Understanding Pathways to Medicaid Eligibility Among California's Medicare Beneficiaries

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EXECUTIVE SUMMARY

Individuals who are enrolled in both Medicare and Medicaid are considered 'dually eligible' for both programs as a result of their low income, age, and/or disability status. Because of the varying eligibility pathways, dually eligible beneficiaries are a diverse group, including some of the most medically complex and high-cost enrollees, as well as enrollees who are comparatively healthy. In 2021, there were close to 12 million people in the United States dually enrolled in Medicare and Medicaid, of whom approximately 1.5 million resided in California—comprising 13% of the total number of dually eligible beneficiaries in the United States.

The purpose of this analysis is to better understand the circumstances by which Medicare beneficiaries in the state of California may become eligible for Medi-Cal (California's Medicaid program) and thereby gain dually eligible status.[1] Using several data sources, including Medicare claims data from 2016-2020, this study examines questions about the health status and healthcare service use among beneficiaries prior to Medi-Cal enrollment.

Key takeaways from this analysis include:

- The most common pathway for Medicare beneficiaries to become eligible for Medicaid is based on income. In California, individuals with Medicare (qualifying through age or disability) who have an income below 138% of the federal poverty line are eligible for full Medi-Cal benefits. Other pathways include Medically Needy Medi-Cal and Working Disabled Medi-Cal.
- Medicare beneficiaries under age 65 are far more likely to be dually eligible and have behavioral health conditions than older Medicare beneficiaries, which suggests differing care needs between these age groups. In California, 63% of Medicare beneficiaries under age 65 were dually eligible for full or partial Medi-Cal compared to 22% of beneficiaries 65 and over.
- The Medi-Cal enrollment status of California's Medicare beneficiaries is quite stable. Following a cohort of Medicare beneficiaries for five years (2016-2020), analysis shows that 75% experienced no change in their Medi-Cal status (either never having Medi-Cal coverage or having continuous Medi-Cal coverage), 15% died, and only 10% of beneficiaries either gained or lost Medi-Cal coverage during this five-year time period. Among this latter group, the majority switched Medi-Cal enrollment status multiple times.
- Medicare beneficiaries are slightly more likely to have experienced a hospitalization and higher Medicare spending on physician services prior to Medi-Cal enrollment than beneficiaries who were either continuously enrolled or never enrolled in Medi-Cal. These findings suggest that immediately prior to becoming eligible for Medi-Cal, many lower-income beneficiaries experience new, expensive health problems and challenges coordinating and accessing needed healthcare services.

To help California Medicare beneficiaries afford Medicare premiums and cost sharing, California could expand eligibility for partial Medi-Cal benefits through the Medicare Savings Program (MSP). With federal matching funds, this pathway provides financial assistance with Medicare premiums and cost sharing for medical services. California could increase the income eligibility threshold for the MSP to include beneficiaries with incomes up to 400% of the federal poverty line. This expansion would significantly reduce out-of-pocket costs for Medicare beneficiaries who are just above Medicaid eligibility but struggling to afford healthcare on top of other household expenditures.

1 For a demographic profile of the California Medicare population, including those who are dually eligible for Medi-Cal, see Profile of the California Medicare Population prepared by the California Office of Medicare Innovation and Integration and ATI Advisory.

How does a Californian become 'dually eligible' for Medicare and Medi-Cal?

Individuals who are enrolled in both Medicare and Medicaid (in California, Medi-Cal) are often referred to as 'dually eligible' indicating that they meet the federal criteria for Medicare as well as their state's specific criteria for Medicaid eligibility.

In general, individuals are eligible for Medicare when they reach the age of 65 or, if they are under 65, have a long-term disability or other qualifying medical condition, such as end-stage renal disease. Unlike Medicare, states have varying criteria for Medicaid eligibility, making the requirements for dual eligibility different in each state. Additionally, each state has multiple pathways by which individuals could be eligible for Medicaid and therefore obtain dual status (Exhibit 1). These pathways often have different eligibility requirements based on various factors including income, age, financial assets, and health status. The table below summarizes the pathways for California Medicare beneficiaries to become eligible for Medi-Cal. For more specifics, see Appendix Exhibit.

