

# M E D I C A R E

## **Displaced by Hurricane Katrina: Issues and Options for Medicare Beneficiaries**

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## **EXECUTIVE SUMMARY**

Displacing more Americans from their homes than any event in the last 60 years, Hurricane Katrina has had far-reaching effects for over a million Americans from the Gulf Coast region and as many as 200,000 people on Medicare. By early October, displaced individuals were located in every state of the nation, with thousands clustered in large Southern cities like Houston, Atlanta, and Memphis, but many others are scattered in large coastal cities or small rural communities.

In the aftermath of Katrina, the attention of the health community has focused on Medicaid coverage for the poorest and most vulnerable of the displaced citizens, providing a safe and clean water supply, and rebuilding the health services infrastructure. There has been less attention focused on the Medicare program, the nation's largest single health insurance program with no state-to-state variations in eligibility and benefits under the traditional fee-for-service (FFS) program, which has undoubtedly played a significant role in meeting the health care needs of the elderly and disabled beneficiaries who were displaced by the hurricane.

Selected changes to current Medicare policies and practices could help ensure further access to health care and contribute to financial security for the nearly 200,000 Medicare beneficiaries displaced by Hurricane Katrina. As a whole, Medicare beneficiaries are diverse and specific issues affect subgroups of them differently.

This issue brief examines the difficulties faced as a result of Hurricane Katrina by focusing on subgroups of the Medicare population, including:

- (1) Beneficiaries in traditional Medicare, including those who are newly eligible;
- (2) Beneficiaries enrolled in Medicare Advantage (MA) plans; and

(3) Beneficiaries with unique needs including those enrolled in both Medicare and Medicaid (known as “dual eligibles”) and nursing home residents.

It also looks at potential transition issues affecting Medicare beneficiaries as the new drug benefit is implemented.

The policy brief identifies potential problems and offers options to address the identified problems to assist Medicare beneficiaries during the transition period following Hurricanes Katrina and Rita. It also identifies areas to be considered in future disaster planning efforts.

## **SUMMARY OF OPTIONS**

### **Beneficiaries in Traditional Medicare**

Options that would respond to the lengthy period that it may take for many of the displaced Medicare beneficiaries to return to their previous residence include:

- An active effort by CMS to locate and contact displaced Medicare beneficiaries to assure they are receiving necessary health services, as well as information about the Medicare program, including its new prescription drug program.
- A dedicated Medicare hotline that displaced Medicare beneficiaries could call for assistance if they are having trouble receiving health services or have any questions about receiving care.
- A waiver of penalties for late enrollment in Part B for individual beneficiaries displaced by Katrina for a specific period of time, perhaps for one year, until September 1, 2006.
- Use of Secretarial authority to use the changed circumstances related to the storm to issue an explicit policy interpretation related to the guarantee issue rights for displaced

Medicare beneficiaries to enroll in Medicare supplemental policies without pre-existing conditions or waiting periods.

### **Beneficiaries in Medicare Advantage Plans**

Options that would assure displaced MA plan enrollees get needed health care include:

- An active effort by CMS to locate and inform displaced MA plan members about the role of their MA plan and plan options.
- An explicit requirement that MA plans pay for out-of-network services for Katrina-displaced members for a specified period of time, perhaps through December 31, 2005.
- A clear Medicare policy on the amounts and the conditions that MA plans should follow in paying out-of-network providers for care provided to Katrina-displaced beneficiaries.
- A clear Medicare policy regarding the new residency status of displaced MA enrollees as they reside outside the designated area of their MA plan for lengthy periods of time.
- A new policy that would allow displaced MA plan members to enroll in a Medicare supplemental policy without pre-existing condition limitations or waiting periods.
- A waiver of the MA plan annual lock-in for 2006 for displaced Medicare beneficiaries.

### **Medicare Beneficiaries with Unique Needs**

Options that would respond to the difficulties faced by Medicare beneficiaries who are dually eligible for Medicare and Medicaid, and nursing home residents include:

- An explicit time period, perhaps until December 31, 2005, that Medicare payment rules will be waived for senior and disabled beneficiaries displaced by Hurricane Katrina.
- Ask the Institute of Medicine or other expert organization to review the factors responsible for the deaths of nursing home residents in the Gulf Coast states and make

recommendations for new national nursing home standards that would take into account appropriate evacuation plans and up-to-date contracts for emergency assistance, to ensure that these problems do not occur in the future.

