



Modernizing Medicare Savings Programs to Better Serve Dually Eligible Beneficiaries:

# Alignment of Medicare Savings Program Eligibility with the Medicare Part D Low Income Subsidy Program

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## Background

The Medicare Savings Programs (MSPs) are Medicaid programs (or categories of Medicaid eligibility) that provide payment for Medicare premiums and/or cost sharing for low-income individuals. MSPs provide important cost savings for low-income dually eligible beneficiaries. About 8.8 million people are enrolled in the four MSPs,<sup>1</sup> but a significant number of eligible individuals have not enrolled. MSP enrollment rates vary significantly by state (from 25% to 78% of eligible individuals).<sup>2</sup>

In December 2018, the Centers for Medicare & Medicaid Services (CMS) released a State Medicaid Director letter, “Ten Opportunities to Better Serve Individuals Dually Eligible for Medicaid and Medicare.”<sup>3</sup> In the letter, CMS reminded states of the existing opportunities to simplify MSP eligibility and enrollment processes for applicants and eligibility workers.

This brief details one way a state can improve the MSP eligibility determination process by aligning their MSP eligibility criteria with those used for the Medicare Part D Low-Income Subsidy (LIS) program<sup>4</sup> to facilitate the use of LIS eligibility data in determining eligibility for MSPs. (See Appendices A and B for details regarding MSP and LIS eligibility criteria, respectively.) Aligning MSP eligibility limits allows states to more easily use the Social Security Administration’s (SSA) LIS “leads” data to automate and/or streamline enrollment into MSP benefits.

### ABOUT THIS TIP SHEET

**Modernizing Medicare Savings Programs to Better Serve Dually Eligible Beneficiaries** details opportunities for states to improve Medicare Savings Programs (MSPs) eligibility determination process and streamline enrollment into MSP benefits by aligning eligibility criteria with those used for Medicare Part D Low-Income Subsidy (LIS) program.

## State Use of LIS “Leads” Data to Facilitate MSP Enrollment

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### SSA and State Requirements

State agencies are required to evaluate a beneficiary’s eligibility for MSP benefits if the beneficiary applies for Medicaid and/or MSP benefits directly at the state agency or if the state agency conducts an eligibility determination (or redetermination) for any Medicaid benefit.<sup>5</sup> Additionally, when beneficiaries apply for the Medicare Part D LIS through the SSA, federal law requires SSA to transfer leads data from LIS applications to the state agency, and the state to use that information to initiate an MSP application.<sup>6</sup> States are required to treat this data as an application for MSP benefits, as if it had been submitted directly by the applicant, even if the beneficiary’s application for LIS benefits was denied.<sup>7</sup>

However, in many states, minor differences in countable assets or income ultimately require beneficiaries to go through a separate application process or additional verification processes prior to MSP enrollment. This results in state and local agencies spending significant administrative resources assessing eligibility for MSPs.

### Data Transmission and MSP Application Procedures

SSA sends daily files<sup>8</sup> containing LIS application data and eligibility determinations to state Medicaid agencies. The files contain data for all LIS benefit applications received, except those that meet certain conditions.<sup>9</sup>

SSA LIS leads data files contain information about beneficiaries’ LIS eligibility and whether they have been determined eligible for full or partial LIS benefits (described in Appendix A), as well as demographic, income, and asset information, as submitted on the LIS application.<sup>10</sup> States can use these data to facilitate enrollment into MSP benefits by:

- Automating MSP enrollment based on the SSA leads data received if the state has aligned MSP eligibility requirements with those of LIS;
- Using the SSA leads data to identify individuals whose MSP eligibility should be reviewed, then using state data to verify eligibility;
- Pre-populating MSP applications and mailing them to beneficiaries who appear to be eligible; or
- Conducting other types of mail or telephonic outreach to assist beneficiaries with MSP applications.

States can maximize use of LIS leads data for the purposes of MSP enrollment by aligning MSP eligibility criteria with those used for the LIS program.

## State Options for Aligning MSP and LIS Eligibility Criteria

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States interested in aligning their MSP eligibility criteria with those used for LIS should consider the following alignment approaches, which states may use individually or collectively, in any order.