Exhibit 1: Medicaid Pathways to Dual Eligibility in California

'FULL DUAL' BENEFIT PATHWAYS	'PARTIAL DUAL' BENEFIT PATHWAY
These individuals meet the federal eligibility criteria for Medicare and California's criteria for full Medi-Cal benefits.	These individuals meet the federal eligibility criteria for Medicare and state criteria for financial support for Medicare premiums and/or cost sharing but are not eligible for other Medi-Cal benefits.
Aged and Disabled Federal Poverty Level Medi-Cal: Covers people with very low incomes (below 138% FPL) who are 65 and older or have a long-term disability or other qualifying medical condition. This pathway encompasses the criteria for Medicaid eligibility under the federal Supplemental Security Income (SSI) program. **Medically-Needy Medi-Cal:** Factors in healthcare expenses for Medi-Cal eligibility. Eligible individuals must show that they spend most of their monthly income on healthcare expenses (leaving only $600/month for other discretionary spending). **Working Disabled Medi-Cal:** Provides Medi-Cal coverage for people with disabilities who are able to work. It requires premium contributions.	**Medicare Savings Programs (MSPs):** Offers financial support for several programs that cover Medicare premiums and/or cost sharing to Medicare beneficiaries who meet income and financial asset requirements. The federal minimum income requirement for MSP eligibility is 138% FPL, though states are allowed to increase this income requirement to allow additional enrollees. Several states have done so. In 2020, California raised its income threshold for full Medicaid benefits for older adults and individuals with disabilities to 138%. This means that many of Californians who were previously considered 'partial duals' are now 'full duals.'

How many Californians are enrolled in both Medicare and Medi-Cal and how has this number changed in recent years?

In 2021, approximately 1.5 million Californians were enrolled in Medicare and receiving either full or partial Medi-Cal benefits. This group, dually eligible for Medicare and Medi-Cal, accounts for almost a quarter (24%) of the 6.5 million Californians enrolled in Medicare **(Exhibit 2)**. These Californians also represent over 13% of the entire US population dually enrolled in Medicare and Medicaid.

Between 2016 and 2021, the number of Californians enrolled in both Medicare and Medi-Cal increased by 3%. In addition to demographic shifts in population aging, this increase also recognizes a California policy change in 2020 that expanded eligibility for Medi-Cal to include people up to 138% of poverty. Additionally, beginning in 2020, all states, including California, have been required to provide continuous Medicaid enrollment for individuals deemed eligible for Medicaid as a condition of enhanced federal Medicaid funding included in the Families First Coronavirus Response Act of 2020 (FFCRA). This has resulted in additional increases in enrollment beginning in 2020 as the state is prohibited from disenrolling currently enrolled beneficiaries.

Despite this eligibility increase, the growth in the number of people dually enrolled in Medicare and Medicaid has grown slower in California than in the United States as a whole (3% vs. 11%), suggesting that other states took actions in recent years that increased Medicaid eligibility.

Exhibit 2: Number of Medicare beneficiaries dually enrolled in Medicare and Medicaid nationally and in California, 2016 and 2021

	NATIONAL		CALIFORNIA	
	2016	2021	2016	2021
Total Medicare beneficiaries	56,888,675	62,747,622	5,840,008	6,451,367
Enrollment growth (2016-2021)	-	10%	-	10%
Total dually enrolled beneficiaries	10,415,713	11,576,975	1,488,720	1,539,932
Enrollment growth (2016-2021)	-	11%	-	3%
Share of Medicare beneficiaries who are dually enrolled	18%	18%	25%	24%
Share of dually enrolled beneficiaries in US	100%	100%	14%	13%