### **The New Medicare Drug Benefit**

Options that would assist Medicare displaced beneficiaries as they transition to the new Medicare drug benefit, which becomes effective January 1, 2006, include:

- An explicit CMS plan for all Katrina-displaced dual eligibles who are not enrolled in a Medicare drug plan by January 1, 2006 to ensure that no beneficiaries lose access to critical drugs during this transition period. Options include maintaining Medicaid coverage for all displaced dual eligibles who are not covered by Medicare Part D plans by January 1, 2006 (with 100% federal financing), and/or extending the transition period for these displaced dual eligibles from Medicaid to Medicare until March 31, 2006.
- An active program to identify and track the location of all dual eligibles displaced by Hurricane Katrina and monitor potential lapses in prescription filling after January 1 – possibly with assistance of private drug plan sponsors, such as Walgreens or Wal-Mart, who may have better records about the location of certain low-income beneficiaries than public agencies.
- An extension of the initial enrollment period for PDP and MA-PD plans beyond May 15 for displaced beneficiaries, perhaps through the end of 2006. The penalty for delayed enrollment in the prescription drug program should also be waived for these individuals.
- A clear statement on the role of the ten national PDP plans for individuals who are dislocated from their home region, with clarification of payment for purposes of

determining monthly premiums and coordination of benefits for displaced beneficiaries who live in multiple regions during 2006.

## INTRODUCTION

Displacing more Americans from their homes than any other event in the last 60 years, Hurricane Katrina has had far-reaching effects for over a million Americans from the Gulf Coast region. The Federal Emergency Management Agency (FEMA) has estimated that the homes of 300,000 families were destroyed and as many as one million people have been displaced from their communities, including as many as 200,000 people on Medicare.

Displaced individuals were located in every state of the nation by early October. More than 4,000 individuals were reported to be located in each of the distant cities of Los Angeles, Chicago and Washington, DC. Thousands more were clustered in large Southern cities, including Houston, Dallas, Atlanta, and Memphis, and handfults are scattered in rural communities across the country.<sup>1</sup> More than 100,000 people were still residing in shelters and 400,000 more were staying in hotel rooms, as of October 1.<sup>2</sup>

In the aftermath of Katrina, the attention of the health community has focused on Medicaid coverage for the poorest and most vulnerable of the displaced citizens, providing a safe and clean water supply, and rebuilding the health services infrastructure including hospitals, physicians' offices and nursing homes.<sup>3</sup>

There has been less attention focused on the Medicare program, the nation's largest single health insurance program with no state-to-state variations in eligibility and benefits under the traditional fee-for-service (FFS) program, which has undoubtedly played a significant role in meeting the health care needs of the elderly and disabled beneficiaries who were displaced by Hurricane Katrina.

Selected changes to current Medicare policies and practices could help ensure further access to health care and contribute to financial security for the nearly 200,000 Medicare

beneficiaries displaced by Hurricane Katrina. As a whole, Medicare beneficiaries are diverse and specific issues affect subgroups of them differently.

This Issue Brief examines the difficulties faced as a result of Hurricane Katrina by focusing on subgroups of the Medicare population, including:

- Beneficiaries in traditional Medicare including those who are newly eligible;
- Beneficiaries enrolled in Medicare Advantage plans; and
- Beneficiaries with unique needs including those enrolled in both Medicare and Medicaid (known as “dual eligibles,”) and nursing home residents.

The Issue Brief also looks at potential transition issues affecting Medicare beneficiaries as the new drug benefit is implemented.



## **BACKGROUND: MEDICARE BENEFICIARIES IN HURRICANE KATRINA HIGH IMPACT AREAS**

Hurricane Katrina slammed into the Gulf Coast region on August 29, 2005, inflicting catastrophic damage on three of the poorest states in the U.S.: Louisiana, Mississippi, and Alabama. On September 24, making matters worst, Hurricane Rita hit southwestern Louisiana, as well as the eastern Texas coast.

Following Katrina and Rita, FEMA designated specific counties or parishes with the worst damage as high impact areas. Nearly 300,000 Medicare beneficiaries resided within these counties or parishes impacted by both hurricanes, and thousands will be displaced from their homes for a significant period of time.<sup>4</sup> Roughly 150,000 Medicare beneficiaries lived in the New Orleans metropolitan area, with 65,000 living in the central parish of Orleans that was completely flooded.

It is extremely difficult to determine exactly where these displaced Medicare beneficiaries are currently. Some of them remain in hotels or shelters but many others are living with relatives and friends. Others are in hospitals, nursing homes, and rehabilitation centers. Many of the displaced stayed in their home states but have moved to different locations within them. For example, the population of Baton Rouge, Louisiana, has reportedly doubled since the city of New Orleans was evacuated. Thousands of others have moved to nearby states, such as Tennessee and Arkansas, with hundreds more spread from coast to coast. CMS has not made any formal effort to track and locate displaced Medicare beneficiaries.

