applied for subsidy.
- Results suggest lack of information/confusion may have been a factor.

Backup slides start here

Response patterns to Part D/subsidy questions

	Employer	Medicaid	MedHMO	Part D	Purchase	None	Total
"Did you sign up for Part D?"	0.079	0.705	0.483	1.000	0.000	0.000	0.416
If yes: "Were you automatically enrolled?"	0.410	0.538	0.697	0.146	-	-	0.317
If yes: "Did you apply for Extra Help?"	0.031	0.094	0.055	0.085	-	-	0.078
"Did you apply for Extra Help?"							
Yes	0.007	0.068	0.028	0.084	0.012	0.006	0.036
No	0.687	0.770	0.715	0.909	0.566	0.529	0.730