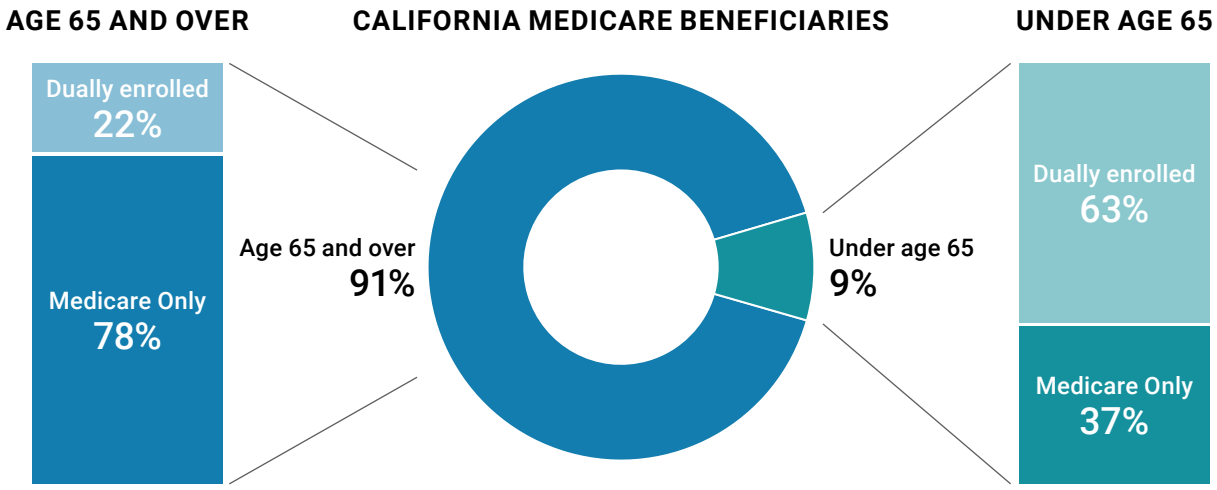
Note: Dually enrolled includes beneficiaries with full and partial Medicaid assistance.
Source: Centers for Medicare & Medicaid Services, Office of Data and Analytics.

Are Medicare beneficiaries under age 65 more likely to qualify for Medicaid compared to beneficiaries age 65 and older?

Yes. People under age 65—often eligible for Medicare due to a long-term disability or other qualifying medical condition—are almost three times as likely to have Medi-Cal compared to older Medicare beneficiaries in California. That is, in 2021, 63% of Medicare beneficiaries under 65 were dually eligible for Medi-Cal, including 'full duals' and 'partial duals' compared to 22% of their older counterparts **(Exhibit 3)**. Accordingly, while 9% of California's Medicare beneficiaries are under age 65, they comprise a disproportionate share (23%) of all dual-eligible individuals in the state. Still, older adults comprise the lion's share (77%) of dually enrolled individuals in California.

Younger dually eligible beneficiaries typically qualify for Medicare through receiving social security disability benefits for at least 25 months or through medical diagnoses like end-stage renal disease (ESRD). As a result, the medical and social needs of these younger 'dually eligible' beneficiaries are likely to be significantly different from the older adult population that comprises the majority of Medicare beneficiaries.

Exhibit 3: Dual enrollment status of California's Medicare beneficiaries by age, 2020



Note: Dually enrolled includes beneficiaries with full and partial Medicaid benefits or eligible for the low-income subsidy in Medicare Part D. Includes beneficiaries enrolled in Traditional Medicare and Medicare Advantage.
Source: Centers for Medicare & Medicaid Services, Medicare Beneficiary Survey File.

What are the common medical conditions among people covered by both Medicare and Medicaid, and how do they vary by age?