**Table 1: Selected Characteristics of Medicare Beneficiaries in Hurricane-Affected States**

	Alabama	Louisiana	Mississippi	United States
<b>Total Number of Beneficiaries, 2003 (in thousands)</b>				
	719.3	620.2	436.7	40,172.6
<b>Medicare Beneficiaries as Percent of the State Population, 2003</b>				
	16.3%	14.2%	15.6%	14.1%
<b>Medicare Beneficiaries, by Eligibility Category</b>				
Aged (65+)	79%	81%	77%	85%
Disabled (<65)	21%	19%	23%	15%
<b>Income of 65+ Population below 150% FPL, 2003-2004</b>				
	33%	36%	46%	30%
<b>Dual Eligibles, 2003</b>				
Total	23%	24%	34%	19%
Full	17%	17%	33%	16%
Partial	6%	6%	1%	3%
<b>Number of Nursing Home Residents, 2003 (in thousands)</b>				
	21.9	26.9	13.2	1,351.2
<b>Medicare Advantage Enrollment, 2005</b>				
	8%	12%	0%	14%

SOURCES: Medicare enrollment data from Centers for Medicare and Medicaid Services, Medicare Enrollment, July 2003; income data from Urban Institute analysis of pooled U.S. Census Bureau, Current Population Survey, 2004 and 2005 Annual Social and Economic Supplements, prepared for the Kaiser Commission on Medicaid and the Uninsured; dual eligible data from Urban Institute estimates based on data from MSIS prepared for the Kaiser Commission on Medicaid and the Uninsured; Medicare Advantage data from Mathematica Policy Research analysis of CMS State/County Market Penetration Files for the Kaiser Family Foundation; nursing home data from C. Harrington, et al., "Nursing, Facilities, Staffing, Residents, and Facility Deficiencies, 1997 through 2003," Department of Social and Behavioral Sciences, University of California, San Francisco, August 2004.

## CURRENT MEDICARE ISSUES AND OPTIONS

Throughout the U.S., Medicare provides the health insurance coverage that assures many ill and frail Americans ready access to the health services they need. As older and disabled beneficiaries affected by Katrina have been displaced, many have been separated from their usual sources of health care.

**Beneficiaries in Traditional Medicare.** Because of their relocation, often more than once, the day-to-day life of many displaced individuals has become disorganized. For many, personal records that document income, assets and other factors were left behind in a rush to flee the

storm. Lifetime records were lost in the wind and flood damage from the Hurricane. Displaced beneficiaries may not receive mail on a regular basis in their new locations. These factors may make it difficult for displaced individuals to carry out activities that would have been routine in their earlier lives.

Displaced beneficiaries in traditional Medicare should not face great difficulties in obtaining health services. As long as they can give their Social Security or Medicare identification number, they are able to receive services from hospitals, physicians and other providers, wherever they are in the U.S. Most providers have experience with Medicare patients and are familiar with the Medicare reimbursement and the utilization review system. One of the strengths of the traditional FFS Medicare program is its portability across the nation. This has enabled the majority of beneficiaries displaced by Katrina to access needed health care services across the country, wherever they may be.

*Part B Enrollment.* Although eligible individuals, in most cases, are automatically enrolled into Medicare Part B, some individuals turn 65 and elect to delay enrollment in Part B because they are employed and continue to be covered by employment-based health insurance. When they retire, however, these individuals are required to enroll in Medicare Part B shortly thereafter to avoid a penalty for late enrollment. The Part B premium is increased 10 percent for each full 12-month period that the individual was eligible for Part B but did not sign up for it. These late enrollment penalties must be paid as long as the beneficiary receives Medicare benefits.

Because so many people lost their jobs when they were displaced as a result of Katrina, some of the working aged may miss the opportunity to sign up for Part B and as a result, be charged with a penalty for late enrollment as because of their dislocation. If this were to occur,

these individuals would be required to pay the penalty for as long as they are enrolled in Part B (generally, for the rest of their lives).

*Medigap Insurance.* Medicare beneficiaries are responsible for significant Parts A and B cost-sharing. About 21% of Medicare beneficiaries have a Medicare supplement, or Medigap policy, to help pay for the cost-sharing and benefits not covered by Medicare.<sup>5</sup>

The Louisiana State Insurance Commissioner has required all Louisiana health insurers, including Medigap plans, to pay for member services provided for displaced persons, wherever they are, through December 31, 2005.

Reports indicate that a number of displaced Medicare beneficiaries have not paid their Medigap premiums in a timely manner and therefore risk cancellation of their Medigap coverage. Under the National Association of Insurance Commissioners minimum standards for Medigap plans, if an individual is no longer eligible for a Medicare Advantage plan because of a change in the individual's place of residence, he or she may be eligible for guaranteed issue of certain Medigap policies, without exclusion of pre-existing conditions, within a limited time (generally 63 days) of involuntarily losing their other supplemental coverage. Given the disruption and uncertainty in the displaced beneficiaries' lives, a more imminent concern may be that policyholders could lose their current Medigap policy if they have a lapse in premiums payments.

