

# Millions pass up free health subsidy

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Millions of seniors are turning down free money. The Low Income Subsidy for Medicare Part D is a rare beast in economics research. The subsidy provides prescription drug coverage essentially free for low-income adults. That means it is what economists call a dominant option. For those who are eligible, there is no rational reason not to choose it. And yet, a new study shows that many eligible seniors do not take advantage of the program, despite outreach efforts by the Social Security Administration.

"We examined the role of seniors' cognitive abilities in explaining this puzzle," said J. Michael McWilliams assistant professor of [health care](#) policy and medicine at Harvard Medical School and Brigham and Women's Hospital and senior author of the paper. "If impaired abilities to access and process information are a root cause, simply providing seniors with more information is unlikely to help them make better choices."

McWilliams and his team analyzed data from the nationally representative Health and Retirement Study on seniors who were likely eligible for the Low Income Subsidy and found that seniors with lower cognition and lower basic [math abilities](#) were less likely to enroll in Medicare Part D, and less likely to apply for the subsidy if they did enroll in Part D. The study results will be published in *JAMA Internal Medicine* on May 6.

In addition to raising important questions about how to best extend important benefits to a vulnerable population, the study raises questions

about the extent to which consumer choices can be relied upon to reward value and drive competition in Medicare in general, the researchers said.

Medicare Part D provides seniors with a variety of plans to choose from for prescription drug benefits. The low-income subsidy reduces the cost of premiums and co-pays, and for the lowest income group the cost of benefits is entirely covered.

Those who qualify for Medicaid and are also in Medicare are automatically enrolled and get the subsidy without needing to take any action on their own. Other low-income adults must apply for the benefit, and estimates suggest that more than 2 million people who would qualify for a benefit fail to apply, according to a report from the Kaiser Family Foundation. The Harvard researchers focused on those who qualify but must apply for the subsidy.

"For those who are already enrolled in [Medicare Part D](#) plans and eligible for fully covered prescription drugs, this is not 'Here's thirty plans, pick the best one.' This is, 'Here's free money, do you want it?'" said lead author Ifedayo Kuye, a student at Harvard Medical School and Harvard Business School.

Even such a simple decision requires a high level of cognition, the researchers said. In order to meet the needs of this population, which includes many people with high medical needs, including chronic conditions, the design of the program probably needs to be changed, they said. One possible remedy the researchers suggest would be to make the subsidy an opt-out program for those who are eligible, so they would not need to take any extra steps to benefit from the program.

These findings have broader implications about how much reformers should rely on choice and competition in Medicare to drive down costs, the researchers said, because competition only works if consumers are

choosing wisely and rewarding value in the marketplace.

The power of competition to drive value is an important component in many health care reform initiatives, including the proposal to transfer Medicare to a voucher system, and the health insurance exchanges that are being set up as part of the Affordable Care Act.

"We may need the government or other agencies to do more on behalf of seniors and other health care consumers, both for their own well-being and if we want competition to be a force for driving up value in health care," Kuye said.

"Choice is generally a good thing, but options in health care can be very complex and consumers can have great difficulty identifying the best one," McWilliams said. "To improve decisions and enhance competition, the government and exchanges may need to play more active roles. Expecting the availability of choices and information for consumers alone to cure our health care system is unrealistic."

Provided by Harvard Medical School

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