White House Conference on Aging Solutions Forum
March 12, 2005

Statement of Bill Vaughan
Director
Government Affairs, Families USA

The Need for Increased, Dependable Funding to Support Personal, Local Health Insurance Counseling for Medicare Beneficiaries

Families USA is a non-profit foundation that advocates for health care consumers including improvements in Medicare, Medicaid, and private health insurance products, and we thank you very much for giving us time today.

We urge the White House Conference on Aging to make one of its recommendations

--increased,

--dependable

--funding of health insurance counseling services for Medicare beneficiaries.

We strongly support the State Health Insurance Assistance Programs (SHIPs) enacted in 1990. We support other State and local counseling groups, such as Area Agencies on Aging.

SHIPs operate in all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam. They are run out of either State aging or insurance departments and are unique in the degree to which they benefit from and rely on local volunteers—often fellow Medicare beneficiaries. They provide one-on-one, face-to-face counseling and assistance. The Internet is great; the 1-800 number is essential; the Medicare Handbook keeps getting better, but for millions and millions of seniors, those sources are not enough. They need someone to help them with the choices and shopping that the new law requires. That's what SHIPs do—at local libraries, senior and community centers, church basements, you name it, SHIPs are the personal touch and unbiased local face of help.

Historically, SHIP funding has been minimal. For most of the last decade it ran about $12 million a year, or about 25 cents per Medicare beneficiary. On such a shoestring budget, SHIPs were very limited in what they could do—but through the use of volunteers provided a lot of bang for the buck in many states: they are very cost effective.

In the Medicare Modernization (prescription drug) Act, the Medicare agency (CMS) was given an extra $1 billion through September 30, 2005 for all the enormous start up costs of this huge new and very complicated law. Medicare used a tiny bit of that money plus its regular appropriations to increase SHIP funding to about $22 million in FY 2004 and $31.7 million in FY 2005.

We welcome the increase to about 75 cents per beneficiary—about enough for two mailings—but believe it is far below what is needed to help answer Medicare enrollees questions about the new drug law and plan formularies, appeals and exceptions policies, the new Medigap policies, the new Medicare Advantage programs, the new chronic care plans, etc., etc.

In the original Medicare drug bill, Senators had proposed minimum funding of $1 per beneficiary, a number that would grow as the number of beneficiaries grew. Unfortunately, that provision was deleted at the end of the conference committee process and there was no specific, earmarked increase for SHIPs. **We urge the WHCOA to recommend funding of SHIPs at least at the $1 per person level**.

Education, counseling, assistance are an integral part of making the new law work. In the terribly tight Federal budget situation we face for years to come, we need to find a stable source of funding of SHIPs. We are pleased that CMS is giving oral assurances that funding will be stable in FY 2006 at $31.7 million. This is great news in a budget where most discretionary funding is being clipped. But in light of the need, the uncertainty and the predictable confusion over the implementation of the new law, it is not enough.

Assistance and counseling should be recognized as worthy of having a dedicated funding stream—like the Medicare anti-fraud effort or the kidney disease 50 cent per dialysis set-aside program that funds the End Stage Renal Disease consumer and quality Networks.

We urge the WHCOA to recommend funding of SHIPs out of the Trust Funds on a predictable, dependable basis, so that the States can plan for long-range improvements in their SHIP operations.

Attached is more information on SHIPs and an idea for a draft resolution on SHIPs.

Thank you for your time and attention.

About the SHIP in your State

State Health Insurance Programs (SHIPs) in each of the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands provide assistance to Medicare beneficiaries who need help with their Medicare and health-related needs. SHIPs offer information, referrals, and counseling to Medicare beneficiaries on a wide range of health access and insurance matters, including Medicare, Medigap, supplemental health insurance, Medicaid, and long-term care. Federal law additionally authorizes SHIPs to make recommendations concerning health policy issue to appropriate federal and state authorities.

SHIPs can help Congressional offices with difficult Medicare, Medicaid, and health insurance casework, and we hope you will call upon us to help your constituents.

SHIPs were established in 1990, when Congress instructed the U.S. Department of Health and Human Services to operate a "health insurance advisory service." The statute requires state grantees to conduct outreach to Medicare beneficiaries. Federal funding for the SHIPs had been fairly level, at about $12.5 million annually, or about 33 cents per Medicare beneficiary. When the MMA passed, it included an extra $1 billion for the administrative costs of the start-up of the new law, and in FY2004 SHIP funding rose to nearly $22 million and in FY 2005 it is almost $32 million (about $14 million from regular HHS appropriations and about $18 million from the $1 billion fund. The $1 billion fund ends September 30, 2005).