Options: Options that would respond to the lengthy period that it may take for many of the displaced Medicare beneficiaries to return to their previous residence include:

- An active effort by CMS to locate and contact displaced Medicare beneficiaries to assure they are receiving necessary health services, as well as information about the Medicare program including its new prescription drug program;

- A dedicated Medicare hotline that displaced Medicare beneficiaries could call for assistance if they are having trouble receiving health services, or have any questions about receiving care;
- A waiver for late enrollment penalties in Part B for individual beneficiaries displaced by Katrina for specific period of time, perhaps for one year, until September 1, 2006.
- Use of Secretarial authority to use the changed circumstances related to the storm to issue an explicit policy interpretation related to the guarantee issue rights for displaced Medicare beneficiaries to enroll in Medicare supplemental policies without pre-existing conditions or waiting periods. This policy could be give additional flexibility to people who may have been uninformed of their rights and unaware of their disenrollment from the MA plan and find themselves outside of the 63-day window. It could also extend the right to those who may have failed to make “timely” premium payments after the storm to get Medigap coverage if they retrospectively pay the unpaid premiums. This could be effective for a limited period of time, perhaps through March 30, 2006.
- An explicit policy could also be made for leniency in instances with Medigap policyholders who have not paid premiums in a timely manner in order to allow enrollees to pay past-due premiums so their Medigap coverage will not be cancelled or so their Medigap policy can be reinstated, if it has been cancelled. This policy could also be time-limited.

**Beneficiaries in Medicare Advantage Plans.** Under the Medicare Advantage (MA) program, Medicare beneficiaries may enroll in private HMOs and other plans to receive Medicare-covered services. Nationwide, 12 percent of Medicare beneficiaries have enrolled in MA plans, although plan participation varies greatly in cities across the country.

In the areas of the Gulf Coast that were most impacted by Katrina, the greater metropolitan New Orleans had the highest share and numbers of Medicare beneficiaries enrolled in Medicare Advantage plans.<sup>6</sup> Orleans Parish, the county of central New Orleans, had 30 percent, or more than 20,000, of its Medicare beneficiaries enrolled in MA plans, as of September 2005. In adjacent Jefferson Parish, 43 percent or more than 27,000 Medicare beneficiaries were enrolled in MA plans. Plaquemines Parish, a mostly rural area near New Orleans, had 43 percent of its Medicare beneficiaries enrolled in MA plans, a total of 1,000 enrollees. In the New Orleans metro area, the MA plan members were mostly enrolled in two plans with more than 40,000 beneficiaries in Tenet Choices/Peoples Health and 6,500 in Humana.

Very few Medicare beneficiaries in high impact counties in Mississippi were members of MA plans. In Mobile, Alabama, 14,500 beneficiaries were members of MA plans with over 10,000 enrolled in UnitedHealthcare and 4,000 in HealthSpring.

MA Plan Response. In response to the displacement of tens of thousands of MA members due to Katrina, the MA plans are paying medically necessary claims for plan members if the services are received out of network. The plans have also adopted a liberal utilization review policy concerning urgent and emergent care.

The CEO of Tenet Choices/Peoples Health, in a notice to health care providers who are not participants in its Louisiana network, has indicated that providers would be paid “full Medicare allowable for all medically necessary covered services” provided to Tenet Choice/Peoples Health members.<sup>7</sup> The plan has lifted all network restrictions and referral/authorization requirements until further notice. Tenet Choices/Peoples Health had also promised to cover all member cost-sharing through the end of October 2005.

Humana has indicated that requests for out-of-network medical services are being approved. Displaced members who receive care from out-of-network providers will not have the claims denied; the members' out-of-pocket responsibility for costs will be calculated as if the care is in-network. For individuals who have Medicare plans, effective from August 26 through the end of the emergency period (currently through November 24, 2005 for Louisiana members), Humana will provide a grace period extending to November 24, 2005, for the payment of premiums.<sup>8</sup>

UnitedHealthcare of Alabama, an MA HMO, covers more than 10,000 beneficiaries, in Mobile. The plan has offered deferred payment options to customers and individuals affected by Katrina. UnitedHealthcare is also treating all Mobile area hospitals as participating network hospitals under existing emergency benefit provisions.<sup>9</sup>

It is unclear if the current efforts by MA plans will assure that plan members have access to needed health care over the long term. Medicare only requires MA plans to pay for "urgent and emergency care" provided by non-network providers. Through the end of October, plans were reportedly paying for "routine" services, as well. Out-of-area providers are not subject to the MA plan's utilization review and other care management systems.