### 1. Aligning income and asset disregard and exclusion policies

To ensure that MSP enrollment can be easily automated using the information in SSA leads data files, states may want to align the processes used to determine what is counted as income and/or assets. For example, specific differences between LIS income/asset “counting” rules and MSP rules include the following:

- When determining LIS eligibility, SSA does not count in-kind support and maintenance as income or the cash surrender value of life insurance policies as a resource.<sup>11</sup> States, on the other hand, may count in-kind support as income or the cash surrender value of life insurance as resource when determining MSP eligibility. Each presents administrative complexities:
  - In-kind support includes support provided by family, friends, or others, such as an adult child paying for a parent’s groceries out of their own pocket (when the parent is the MSP applicant). Such support is often sporadic and may not be carefully tracked, which makes reporting it difficult.
  - The cash value of a life insurance policy is not commonly known. A beneficiary will usually need to contact their life insurance company to discern this amount in order to report it on an MSP application, if it is required. Additionally, life insurance is not an easy asset to liquidate and use to cover other expenses.
- When determining LIS eligibility, SSA assumes that an individual/couple intends to use at least some of their assets for funeral or burial expenses and applies a \$1,500/\$3,000 burial disregard to the individual/couple’s assets. In some states, individuals/couples must prove that they have set aside at least \$1,500/\$3,000 in a burial trust to receive the same exclusion in their MSP eligibility determination.

A detailed description of the asset exclusions and disregards applied by SSA during LIS eligibility determinations is available in the SSA POMS Section 03030.20.<sup>12</sup>

States may choose to use the authority granted to them by section 1902(r)(2) of the Social Security Act to better align MSP eligibility criteria with those used for LIS. For example, states could disregard in-kind support, the cash value of life insurance policies, or \$1,500/\$3,000 as a burial disregard without verifying that the funds have been put in a burial trust, to address the specific areas of misalignment described above.

### 2. Aligning family size policies for determining applicable income

Differences in the inclusion/exclusion of household members during MSP and LIS eligibility determinations can result in differential eligibility for the two programs. In both programs, applicants must meet income

criteria that are expressed as a percentage of the federal poverty level “applicable to a family of the size involved.” However, states currently differ in how they interpret what “family of the size involved” means for MSP eligibility within their state, while SSA uses its own definition of this phrase for the purposes of determining LIS eligibility.

Some states interpret “family of the size involved” to mean only the individual applicant, if the applicant is unmarried, and to include only the applicant and the applicant’s spouse, in the case of a married couple. When determining LIS eligibility, SSA includes the applicant, the applicant’s spouse (when the applicant is married), and any additional relatives of the applicant or the applicant’s spouse who live in the same household as the applicant and are dependent on the applicant and/or the applicant’s spouse for at least one-half of their support. (See **Exhibit 1** for a case study example.)

States with family size interpretations for MSP eligibility that do not align with the interpretation used for LIS above have the option of changing their family size interpretation to maximize alignment between the two programs. Doing so may create opportunities to automate MSP enrollment from SSA leads data.

#### Exhibit 1. Case Example: Impact of Misalignment in MSP and LIS Family Size Policies for Low-Income Families

Joseph and Maria Smith are a married couple with an annual income of \$26,235 in 2019. Their only asset is a savings account containing \$3,500. Joseph and Maria’s grandson, Christopher, is 14 years old, has a physical disability, and lives with Joseph and Maria. Joseph and Maria provide all of Christopher’s financial support, so when the Smiths apply for LIS benefits, SSA considers them to be a household of three. SSA determines Joseph and Maria to be eligible for full LIS benefits because their income is less than 135% of the 2019 federal poverty level for a family of three, and their assets are less than \$11,600. (See Appendix A for detailed information about LIS eligibility criteria.) However, in their state, MSP eligibility is determined solely based on the income of the married couple, with no consideration for the presence of other household members. Therefore, the state evaluates the Smiths’ MSP eligibility using 135% of the federal poverty level for a family of two, which is \$16,240 in 2019. As a result, the state finds Joseph and Maria to be ineligible for MSP benefits, despite their eligibility for full LIS.