Nationally, the prevalence of certain medical conditions among people who are dually eligible for Medicare and Medicaid varies based on whether they are under age 65 or over age 65. Dually eligible individuals under age 65 are considerably more likely to have behavioral health conditions (such as anxiety disorders, bipolar disorders, depression, and schizophrenia) and intellectual disabilities compared to their older counterparts **(Exhibit 4)**. For many, these disorders directly factor into their long-term disability which qualifies them for Medicare before they turn 65, so it is not surprising to see higher rates of these chronic conditions among dually eligible individuals.

In contrast, older adults who are dually eligible by Medicare and Medicaid are more likely than their younger counterparts to have Alzheimer's disease, and other conditions more common in the older population, such as heart failure, hypertension, and ischemic heart disease. That said, 24% of older adults who are dually eligible report having excellent or very good health and 58% of this population have no activities of daily living (ADLs),[2] or self-care tasks that require assistance. This suggests that they may be dually eligible for Medicare and Medicaid mainly because of their age and their low incomes, rather than health status. These differences in chronic conditions among people who are dually eligible for Medicare and Medicaid suggest different expectations for healthcare service utilization and effective care models across these two age groups.

Exhibit 4: Selected chronic conditions for dually enrolled beneficiaries nationally, 2020

CHRONIC CONDITION	UNDER AGE 65	AGE 65 AND OVER
Behavioral Health Conditions		
Anxiety Disorders	34%	21%
Bipolar Disorder	15%	4%
Depression	33%	24%
Schizophrenia, other psychotic disorders	13%	5%
Physical Health Conditions		
Diabetes	23%	32%
Heart Failure	8%	19%
Hypertension	38%	60%
Ischemic Heart Disease	13%	28%
Cognitive Impairment		
Alzheimer's Disease or related dementia	4%	19%
Intellectual Disabilities and related conditions	11%	2%

Note: Chronic conditions identified using Medicare FFS claims. Exhibit excludes beneficiaries enrolled in Medicare Advantage plans because Medicare FFS claims are not available for those individuals. Beneficiaries with end-stage renal disease are also excluded.
Source: Medicare Payment Advisory Commission and Medicaid and CHIP Payment and Access Commission Databook: Beneficiaries Dually Eligible for Medicare and Medicaid, February 2023.

2 For more information on national characteristics of dually eligible beneficiaries, please see the Databook for Beneficiaries Dually Eligble for Medicare and Medicaid prepared by MedPAC and MACPAC.

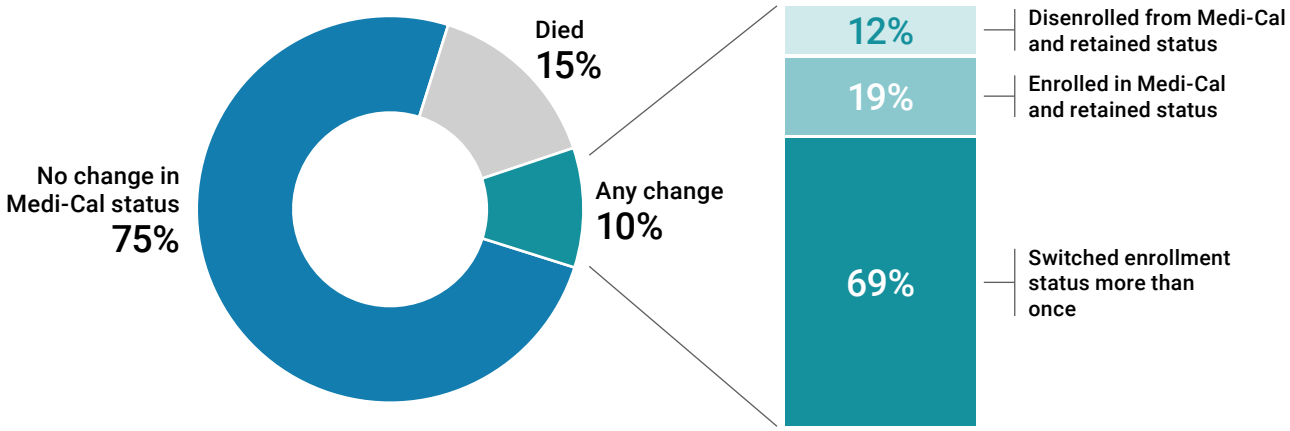
How often do Medicare beneficiaries transition in and out of Medi-Cal enrollment?