It is clear that many of the displaced MA plans members will not be returning to New Orleans and nearby areas for many months and it is unknown what MA plans will offer their displaced plan members after October, when plans end their grace periods. A long-term policy, rather than month-to-month decisions, on the status of MA plan payments for out-of-area services is needed.

CMS Policies regarding MA Plans. CMS has indicated that it expects MA plans servicing displaced beneficiaries to follow the types of policies that the Louisiana MA plans have

announced regarding out-of-network services for plan members who are displaced from their home area due to Katrina.

CMS has also indicated that MA plans should pay out-of-network providers at Medicare fee-for-service payment levels, using the DRG system for hospitals and the RBRVS system for physicians. In some cases, this may be higher than the amounts paid by the MA plans to their in-network providers.

MA regulations provide that Medicare beneficiaries who are absent from their home service area for more than six consecutive months are deemed to be permanently absent from the service area. MA plans are, with certain exceptions, required to disenroll these beneficiaries from their plan.

Options. Options that would assure displaced MA plan enrollees get needed health care include:

- An active effort by CMS to locate and inform displaced MA plan members about the role of their plan and their options. This effort should clearly explain that displaced MA enrollees may join an MA plan in their current community and explain their rights with respect to making other arrangements for Medigap coverage.
- An explicit requirement that MA plans pay for out-of-network services for Katrina-displaced members for a specified period of time, perhaps through December 31, 2005. An explicit requirement to the end of the year would simply continue the MA plans' policies, in effect through the end of October, that waive requirements for medical pre-certification, referrals, medical necessity reviews and notifications of hospital admissions.
- A clear Medicare policy on the amounts and the conditions that MA plans should follow in paying out-of-network providers for care provided to Katrina-displaced beneficiaries.<sup>10</sup>



- A clear Medicare policy regarding the new residency status of displaced MA enrollees who reside outside the designated area of their MA plan for lengthy periods of time. This policy should describe the options for Katrina-displaced MA plan members regarding continuing plan membership or enrollment in a new MA plan or Medigap insurer.
- A new policy that would allow displaced MA plan members to enroll in a Medicare supplemental policy without pre-existing condition limitations or waiting periods. This would apply the current guaranteed issue requirement for MA enrollees whose MA plan discontinues service in their geographic area to Katrina-displaced MA plan members. This policy could be effective for a limited period of time, perhaps through March 30, 2006.
- A waiver of the MA plan annual lock-in for 2006 for displaced Medicare beneficiaries. Beginning in 2006, MA plan members will be able to disenroll or change plans only once during the first six months of the year. A waiver for Katrina-displaced beneficiaries would simply continue the current policy regarding the lock-in for MA plan membership for an additional year. This would allow displaced elderly and disabled beneficiaries to enroll in plans in their new locations with the assured flexibility that they may change plans during 2006 if they move more than once.

**Medicare Beneficiaries with Unique Needs.** There are certain segments of the Medicare population that may be disproportionately affected by Hurricanes Katrina and Rita, because they have greater medical needs and frailties than others, including those who are dually eligible for Medicare and Medicaid and those who live in nursing homes.

*Dual Eligibles.* Medicare covers over 6 million people with limited incomes and assets that make them eligible for their state Medicaid program. These “dual eligibles” tend to be the

frailest population being served by both programs, and as such, they face special difficulties when they are displaced to new locations.<sup>11</sup>

The states affected by Katrina have high concentrations of dual eligibles. In Louisiana, 24 percent of all Medicare beneficiaries are also enrolled in Medicaid. In Mississippi, 34 percent are dual eligibles, and in Alabama, 23 percent of Medicare beneficiaries are dual eligibles. Across the United States, 19 percent of all Medicare beneficiaries are also enrolled in Medicaid.<sup>12</sup>

“Full benefit dual eligibles” — those with incomes of less than 74 percent of poverty in Louisiana, Mississippi and Alabama — qualify to receive full Medicaid benefits including out-of-pocket costs for acute care hospital and ambulatory services, nursing home care, and prior to January 1, 2006, prescription drugs.

In addition to the full benefit dual eligibles, Medicare beneficiaries with low-incomes are eligible for Medicare Savings Programs (MSPs) to help them with Medicare’s cost-sharing requirements. Medicare beneficiaries with incomes up to 100 percent of poverty are eligible to be a Qualified Medicare Beneficiary (QMB), which covers their Medicare Part B premiums, deductibles and coinsurance. Beneficiaries with incomes up to 120 percent of poverty are eligible to be a Specified Low-Income Medicare Beneficiary (SLMB), which covers only their Medicare Part B premiums.