### 3. Aligning dollar limits of eligibility criteria

Federal statute establishes baseline income and asset limits for each of the four MSPs (described in Appendix B).<sup>13</sup> States may not implement MSP eligibility criteria that are more restrictive than those federal baselines. However, through authority granted by Section 1902(r)(2) of the Social Security Act, states may choose to implement income and/or asset limits that are more generous than the federal baselines. In 2019, 13 states are using income and/or asset limits for at least one MSP that are more generous than the federal baselines.<sup>14</sup>

Without any state-initiated changes to MSP eligibility criteria, the dollar amounts of the federal baseline MSP asset limits align with the asset limits used for full LIS benefits.<sup>15</sup> However, the income limits used to

assess eligibility for MSPs do not always align with the income limits used to assess eligibility for LIS.<sup>16</sup> Some states have chosen to disregard additional income and/or assets for one or more MSPs, better aligning the MSP eligibility criteria with LIS criteria. See the table in Appendix B for a summary of MSP eligibility criteria and an explanation of how each MSP's federal baseline income and asset limits align with the limits used for LIS.

## For More Information

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State staff interested in further exploring this opportunity contact Gene Coffey in the CMS Children and Adults Health Programs Group at [gene.coffey@cms.hhs.gov](mailto:gene.coffey@cms.hhs.gov).

### ABOUT THE INTEGRATED CARE RESOURCE CENTER

The *Integrated Care Resource Center* is a national initiative of the Centers for Medicare & Medicaid Services Medicare-Medicaid Coordination Office to help states improve the quality and cost-effectiveness of care for Medicare-Medicaid enrollees. The state technical assistance activities provided by the *Integrated Care Resource Center* are coordinated by **Mathematica Policy Research** and the **Center for Health Care Strategies**. For more information, visit [www.integratedcareresourcecenter.com](http://www.integratedcareresourcecenter.com).

## Appendix A. LIS Eligibility and Benefits

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LIS eligibility criteria are established in federal statute (Section 1860D-14 of the Social Security Act) and are described at 42 CFR 423.773. Eligibility criteria for both full and partial LIS benefits in 2019 are as follows:

### Full LIS Benefit Eligibility Criteria

To qualify for full LIS benefits in 2019, an individual must meet one of the following criteria:

- 1) Be a full-benefit dually eligible beneficiary,<sup>17</sup> OR
- 2) Have income less than 135% FPL and assets that do not exceed \$7,730 for an individual or \$11,600 for a married couple.

### Partial LIS Benefit Eligibility Criteria

To qualify for partial LIS benefits in 2019, an individual must meet one of the following criteria:

- 1) Have income less than 135% FPL and assets between \$7,730 and 12,890 for an individual and between \$11,600 and \$25,720 for a married couple.
- 2) Have income between 135% FPL and 150% FPL and assets less than \$12,890 for an individual and \$25,720 for a married couple.

For both full and partial LIS benefits, in addition to the asset amounts listed above, an individual may have an additional \$1,500, and a married couple may possess an additional \$3,000, that will be disregarded in the LIS eligibility determination if the individual/couple intends to use at least some of their assets toward funeral or burial expenses.<sup>18</sup> In LIS eligibility determinations, it is assumed that all applicants intend to use at least some of their assets to pay for funeral or burial expenses unless the applicant(s) check a box indicating that they do not intend to use their assets for this purpose.

### LIS Benefits

Beneficiaries enrolled in **full LIS** pay no monthly premium for their Medicare Part D plan (as long as the plan's premium falls beneath a federally determined "benchmark")<sup>19</sup> and pay no annual deductible for their drugs. Full LIS also subsidizes the beneficiary's drug copayments. In 2019, a full LIS enrollee will pay between \$1.25 and \$3.40 in copayments for generic drugs and between \$3.80 and \$8.50 in copayments for brand name drugs.