For most Medicare beneficiaries in California, their Medi-Cal status is generally stable over time. Following a cohort of beneficiaries for five years (2016-2020), analysis shows that among the 5.9 million Californians with Medicare in March of 2016, 4.4 million (75%) either had either continuous Medi-Cal enrollment or never had Medi-Cal through 2020 **(Exhibit 5)**. The remaining beneficiaries in the cohort either died (15%) or experienced a change in Medi-Cal status (10%) over the five-year period.

Among those who experienced a change in their Medi-Cal status, approximately 117,000 gained Medi-Cal benefits (including full, partial and/or the low-income subsidy for Part D) and continued this new coverage through 2020. Another 74,000 disenrolled in full Medi-Cal and did not enroll again. Approximately 428,000 switched their status more than once during this five-year period—accounting for 69% of beneficiaries with any change in Medi-Cal enrollment. This share is comparable to national 'churn' rates described by other researchers for newly enrolled dual eligible beneficiaries during their first year of coverage.[3] Nationally and in California, these lapses in coverage can largely be attributed to administrative barriers to enrollment **(Exhibit 8)**.

It is important to note that although these enrollment counts reflect a stable Medi-Cal population among Californian Medicare beneficiaries, they do not consider people with more dynamic enrollment status, or those who may be eligible but not enrolled in Medi-Cal. For example, individuals with fluctuating income may be unaware of their Medicaid eligibility when their incomes are low or may choose not to apply knowing their incomes will rise. Another consideration when interpreting these counts is that a jump in new enrollment of full dually eligible individuals in 2021 reflects both the expansion of Medi-Cal eligibility to include people up to 138% of the federal poverty level as well as the beginning of the continuous coverage provision under FFCRA.

Exhibit 5: Change in Medi-Cal status over 5 years among California Medicare beneficiaries (2016-2020)



Note: Dually enrolled includes beneficiaries with full and partial Medicaid benefits or eligible for the low-income subsidy in Medicare Part D. Includes beneficiaries enrolled in Traditional Medicare and Medicare Advantage.
Source: Centers for Medicare & Medicaid Services, Medicare Beneficiary Survey File.

3 For more information, please see Loss of Medicare-Medicaid Dual-Eligible Status: Frequency, Contributing Factors and Implications, prepared by the Office of the Assistant Secretary for Planning and Evaluation (ASPE).

How often do Medicare beneficiaries have a major medical event, such as a hospitalization prior to enrolling in Medi-Cal?