CMS has temporarily modified its Medicare payment rules to provide services for seniors and persons with disabilities who were displaced by Hurricane Katrina.<sup>13</sup> In addition, CMS has been working with directly impacted states, as well as states temporarily housing significant numbers of evacuees, to provide expedited access to Medicaid coverage.<sup>14</sup>

*Nursing Home Residents.* Although Medicare does not play a major role financing nursing home care, the program pays for short-term acute and post-acute care in nursing homes and has a significant interest in the quality and efficiency of these facilities. Most short-term skilled nursing care is provided to Medicare patients in the same facilities that provide custodial long-term care, which is often financed by Medicaid.<sup>15</sup> Medicare has a significant interest and extensive rules pertaining to quality of care in nursing homes, and is responsible for enforcing these standards as a condition of nursing homes' participation in the program.

In 2003, there were 26,900 nursing home residents in Louisiana, 13,200 in Mississippi and 21,900 in Alabama.<sup>16</sup> In 2004, there were 306 nursing homes available in Louisiana — of those 305 were Medicare-certified.<sup>17</sup> In Mississippi, 205 nursing homes were available, of which 165 were Medicare-certified; and in Alabama, 229 nursing homes were available, of which 226 were Medicare-certified.

Nursing home deaths were reported in both Orleans and St. Bernard Parishes, which obviously had an impact on Medicare beneficiaries. In Orleans Parish, 24 Medicare-certified nursing homes were available with more than 3,300 total Medicare/Medicaid beds. In nearby St. Bernard's Parish, more than 450 total beds were available in five Medicare-certified nursing homes. The complete extent to which avoidable deaths occurred is still unknown; however, failure to properly evacuate residents appears to be a major factor in recorded deaths, resulting in calls for an investigation of the factors leading to the deaths of nursing home residents and recommendations for steps to avoid similar problems in the future.<sup>18</sup>

An unknown number of displaced Medicare beneficiaries are now receiving care in nursing homes in other states. Because many were quickly removed from their homes, they have

no health records. CMS has indicated to facilities that it will waive the normal burden of documentation and they should make a presumption of Medicare eligibility.<sup>19</sup>

CMS has temporarily waived many of Medicare's normal policies regarding payment for skilled nursing facility care. Because beneficiaries are likely to be displaced for quite some time, however, concerns have been raised about how long the policies will continue to be waived and the level at which payments will be made for services provided out of state.<sup>20</sup>

Options. Options that would respond to the difficulties faced by Medicare beneficiaries who are dually eligible for Medicare and Medicaid, and nursing home residents include:

- An explicit CMS time period, perhaps until December 31, 2005, that Medicare payment rules will be waived for seniors and disabled beneficiaries displaced by Hurricane Katrina.
- Ask the Institute of Medicine or other expert organization to review the factors responsible for the deaths of nursing home residents in the Gulf Coast states and make recommendations for new national nursing home standards, which would take into account appropriate evacuation plans and up-to-date contracts for emergency assistance, to ensure that these problems do not occur in the future.

### **THE NEW MEDICARE DRUG BENEFIT**

The new Medicare drug benefit begins on January 1, 2006. Under the new program, beneficiaries who want Medicare prescription drug benefits must choose either:

- A private prescription drug plan (PDP) to provide “stand-alone” drug coverage with traditional fee-for-service Medicare; or
- A Medicare Advantage (MA) plan that covers all Medicare benefits, including prescription drugs.

Medicare beneficiaries will have the option to enroll in a PDP or MA plan between November 15, 2005 and May 15, 2006. In general, beneficiaries pay a monthly premium for a plan with coverage at least comparable to the standard benefit package defined in the law. Low-income beneficiaries – with incomes below 150 percent of poverty and assets below a specified level – qualify for additional assistance. Those who now get drug coverage under Medicaid will transition from Medicaid to Medicare plans for their drug coverage by the end of the year. CMS is expected to auto-assign all 6.5 million full dual eligibles into Medicare plans before the end of this calendar year.

Because the new drug benefit is dependent on beneficiaries enrolling in PDPs and MA-PD plans, providing information to beneficiaries about the new plan options and enrollment procedures is critically important. This educational process has been seriously disrupted for displaced beneficiaries. The *Medicare and You 2006* handbook, which provides detailed region-specific information about the new drug benefit program and the plans offered, was mailed in early October, when many beneficiaries affected by Hurricane Katrina were dislocated. Letters to dual eligibles informing them of their new plan assignments are scheduled to be mailed in early November, and there is some risk that individuals will not receive this important information. Likewise, the Social Security Administration (SSA) mailed applications to as many as 18 million people on Medicare, but those in the hurricane-affected regions may not have taken their applications with them. As a result, many people living in these areas may be disproportionately limited in their ability to make informed choices and decisions regarding the new drug benefit.

*Full Benefit Dual Eligibles.* Full benefit dual eligibles who are not currently enrolled in MA plans will be auto-enrolled in a Medicare PDP in their home region, if they do not choose a plan on their own by December 31, 2005.