State SHIP offices contract with a wide variety of local entities, including Area Agencies on Aging, senior centers, hospitals and other community-based, non-profit organizations. The local SHIP offices use a local volunteer-centered model to provide local services, with neighbors helping neighbors to understand an increasingly complex and perplexing health care marketplace. Since local SHIP offices exist in communities throughout the country, Medicare beneficiaries needing information, counseling or direct assistance can have their needs met through face-to-face interactions with their peers. While the new Medicare prescription drug law creates a small beneficiary ombudsman program within CMS, that does not replace the need for local, person-to-person help.

Through 1,300 local offices across the country, SHIPs provide outreach, education, and individual counseling at the local level. They use paid or volunteer staff at sponsoring organizations such as area agencies on aging, hospitals, and community organizations. More than 12,000 volunteers and paid staff members work in the state and local SHIP offices, with volunteers making up 94% of SHIP personnel. The volunteer counselors are primarily retirees who are themselves Medicare beneficiaries. Approximately 28% of these volunteers bring previous professional experience in advocacy, insurance, social work laws or medicine to their volunteer counselor positions.

In 2000, the last full year for which data are publicly available, the SHIP network directly assisted 2.8 million Medicare beneficiaries. Approximately 20% of this help was provided face-to-face; 66% was by phone, 2% by e-mail, and the remainder unspecified.

Additionally, the network distributed educational materials about health care and Medicare to millions of others. According to an analysis by HHS's Office of the Inspector General, beneficiaries were very satisfied with the various services provided to them by SHIPs.

SHIPs assist Medicare beneficiaries with a wide range of different services.

- SHIP staff and volunteers develop and disseminate educational materials in their communities about issues and concerns that are common to many Medicare beneficiaries.
- They appear at community meetings to help people understand their Medicare-related choices, rights, and responsibilities.
- They provide one-to-one counseling to people who ask for such assistance.
- They answer calls on Medicare hotlines for people who don't have the physical capacity to go to a SHIP office.
- They provide representation assistance for beneficiaries seeking help with Medicare claims not resolved to their satisfaction by the Medicare contractor.
- They help Medicare beneficiaries with health-related matters, such as Medicaid, long-term care access and coverage, selection of Medigap policies and coordination of Medicare with retiree health plans.

The SHIP network provides a myriad of important services to millions of Medicare beneficiaries each year. The SHIP services are valued by beneficiaries as accurate, objective, understandable and timely. SHIPs are a critical resource to help Medicare beneficiaries navigate the increasing number of important decisions they must make about their health care and health coverage.

The Urgent Need for More Resources

The new Medicare prescription drug law greatly increases the workload of the nation's State Health Insurance Programs.

Please support an increase in earmarked funding for these cost-efficient, locally-based largely volunteer Medicare beneficiary assistance and counseling organizations.

The new Medicare prescription drug law is already resulting in a flood of questions and calls for help in understanding the new law, the new Health Savings Accounts, and what is or is not permissible in Rx re-importation. The calls will grow as seniors and others need help in picking and choosing among new discount drug cards, managed care plans, preferred provider organizations, and free-standing prescription drug plans.

What's a person to do when considering whether they want to join a PDP, a PPO, an MA, a PFFS, an HSA—or buy a Medigap G plan? Ask a SHIP for help ASAP!

New law gives SHIPs more to do

As the Conference Agreement made clear, Congress expects SHIPs to play a key role in educating and helping the nation's 41 million Medicare beneficiaries.

The Conferees Statement of Managers said

> "the [prescription drug] public information campaign should include a program of outreach, information, appropriate mailings, and enrollment assistance with and through appropriate state and federal agencies, *including State health insurance counseling and assistance programs*, in coordination with other federal programs of assistance to low-income individuals, to maximize enrollment of eligible individuals.[1]

The new law allows the fee used to help publicize the new prescription drug plans and Medicare Advantage plans to be used for "carrying out enrollment information dissemination activities for the program as well as the health insurance and counseling assistance program."[2] The law says the new Medicare Beneficiary Ombudsman "is required to work with State Health Insurance Counseling Programs, to the extent possible" to facilitate the provision of information to beneficiaries.[3]

---

[1] Statement of Managers on HR 1, p. 7. Emphasis added.
[2] Ibid., p. 118.
[3] PL 108-173, section 923.

Unmet need today

Today, the SHIPs are unable to answer all the questions and requests for help that they receive. For example, the Medicare Rights Center reported December 12, 2003, that they estimate that six out of seven New Yorkers with Medicare in need of help go un-served, even though that SHIP relies on thousands of hours of volunteer time and raises 75% of its hotline operating costs from private sources.

In sum, more responsibilities and more workload. What is needed is a specific increase in earmarked appropriations for SHIPs.

Medicare beneficiaries need help understanding the program—and especially the many new features and choices!