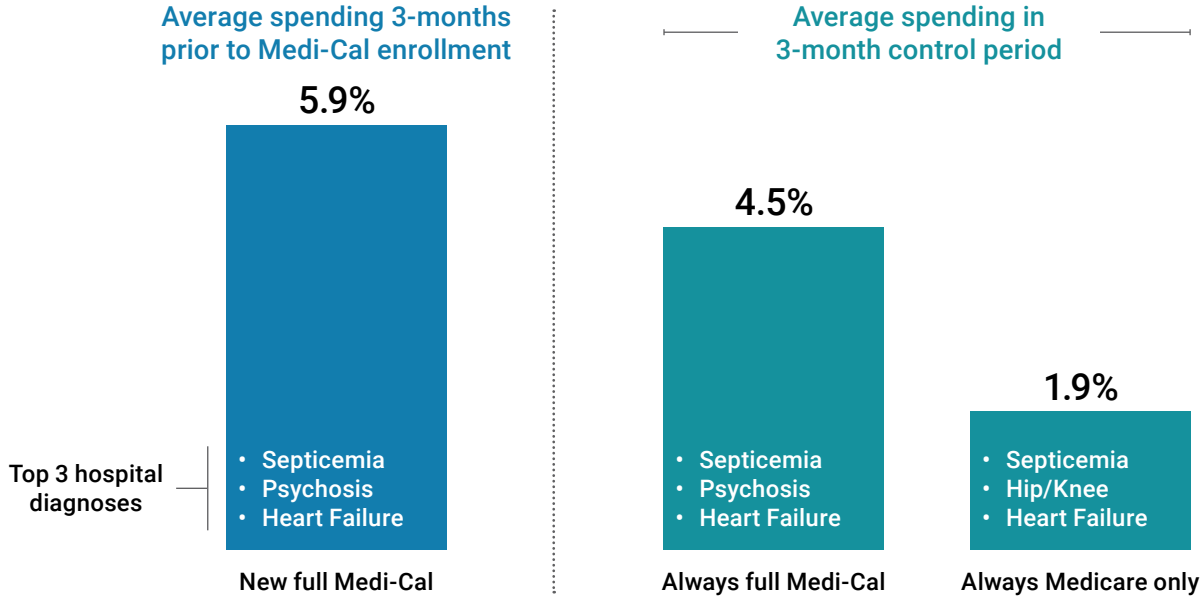
Medicare beneficiaries who newly enrolled in Medi-Cal were a little more likely to experience a hospitalization prior to enrollment compared to their counterparts who either were continuously enrolled or never enrolled in Medi-Cal. Specifically, 5.9% of beneficiaries had a hospitalization in 2019 in the 3 months prior to their full Medi-Cal enrollment compared to 4.5% of Medicare beneficiaries who continuously had full Medi-Cal benefits and 1.9% of people who were never enrolled in Medi-Cal (using a comparison 3-month period).

These findings suggest that in addition to facing high out-of-pocket spending associated with major medical events, prior to becoming eligible for Medi-Cal lower-income beneficiaries also experience new health problems and challenges coordinating and accessing needed healthcare services.

Nevertheless, most of the Medicare beneficiaries who newly enrolled in Medi-Cal did not experience a hospitalization in the 3 months prior to their enrollment, suggesting that loss of income and other factors are more common instigators for Medi-Cal enrollment (see Pathways Q/A).

The top three diagnoses for hospital admissions prior to new Medi-Cal enrollment among Medicare beneficiaries were septicemia, psychoses, and heart failure—mirroring the rankings for Californians who were continuously dually enrolled in Medicare and Medi-Cal. In contrast, for those Medicare beneficiaries who never had Medi-Cal, major hip and knee joint replacement was the second most common diagnosis, reflecting the medical needs of a somewhat different population.

Exhibit 6: Share of Medicare beneficiaries in California with an inpatient hospitalization prior to new Medi-Cal enrollment, 2019



Note: Enrollment status is based on 2019 with three-month look-back period for inpatient hospitalization. Excludes beneficiaries enrolled in the Medicare Advantage program.
Source: Centers for Medicare & Medicaid Services, 100 percent Medicare fee-for-service claims data for California.