With many Katrina-displaced Medicare dual eligibles, this auto-enrollment process may result in some beneficiaries being enrolled in a PDP plan in a region where they no longer reside. For example, Texas and Louisiana are not in the same PDP region, so individuals assigned to plans in Louisiana may have difficulty filling their prescriptions if they move to Texas on an interim basis.

There is some concern that dual eligibles could experience a gap in coverage if they are auto-assigned into a plan that would not provide coverage, if individuals are displaced and moved to a different region. It is not clear whether a displaced beneficiary auto-assigned to a plan in one region will receive benefits from a PDP plan in another region – even if it is a national PDP plan.

*Low-Income Beneficiaries.* Low-income beneficiaries, generally below 150% of poverty and with modest assets, are eligible for reduced premiums and cost-sharing under the Medicare drug benefit. Individuals may apply for the low-income subsidy (LIS) at either a state Medicaid or Social Security Administration office. These LIS individuals must also select and enroll in a PDP. They will have until May 15, 2006, to enroll in a Medicare drug plan on their own, or CMS will facilitate their enrollment, effective June 1, 2006.

LIS-eligible beneficiaries face similar challenges as the dual eligibles in not receiving pertinent information regarding their enrollment into the Medicare drug benefit. If they are not able to receive their mail at their current location, it is possible they are not aware that they qualify for the low-income subsidy, which puts them at a disadvantage for receiving the subsidy

in 2006. Table 2 shows the percentage of low-income subsidy applications that have been returned to the Social Security Administration from Louisiana, Alabama, and Mississippi, as of September 19, 2005.

**Table 2: Low-Income Subsidy Application Status in Hurricane-Affected States**

	Alabama	Louisiana	Mississippi	United States
Applications Mailed (in thousands)	343.4	290.1	186.9	18,676.3
Applications Returned to SSA (in thousands)	70.9	52.2	41.7	3,083
Percent Returned to SSA	20.6%	18.0%	22.3%	16.5%

Note: Numbers are as of September 19, 2005.  
SOURCE: Social Security Administration, September 2005.

*Non-Low-Income Beneficiaries.* The new Medicare prescription drug program includes penalties for beneficiaries who fail to enroll when they first become eligible and are not eligible for auto- or facilitated enrollment. Beneficiaries who fail to enroll in a PDP will have their premiums increased by 1 percent for each month that they fail to enroll if they decide to sign up for Medicare drug coverage in the future. Beneficiaries who do not join a PDP by May 15, 2006 will have to wait until 2007 to begin coverage. Individuals who qualify for low-income subsidies pay a reduced penalty for delayed enrollment.

Options. Options that would assist Medicare displaced beneficiaries as they transition to the new Medicare drug benefit include:

- An explicit CMS plan for all Katrina-displaced dual eligibles who are not enrolled in a Medicare drug plan by January 1, 2006 to ensure that no beneficiaries lose access to critical drugs during this transition period. Options include maintaining Medicaid coverage for all displaced dual eligibles who are not covered by a Medicare drug plan by

January 1, 2006 (with 100% federal financing), and/or extending the transition period for these displaced dual eligibles from Medicaid to Medicare until March 31, 2006.

- An active program to identify and track the location of all dual eligibles displaced by Hurricane Katrina, and monitor potential lapses in prescription filling after January 1 – possibly with assistance of private drug plan sponsors, such as Walgreens or Wal-Mart, who may have better records about the location of certain low-income beneficiaries than public agencies.
- An extension of the initial enrollment period for PDP and MA-PD plans beyond May 15 for displaced beneficiaries, perhaps through the end of 2006. The penalty for delayed enrollment in the prescription drug program should also be waived for these individuals.
- A clear statement of the role of the ten national PDP plans for individuals who are dislocated from their home region, with clarification of payment for purposes of determining monthly premiums and coordination of benefits for displaced beneficiaries who live in multiple regions during 2006.

## **CONCLUSION**

This issue brief reviews the current status of Medicare beneficiaries who have been displaced by the devastating effects of Hurricane Katrina. The discussion and the policy options described are focused on policies that might be adopted in the short term and run through 2006.

The strength of the Medicare program lies in its nationwide scope with no state-to-state variations in eligibility and benefits. As thousands of beneficiaries are displaced for an uncertain period of time, it is important to build on this strength and guarantee access to services for displaced Medicare beneficiaries, especially those who are most vulnerable.



Access to information about options, enrollment periods, and penalties will be even more important as CMS unveils its new prescription drug benefit this fall. Medicare policies and practices need to take into account the special circumstances of these displaced beneficiaries. The experiences of Medicare beneficiaries following hurricanes Katrina and Rita help to identify areas to be considered in future disaster planning efforts.

