

State Health Insurance Assistance Programs: A Critical Resource for Medicare Beneficiaries

What Is a SHIP?

State Health Insurance Assistance Programs (SHIPs) provide personalized counseling and assistance to 43 million Medicare beneficiaries and their caregivers who need help navigating the increasingly complex health care system, including the Medicare program. SHIPs provide accurate, understandable, and objective information, counseling, and assistance to Medicare beneficiaries on a wide range of health insurance issues, including Medicare, Medicaid, long-term care, and prescription drugs.

Where Are SHIPs Located?

There are SHIPs in each of the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. While many local SHIP offices are located in Area Agencies on Aging, SHIPs are also located in other community-based organizations that serve older adults and people living with disabilities such as senior centers and hospitals.

How Are SHIPs Operated?

Over 12,000 staff members and volunteers work in 1,400 local SHIP offices across the country. Many dedicated volunteers, largely composed of retired professionals, provide much of the one-on-one counseling and assistance to their peers. Essentially, “neighbors are helping neighbors” understand an increasingly complex health care system.

Why Are SHIPs Needed?

The needs of the 43 million Americans who depend on Medicare for their health care are multifaceted and diverse. More than one-quarter of beneficiaries have cognitive impairments; almost one-third have limitations in activities of daily living such as eating and dressing; almost one-third have not graduated from high school; and more than 1 in 10 are over 85 years of age.¹ Yet these beneficiaries are trying to navigate a health care system that is growing more complex each year. Recent changes in the health care system, including the Medicare program, employer-subsidized retiree health care, and state Medicaid programs, and the inter-relationship of these programs is particularly bewildering for seniors and people with disabilities. They breed what one commentator has called, “the profusion of confusion.”

Why Is One-on-One Help Important?

Research has consistently found that Medicare beneficiaries prefer to receive information about Medicare through one-on-one assistance rather than through other means, such as written materials, mass media, and the Internet. In fact, *more than two-thirds of Medicare beneficiaries have never used the Internet.*² Given the large number and variety of private plan options available in the Medicare program, including Medicare Advantage plans (both those that offer prescription drug coverage and those that do not) and the new free-standing Prescription Drug Plans (PDPs), “the type of one-on-one beneficiary counseling and decisions support provided by SHIPs has been seen as an essential component to the information provided more generally through www.Medicare.gov and 1-800-MEDICARE.”³

What about Low-Income Seniors?

A recent study by the Institute of Medicine concluded that low-income seniors have a lower literacy rate,⁴ while another study found that they are less likely to have access—including online access—to information about public programs.⁵ The Low-Income Subsidy program, established under the Medicare Modernization Act (MMA) of 2003, is designed to help Medicare beneficiaries with limited incomes and resources pay for their medications under the new Medicare prescription drug benefit. However, despite the tremendous outreach efforts on the part of the Social Security Administration and many other organizations, enrollment in the program is extremely low—24% of the estimated 7.2 million Medicare beneficiaries eligible for the program have enrolled.⁶ SHIPs are in the forefront of efforts to identify low-income beneficiaries and then educate them about their options so that they receive the benefits to which they are entitled.

How Are SHIPs Funded?

SHIPs are funded by a growing, but inadequate, amount of federal support—supplemented, in some instances, by state appropriations and local philanthropy. SHIP funding has historically been low: Federal funding for the national SHIP network has remained relatively low and stable since the program began in 1991, when \$10 million was allocated among the states in the form of grants. For the next 12 years, federal funding ranged from \$10 million to \$16 million per year.

Following the enactment of the Medicare Modernization Act in December 2003, SHIP funding increased to \$21.1 million in 2004 and \$31.7 million in 2005. In 2006, SHIP funding decreased slightly to \$30 million—about \$0.70 cents per Medicare beneficiary.

Why Do SHIPs Need Additional Funding?

In order to meet this large and growing demand, SHIP programs will need additional funding. Although SHIP funding has increased in recent years, a former CMS administrator recently commented that SHIPs are still “tremendously under resourced.”⁷ SHIPs need an increased, reliable, and sustainable funding stream from the federal

government in order to effectively and efficiently meet the needs of Medicare beneficiaries and their caregivers in communities across the country. Every SHIP needs at least \$1.00 per Medicare beneficiary. Increased, reliable, and sustainable funding will allow SHIPs to engage in strategic and long-term planning to meet the growing needs of the Medicare population now and in the future.

Demand for SHIPs Services Will Continue to Increase

SHIP programs comprise the only network with both a long history and a mission to provide accurate, understandable, and objective education and personalized counseling and assistance to Medicare beneficiaries. Implementation of the new Medicare prescription drug benefit has clearly demonstrated to CMS, Congress, and the nation the exponential increase in the need for Medicare beneficiaries to have local access to understandable and objective information and one-on-one counseling and assistance. SHIPs need additional funds to help meet this demand and, hence, fulfill their mission. Furthermore, SHIPs are not going to disappear after the Medicare prescription drug benefit is implemented. SHIPs will continue to help Medicare beneficiaries for decades to come with a variety of Medicare-related issues.

¹ These statistics are based on the 41.7 million Medicare beneficiaries in 2004 as reported in *Medicare Chartbook*, Third Edition (Washington: The Kaiser Family Foundation, Summer 2005). The *2006 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds* (<http://www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2006.pdf>) projects that the number of Medicare beneficiaries will reach 43.1 million in 2006.

² *Kaiser Family Foundation Health Poll Report Survey: Selected Findings on the Medicare Drug Law* (Washington: Kaiser Family Foundation, January 2005).

³ Diane Justice, *Beneficiary Information and Decision Supports for the Medicare-Endorsed Prescription Drug Discount Card* (Washington: Congressional Research Service, March 24, 2005).

⁴ Institute of Medicine, *Health Literacy* (Washington: National Academies Press, 2004).

⁵ Susannah Fox, *Older Americans and the Internet* (Washington: Pew Internet and American Life Project, March 25, 2004).

⁶ The number of beneficiaries found eligible for the Low-Income Subsidy (LIS) is from the Social Security Administration, *SSA Completed Decisions by State* (Data as of 4/28/06), available at <http://www.ssa.gov/legislation/statealphasmallfont.html>. The number of beneficiaries potentially eligible for the LIS is from the Access to Benefits Coalition, *Pathways to Success: Meeting the Challenge of Enrolling Medicare Beneficiaries with Limited Incomes* (Washington: National Council on Aging, 2005). The estimate of 7.2 million does not include beneficiaries who were automatically enrolled in the LIS.

⁷ Comments by Nancy-Ann DeParle to the Medicare Payment Advisory Committee, *State Lessons on the Drug Card*, September 10, 2004.

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