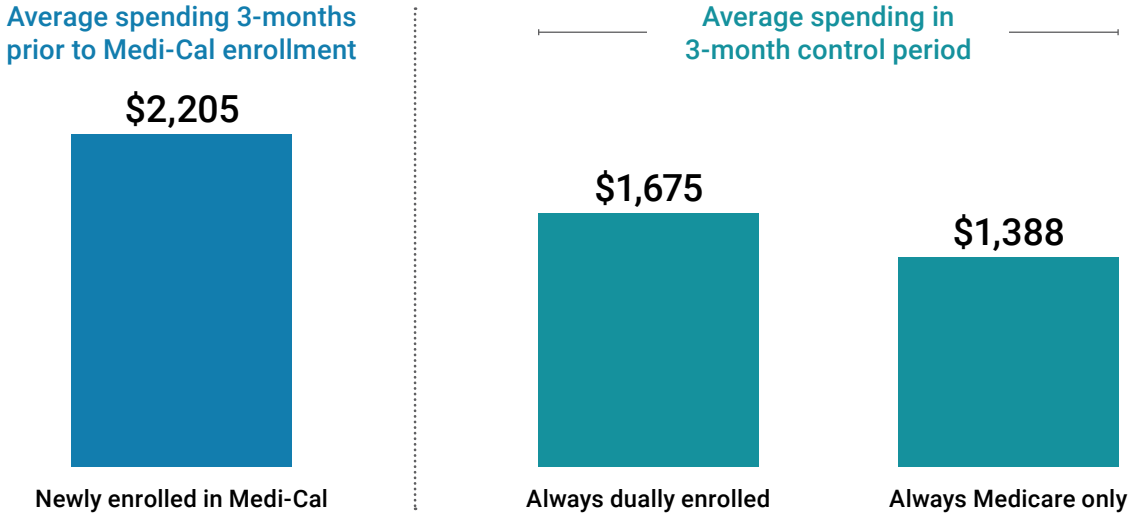
Do patients tend to use more or fewer physician services just prior to enrolling in Medi-Cal compared to those who either were continuously enrolled or never enrolled in Medi-Cal?

Based on spending for physician services, Medicare beneficiaries who newly enrolled in full Medi-Cal used more (and/or more high-cost) services on average prior to their enrollment compared to their counterparts who either were continuously enrolled or never enrolled in Medi-Cal.

Specifically, prior to full Medi-Cal enrollment, beneficiaries averaged $2,205 in 2019 Part B fee-schedule spending (typically associated with physician services) compared to $1,675 for beneficiaries who were continuously enrolled in Medi-Cal and $1,388 for those who were never enrolled in Medi-Cal (based on a comparison 3-month period).

This higher spending, relative to beneficiaries who had continuous Medi-Cal enrollment may indicate that lower-income beneficiaries without Medi-Cal may have experienced challenges coordinating health care services in addition to new health problems.

Exhibit 7: Average Medicare expenditures for physician services prior to new Medi-Cal enrollment, 2019



Note: Enrollment status is based on 2019 with three-month look-back period for inpatient hospitalization. Excludes beneficiaries enrolled in the Medicare Advantage program.
Source: Centers for Medicare & Medicaid Services, 100 percent Medicare fee-for-service claims data for California.

Though rare, how could Medicare beneficiaries lose their dual-eligibility status—essentially losing Medi-Cal eligibility?

Eligibility for Medicaid is statutorily required to be redetermined at regular intervals. As a result, individuals who are enrolled in Medi-Cal may lose their Medi-Cal eligibility status and thus lose their dual eligibility status. These reasons include individuals' change in life circumstances, administrative barriers, change medical spending, and their temporary, presumptive eligibility status ending. Below are further examples and explanations of these common reasons for dually eligible individuals to lose their dual status.

Exhibit 8: Ways in which Medicare beneficiaries can lose Medi-Cal eligibility (dual eligibility status)