## NOTES

<sup>1</sup> *The New York Times*, “Katrina’s Diaspora,” October 2, 2005, YT.

<sup>2</sup> Spencer S. Hsu and Elizabeth Williamson, “Housing Promises Made to Evacuees Have Fallen Short,” *The Washington Post*, A1, October 2, 2005.

<sup>3</sup> Andy Schneider and David Rousseau, “Addressing the Health Care Impact of Hurricane Katrina,” Kaiser Commission on Medicaid and the Uninsured, September 2005.

<sup>4</sup> County population data from Census bureau, Current Population Survey, 2002, FEMA-designated Hurricane Katrina and Rita-impacted disaster counties, as of September 25, 2005; Medicare enrollment data from the Centers for Medicare and Medicaid Services, 2003.

<sup>5</sup> Another 35 percent of Medicare beneficiaries have employer-sponsored coverage, the most common source of supplemental coverage. Medicaid provides supplemental coverage for 17 percent of those Medicare beneficiaries with extremely low incomes (The Henry J. Kaiser Family Foundation., *Medicare Chartbook*, Third Edition, Summer 2005, p. 20).

<sup>6</sup> Medicare Advantage data from Mathematica Policy Research analysis of CMS State/County Market Penetration Files for the Kaiser Family Foundation.

<sup>7</sup> Letter to Providers from Carol A. Solomon, Chief Executive Officer, Tenet Choices, updated 9.27.05, accessed 10/2/05 at [www.tenetchoices.com/katrina/members2.jsp](http://www.tenetchoices.com/katrina/members2.jsp). Website information was not updated as of November 1, 2005 and calls to the health plan were not answered.

<sup>8</sup> Hurricane Katrina Updates, Retrieved November 1, 2005 from [www.humana.com/visitors/Hurricane\\_Katrina.asp](http://www.humana.com/visitors/Hurricane_Katrina.asp).

<sup>9</sup> According to a HealthSpring representative, none of their Alabama MA members were impacted by Hurricane Katrina, but the plan notified physicians if they became aware of any members trying to access care out of network to waive referrals and authorization requirements.

<sup>10</sup> The Louisiana Department of Insurance issued final Emergency Rules on September 20 that require health insurers to pay a claim “at either billed charges, or the higher of the non-participating rate/allowance or the contracted reimbursement rate until January 1, 2006. These rules apply to MCO, PPO, HMO, and Medicare supplemental plans, but not to MA plans. The state insurance commissioners of Mississippi and Alabama have primarily encouraged health insurance companies to suspend policy billing or extend grace periods for payments for those affected by the hurricanes. All of the impacted states have required health plans to waive restrictions on prescription medication refills.

<sup>11</sup> Dual eligibles are more likely to be in need of highly complex care or be institutionalized in a nursing home. About 38 percent of dual eligibles have mental or cognitive disabilities. More than one-third of dual eligibles are eligible for Medicare because they are disabled, and 14 percent are age 85 or older. They have higher rates of diabetes, pulmonary disease, stroke, and Alzheimer’s disease than do other Medicare beneficiaries. (Medicare Payment Advisory Commission, 2004; 2005).

<sup>12</sup> Urban Institute estimates based on data from MSIS prepared for the Kaiser Commission on Medicaid and the Uninsured.

<sup>13</sup> Centers for Medicare and Medicaid Services, Summary of Federal Payments Available for Evacuee Care, October 28, 2005, available at [www.cms.hhs.gov/katrina](http://www.cms.hhs.gov/katrina).

<sup>14</sup> See “A Comparison of the Ten Approved Katrina Waivers,” Kaiser Commission on Medicaid and the Uninsured, October 2005.

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<sup>15</sup> Medicare Payment Advisory Commission, *Report to the Congress: Medicare Payment Policy*, March 2005, p. 90.

<sup>16</sup> C. Harrington, et al., Table 4, "Nursing, Facilities, Staffing, Residents, and Facility Deficiencies, 1997 through 2003," Department of Social and Behavioral Sciences, University of California, San Francisco, August 2004.

<sup>17</sup> Data on nursing homes from Centers for Medicare and Medicaid Services, Nursing Home Compare Website, Retrieved November 1, 2005.

<sup>18</sup> "Grassley Requests Federal Investigations of Nursing Home Deaths Due to Hurricane Katrina," September 14, 2005.

<sup>19</sup> CMS has also instructed hospitals and other facilities that they can be flexible in billing for beds that have been dedicated for other uses, for example, using a psychiatric unit bed for an acute care bed patient during the crisis.

<sup>20</sup> CMS has a series of frequently asked questions and answers (FAQs) on its website regarding Hurricane Katrina (<http://www.cms.hhs/katrina>) which provides detailed analysis on a case-by-case basis for many Medicare-certified SNFs.



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