Beneficiaries enrolled in **partial LIS** pay either no monthly premium or a reduced, sliding scale monthly premium (based on their income level), and have a reduced deductible (\$85 in 2019). Drug copayments for partial LIS recipients in 2019 range from \$3.40 for generic drugs and \$8.50 for brand name drugs to a 15% coinsurance.

## Appendix B. MSP Benefits and Standard Eligibility Criteria

MSPs provide assistance with Medicare Part A and/or B premiums, and in some cases, Medicare deductibles, coinsurance and copayments. To be eligible for MSP benefits, individuals must be entitled to Medicare Part A<sup>20</sup> and meet income and asset eligibility criteria. Four MSPs offer different levels of coverage to eligible individuals:

- The **Qualified Medicare Beneficiary (QMB) program** covers Medicare Part A and B premiums, as well as all Medicare deductibles, coinsurance and copayments.
- The **Specified Low-Income Medicare Beneficiary (SLMB) program** covers Medicare Part B premiums.
- The **Qualifying Individual (QI) program** covers Medicare Part B premiums.
- The **Qualified Disabled and Working Individuals (QDWI) program** covers Medicare Part A premiums for individuals who are under the age of 65, disabled, lost access to premium-free Part A because they are working, and are not otherwise eligible for state Medicaid benefits.

Each state may apply its own income and/or asset limits for MSPs, as long as those limits are at least as generous as baseline criteria established in federal statute.<sup>21</sup> The 2019 federal baseline criteria for MSPs are listed in the table below.<sup>22</sup>

| Program     | Income Limits*                           | Income Limit Aligned with LIS?  | 2019 Asset Limits  | Asset Limit Aligned with LIS?  |
|-------------|--|---|--|--|
| <b>QMB</b>  | 100% of the federal poverty level (FPL)  | <ul style="list-style-type: none"> <li>■ <b>No</b> - income limit for full LIS is 135% FPL, which is higher than the QMB income limit</li> </ul>  | <ul style="list-style-type: none"> <li>■ \$7,730 for an individual</li> <li>■ \$11,600 for a married couple</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Yes</b> - asset limit is the same as the asset limit used for full LIS benefits</li> </ul> |
| <b>SLMB</b> | Greater than 100 but less than 120% FPL  | <ul style="list-style-type: none"> <li>■ <b>No</b> - income limit for full LIS is 135% FPL, which is higher than the SLMB income limit</li> </ul> | <ul style="list-style-type: none"> <li>■ \$7,730 for an individual</li> <li>■ \$11,600 for a married couple</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Yes</b> - asset limit is the same as the asset limit used for full LIS benefits</li> </ul> |
| <b>QI**</b> | Greater than 120% but less than 135% FPL | <ul style="list-style-type: none"> <li>■ <b>Yes</b> – income limit for full LIS is 135% FPL***</li> </ul>   | <ul style="list-style-type: none"> <li>■ \$7,730 for an individual</li> <li>■ \$11,600 for a married couple</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Yes</b> - asset limit is the same as the asset limit used for full LIS benefits</li> </ul> |
| <b>QDWI</b> | 200% FPL                                 | <ul style="list-style-type: none"> <li>■ <b>No</b> – QDWI is not designed to align with LIS</li> </ul>  | <ul style="list-style-type: none"> <li>■ \$4,000 for an individual</li> <li>■ \$6,000 for a married couple</li> </ul>  | <ul style="list-style-type: none"> <li>■ <b>No</b> – QDWI is not designed to align with LIS</li> </ul>                                 |

\* Monthly income limit amounts are rounded up to the next dollar (for example, 100% FPL in the 40 contiguous states in 2019 is \$1,041/month). When evaluating MSP eligibility, all states must disregard at least \$20 of a beneficiary's unearned income, \$65 of earned income, and half of earned income after that (per the Supplemental Security Income (SSI) benefit income exclusions, as described in the SSA POMS Section 00815.023, available at <https://secure.ssa.gov/poms.nsf/lnx/0600815023>). States may also choose to implement more generous disregards and/or exclusions.

\*\* In addition to meeting income and asset eligibility requirements in their state, a beneficiary can only be enrolled into the QI program if they are not eligible for any other Medicaid eligibility categories in that state.