CHANGE IN CIRCUMSTANCE	Individuals who are dually eligible for Medicare and Medicaid may have a change of life circumstance that would affect their eligibility for Medicaid. The most likely of these could be changes in income, assets, disability status, or moving. Nationally, individuals who are dually eligible tend to be more stable in disability status overtime, so this reason is less likely to be a major factor in coverage loss than administrative factors.
ADMINISTRATIVE BARRIERS	Medicaid eligibility is typically redetermined on a yearly basis. The process of redetermination requires individuals in all these categories (with the exception of the SSI category) to prove income, asset, and categorical (aged or disabled status) eligibility to the Medicaid office within the redetermination time frame. If enforced, individuals who fail to do so would be in danger of losing Medicaid coverage. Similarly, for individuals on SSI who have an increase in their income are still eligible for Medicaid coverage through 1619(b) but must pursue this option through an interview with the Social Security office.
VARIATION IN MEDICAL SPENDING	Changes in medical spending can create fluctuations in an individual's Medicaid eligibility. This circumstance is particularly relevant for individuals in the medically needy eligibility group, who may see significant variations month to month in their level of spending on medical services. If an individual in this category goes for several months without meeting the share of cost requirement for the medically needy category, then they would not be able to access Medicaid services for that period of time.
PRESUMPTIVE ELIGIBILITY ENDS	Since 2014, California has operated a hospital presumptive eligibility program (HPE) which provides temporary Medi-Cal benefits for individuals determined eligible by a qualified hospital. An individual with HPE status would have full Med-Cal benefits until their permanent benefit status is determined by the Medicaid office. If individuals are later determined to be ineligible for Medicaid, then their HPE status is revoked, and they lose access to Medicaid benefits. Historically, individuals age 65+ have been excluded from HPE, but as of 2020, California has created additional eligibility flexibility for HPE, including individuals age 65 and older.

APPENDIX

Methodology

DATA

The data used for this analysis comes from several different sources, including 100% Medicare fee-for-service (FFS) claims data and Medicare enrollment data files accessed via a research agreement with the Centers for Medicare & Medicaid Services (CMS). These claims data are from 2016 to 2021, including all claims associated with Medicare Part A (e.g., hospital and skilled nursing care), Medicare Part B (e.g., physician, in-office drugs, home health, durable medical equipment), and Medicare Part D (prescription drugs for individuals enrolled in Part D plans). Additional data for these analyses include population data from the US Census for years 2016 to 2021.

ANALYSIS AND METHODS

The purpose of this analysis is to better understand the circumstances by which Medicare beneficiaries in the state of California may become eligible for Medi-Cal and thereby gain dually eligible status. Data across multiple Medicare claims and enrollment data files and years were rolled into a larger dataset to identify trends in utilization and spending across Medicare beneficiaries categorized by their Medicare-Medicaid enrollment status. All analyses include data for Medicare beneficiaries enrolled in the Traditional Medicare program. Beneficiaries enrolled in the Medicare Advantage program are included in analysis specific to enrollment, but not in analyses of utilization and spending.

California Eligibility Criteria, 2023

PROGRAM NAME	INCOME REQUIREMENT	ASSET REQUIREMENT	AGE/DISABILITY STATUS REQUIREMENT	OTHER
Aged and Disabled Federal Poverty Level Medi-Cal	Below 138% FPL ($18,754 for an individual, $25,268 for a couple)	Below $130,000 for an individual or $195,000 for a couple (to be phased out by 2024)	Age 65+ or meet the Social Security Administration's definition of disability	
Supplemental Security Income (SSI)-Linked Medi-Cal	Below $1,040 monthly ($12,483 per year) for an individual or $1,765 per month ($21,180 per year) for a couple	Below $2,000 for an individual or $3,000 for a couple	Age 65+ or meet the Social Security Administration's definition of Disability	Individuals enrolled by the Social Security Administration into SSI automatically gain Medicaid eligibility
Medically-Needy Medi-Cal (aka Spend Down)	Individual must spend down on health care expenses to meet the monthly 'share of cost' before Medicaid will cover the rest of their expenses for the month. In CA, the share of cost amount equals the applicant's income minus a monthly maintenance needs level of $600/individual ($934/couple).	Below $130,000 for an individual or $195,000 for a couple		
Medi-Cal Working Disabled Program	Below 250% FPL ($33,975 for an individual and $45,775 for a couple)	Below $130,000 for an individual or $195,000 for a couple	Must meet the Social Security Administration's definition of disability	Must be employed (can be part time) and must pay a premium (between $25 and $250 per month)

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