Medicare—like other health insurance—is complicated and becoming increasingly difficult to understand as new programs, choices, and abbreviations are added. While the program may seem straight-forward to those of us in Washington who deal with it daily, we must remember how often the rest of the Nation is focused on other things. For example, the Kaiser Family Foundation poll report of December 16, 2003 found that a week after the new Medicare law as signed into law by the President with great fanfare, only 59% of seniors knew the bill had passed, while four in ten incorrectly thought the bill had not been passed or didn't know. Imagine what the level of detailed knowledge about the new law's benefits might be!?

Low-income beneficiaries need help to use assistance programs. Low-income seniors and people with disabilities in particular need help in using assistance programs. A 2001 poll of seniors in eight states who had incomes below 100% of poverty found that in four of the polled states, 10 percent or less of the seniors had heard of the QMB programs that can help pay monthly premiums and deductibles. In the other 4 states, the percent which heard of the program ranged from 14% to a high of 33%.[4] In Pennsylvania, 44% of these low income individuals had not even heard of Medicaid or the help it provides. In general, it appears that millions of seniors are not enrolled in Medicaid and the other special help programs because of a lack of knowledge. As a January, 2002 Kaiser Family Foundation poll found

> Lack of basic information about Medicaid is the biggest enrollment barrier for seniors not enrolled in Medicaid. They know very little about the program including who qualifies, how to enroll, and what services the program covers. They say no one has ever informed them about the program or indicated that they may qualify.[5]

For those not enrolled in Medicaid who appear to be eligible for QMB, SLMB and QI-1 help (which covers premiums up to 135% of poverty), only 15 percent are enrolled.[6] Apparently a majority of eligible non-Medicaid beneficiaries do not know about or understand these important support programs or find them too complicated. Relying on the traditional Social Security and state Medicaid offices does not appear to work: A 2000 Medicare Rights Center report found that 42 percent of low-income eligible seniors had contacted a Medicaid office, but only 12 percent were told about the Medicare low-income assistance programs.[7]

---

[4] Source: Dana Gelb Safran, et al., *Seniors and Prescription Drugs: Findings from a 2001 Survey of Seniors in Eight States*, The Commonwealth Fund/Kaiser/Tufts-New England Medical Center, July, 2002.
[5] *Barriers to Medicaid Enrollment for Low-income Seniors, Focus Group Findings*, Kaiser Family Foundation, January, 2002, p. 2.
[6] CBO, "Medicare beneficiaries, by Medicaid eligibility and asset eligibility, CY 2006.
[7] *The Role of Private Health Plans in Medicare*, National Academy of Social Insurance, November, 2003, p. 62.

Many Seniors need face-to-face help to understand the new Medicare private plan options.

The CMS Health Care Financing Review Summer, 2004 issue reported that "several studies have shown that Medicare beneficiaries possess a low-level of understanding about their health care coverage. Many beneficiaries do not understand what plan options are available or what services are covered and several have never heard of a Medicare health maintenance organization. Furthermore, the majority of beneficiaries cannot identify basic distinctions between original Medicare and Medicare managed care plans."[8] The new Medicare prescription drug law hopes to encourage more growth in Medicare managed care plans, but without outreach, education, counseling and assistance that goal will be difficult. As the November 2003 National Academy of Social Insurance report on the role of private plans in Medicare noted,

> Lack of understanding and confusion are not simply the result of beneficiary apathy, but emerge from the complexity of the choices, coupled with the limited cognitive and sensory capacities of some beneficiaries, particularly those whose health is most frail. While many beneficiaries are clearly capable and competent of choosing among health plans, others cannot be expected to make informed choices because of the consequences of aging and chronic illness.[9]

Why many seniors and people with disabilities need counseling and assistance help.

Not only is Medicare getting more complicated, but many beneficiaries have a declining ability to deal with the complexity.

The Alzheimer's Association says that 'at least 10 percent of elderly Medicare beneficiaries (4 million plus people) have Alzheimer's or other types of dementia that would make it difficult for them to understand options."[10] In 1999, the Kaiser Family Foundation reported that 65% of seniors have two or more chronic conditions and 31% have Alzheimer's or some another cognitive impairment. Twelve percent of beneficiaries are blind or have poor vision, even with correction and another 19 percent say that their vision is only fair. Nine percent say they are deaf, while another 15 percent report only fair hearing. About 4 percent of beneficiaries speak a language other than English at home. Literacy in general and especially health-language literacy is a problem. Among beneficiaries who graduated from High School and did not report vision problems, 17 percent said they had difficulty reading basic sentences, such as directions for taking medicines and health care forms. The problem of health 'illiteracy' increases with age. Those between 65-69 years old had an inadequate health literacy rate of 15.6 percent but that rose to 58 percent for those older than 85.[11]

---

[8] Health Care Financing Review/Summer 2003, Volume 24, Number 4, p. 111.
[9] Op cit., p. 67.
[10] Robert Pear, New York Times, December 9, 2003.
[11] NASI, pp. 69, 70.