\*\*\* The income limit for QI is between 120% FPL and 135% FPL, whereas the full LIS income limit is simply less than 135% FPL.

## ENDNOTES

- <sup>1</sup> See Appendix B for information about the four MSPs, including the benefits covered by each program and standard eligibility criteria. MSPs are also described in detail in a CMS document entitled “Dually Eligible Individuals – Categories,” available at <https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/MedicareMedicaidEnrolleeCategories.pdf>. Data on MSP enrollment from the August 2017 Medicaid and CHIP Payment and Access Commission (MACPAC) Issue Brief, “Medicare Savings Programs: New Estimates Continue to Show Many Eligible Individuals Not Enrolled,” available at: <https://www.macpac.gov/wp-content/uploads/2017/08/Medicare-Savings-Programs-New-Estimates-Continue-to-Show-Many-Eligible-Individuals-Not-Enrolled.pdf>.
- <sup>2</sup> “Medicare Savings Programs: New Estimates Continue to Show Many Eligible Individuals Not Enrolled.” Medicaid and CHIP Payment and Access Commission Issue Brief, August 2017. Available at <https://www.macpac.gov/wp-content/uploads/2017/08/Medicare-Savings-Programs-New-Estimates-Continue-to-Show-Many-Eligible-Individuals-Not-Enrolled.pdf>.
- <sup>3</sup> The December 19, 2018 State Medicaid Director letter is available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18012.pdf>.
- <sup>4</sup> The LIS program was created, along with the Medicare Part D program, through the Medicare Modernization Act of 2003 (P.L. 108-173). The Medicare Part D program provides an option for Medicare beneficiaries to purchase prescription drug coverage through privately offered plans, and the LIS program provides assistance with the costs of Medicare Part D plan premiums, deductibles, coinsurance and copayments for individuals who qualify. The LIS program is divided into two general benefit categories – “full” and “partial” LIS, described in Appendix A.
- <sup>5</sup> 42 CFR 435.911(c)(2) and 42 CFR 435.916(f)(1)
- <sup>6</sup> As amended by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA, P.L. 110-275), Section 1144(c)(3) of the Social Security Act requires SSA to transmit data from LIS applications to state Medicaid agencies for the purposes of initiating MSP applications. Section 1935(a)(4) of the Social Security Act requires states to “...accept data transmitted under section 1144(c)(3) and act on such data in the same manner and in accordance with the same deadlines as if the data constituted an initiation of an application for benefits under the Medicare Savings Program...that had been submitted directly by the applicant. The date of the individual’s application for the low income subsidy program from which the data have been derived shall constitute the date of filing for such application for benefits under the Medicare Savings Program.”
- <sup>7</sup> See CMS State Medicaid Director letter from February 18, 2010 “RE: Medicare Improvements for Patients and Providers Act of 2008 (MIPPA).” Available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/smd10003.pdf>
- <sup>8</sup> SSA LIS leads data files are sent daily, except on Saturdays, Sundays, and holidays.
- <sup>9</sup> The conditions for withholding SSA leads data are described in the SSA Program Operations Manual System (POMS) Section HI 00815.024, available at: <https://secure.ssa.gov/poms.nsf/lnx/0600815024>. Examples include when a beneficiary specifically requests that their data not be used to initiate an MSP application, or when a beneficiary has been “deemed” eligible for LIS because they already receive SSI, Medicaid, or MSP benefits. (Situations in which a beneficiary may be deemed eligible for LIS are described in the SSA POMS Section HI 03001.005. Available at: <https://secure.ssa.gov/poms.nsf/lnx/0603001005#a.>)
- <sup>10</sup> A PDF version of the LIS application is available at: <https://www.ssa.gov/forms/ssa-1020b-ocr-sm-inst.pdf>.
- <sup>11</sup> This was required by section 116 of MIPPA (P.L. 110-275). See CMS State Medicaid Director letter from February 18, 2010 entitled “RE: Medicare Improvements for Patients and Providers Act of 2008 (MIPPA),” available at: <https://www.medicaid.gov/federal-policy-guidance/downloads/smd10003.pdf>.
- <sup>12</sup> Available at: <https://secure.ssa.gov/apps10/poms.nsf/lnx/0603030020>.
- <sup>13</sup> Federal baseline eligibility criteria for MSPs are described in Section 1902(a)(10)(E) of the Social Security Act.
- <sup>14</sup> National Council on Aging (NCOA), “Medicare Savings Programs Eligibility and Coverage (2019),” available at: <https://www.ncoa.org/wp-content/uploads/medicare-savings-programs-coverage-and-eligibility.pdf>.
- <sup>15</sup> Section 112 of MIPPA (P.L. 110-275) amended section 1905(p)(1)(C) of the Social Security Act to make the asset limits used for the Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB) and Qualified Individual (QI) MSPs conform to the asset limits for full LIS benefits (300% of the Supplemental Security Income (SSI) benefit asset limits, with an additional annual cost of living increase and certain additional disregards).
- <sup>16</sup> Among MSPs, federal baseline income and asset limits for the Qualified Individual (QI) MSP most closely align with the criteria established for full-benefit LIS. QI income limits are between 120 and 135 FPL, while full benefit LIS is for all individuals less than 135 FPL. However, states can only enroll a portion of full benefit LIS individuals in QI. Further, the amount of federal support for the QI program is capped annually for each state. The federal government makes capped annual allotments to states to fund 100 percent of the Part B premium amounts for QI enrollees. In contrast, federal support of the QMB and SLMB enrollees is equal to the state’s Federal Medical Assistance Percentage (FMAP). See “Dually Eligible Individuals – Categories,” available at:



## Modernizing Medicare Savings Programs (MSPs) to Better Serve Dually Eligible Beneficiaries: Alignment of MSP Eligibility with the Medicare Part D Low Income Subsidy Program

<https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/MedicareMedicaidEnrolleeCategories.pdf>.

<sup>17</sup> Full-benefit dually eligible beneficiaries are individuals who qualify for full Medicaid benefits in their state, in addition to Medicare benefits. Individuals who qualify for Medicare Savings Program benefits, but not full Medicaid benefits, are referred to as “partial-benefit” dually eligible beneficiaries. See CMS, “Dually Eligible Individuals – Categories,” available at: <https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/MedicareMedicaidEnrolleeCategories.pdf>

<sup>18</sup> See SSA POMS Section HI 03030.020 for more information about LIS asset exclusions: <https://secure.ssa.gov/apps10/poms.nsf/lnx/0603030020>.

<sup>19</sup> Details regarding calculation of the low-income benchmark premium are available at 42 CFR 423.780(a). The 2019 benchmark amount is described in a July 31, 2018 CMS memo to Medicare Advantage Organizations and Medicare Prescription Drug Plans, entitled “Annual Release of Part D National Average Bid Amount and Other Part C & D Bid Information,” available at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/PartDandMABenchmarks2019.pdf>.

<sup>20</sup> If a beneficiary must pay a premium for Part A coverage and is not yet enrolled, states with Part A Buy-in agreements with CMS may facilitate enrollment into Medicare Part A at any time. In states without Part A Buy-in agreements, the individual must complete a Part A application with Social Security prior to completing an MSP application. In either circumstance, a “conditional enrollment” application may be completed to enable enrollment in Part A only if MSP coverage is approved. For more information, see the SSA POMS Section HI 00801.140, available at <https://secure.ssa.gov/poms.nsf/lnx/0600801140>. The benefits of state Part A Buy-in agreements are also described in a Q&A document released by CMS in March 2019, available at: <https://www.integratedcareresourcecenter.com/resource/part-buy-agreements-states-qa>.

<sup>21</sup> Federal baseline eligibility criteria for MSPs are described in Section 1902(a)(10)(E) of the Social Security Act, and state flexibility to use more generous criteria is described in Section 1902(r)(2) of the Social Security Act.

<sup>22</sup> Income and asset limits included here are for 2019, but change annually. For current information, see: <https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs>.