Policy in Brief MACPAC

State Medicaid Payment Policies for Medicare Cost Sharing

Summary

Individuals enrolled in both Medicare and Medicaid, referred to as dually eligible beneficiaries, may be eligible for Medicaid assistance with their Medicare premiums and Part A and B cost sharing (i.e. deductibles, coinsurance, and copayments).

Under Section 1902(n) of the Social Security Act, states are not required to pay the full Medicare cost sharing amount if the total provider payment from Medicare and Medicaid would exceed the state's Medicaid rate. This gives states flexibility in establishing payment policies for their Medicaid payment of Medicare Part A and B cost sharing, often referred to as Medicare crossover policies.

Most states have either 'full payment' or 'lesser of' Medicare crossover policies; however, a few states have other policies, such as paying a set percentage of Medicare cost sharing. In states with full payment policies, the state pays the entire Medicare cost sharing amount, regardless of the state's Medicaid rate for the service. In states with lesser of policies, the state pays the lesser of either (a) the Medicare cost sharing amount, or (b) the difference between the Medicare payment and the Medicaid rate. If the Medicaid rate is lower than the Medicare payment, the difference is zero and the enrollee cannot to be billed for any cost sharing that the state does not cover. These policies can differ within a state across service types. A new compendium from MACPAC provides state-level information on Medicare crossover policies for inpatient hospital services, outpatient hospital services, nursing facility services, and physician services as of May 2025. It finds that most states have lesser of policies, with slight variation across service types (Table 1).

Cost sharing terms

- **Premium:** A fee, generally due on a monthly basis, that an enrollee must pay to remain in a health plan.
- **Deductible:** The amount of medical expenses for covered services per benefit period (usually one year) that an enrollee must incur before a health plan will pay for care.
- **Coinsurance:** The percentage of a medical bill that an enrollee must pay.
- **Copayment:** A fixed amount that an enrollee must pay the provider at the point of service.

TABLE 1. Summary of State Medicare Crossover Policies

State Medicare crossover policy	Service type			
	Inpatient hospital	Outpatient hospital	Nursing facility	Physician
Full payment	7	7	8	5
Lesser of	38	37	37	41
Other	6	7	6	5

Source: MACPAC analysis of Medicaid state plans and amendments, state regulations and administrative codes, provider manuals and bulletins, Medicaid agency websites, and contact with state officials.

Cost Sharing

Cost sharing is the portion of health care costs that enrollees pay out-of-pocket. Medicare crossover policies cover Part A and B cost sharing and do not cover premiums.

In traditional Medicare, which is a fee-for-service model, there is no annual limit on out-of-pocket costs. In Medicare Advantage (MA), which is a managed care model, annual out-of-pocket costs are limited. Once an enrollee reaches their plan's limit, the plan pays the cost of covered services for the remainder of the year. Medicare crossover policies cover cost sharing for traditional Medicare and MA, although the crossover processes may differ.

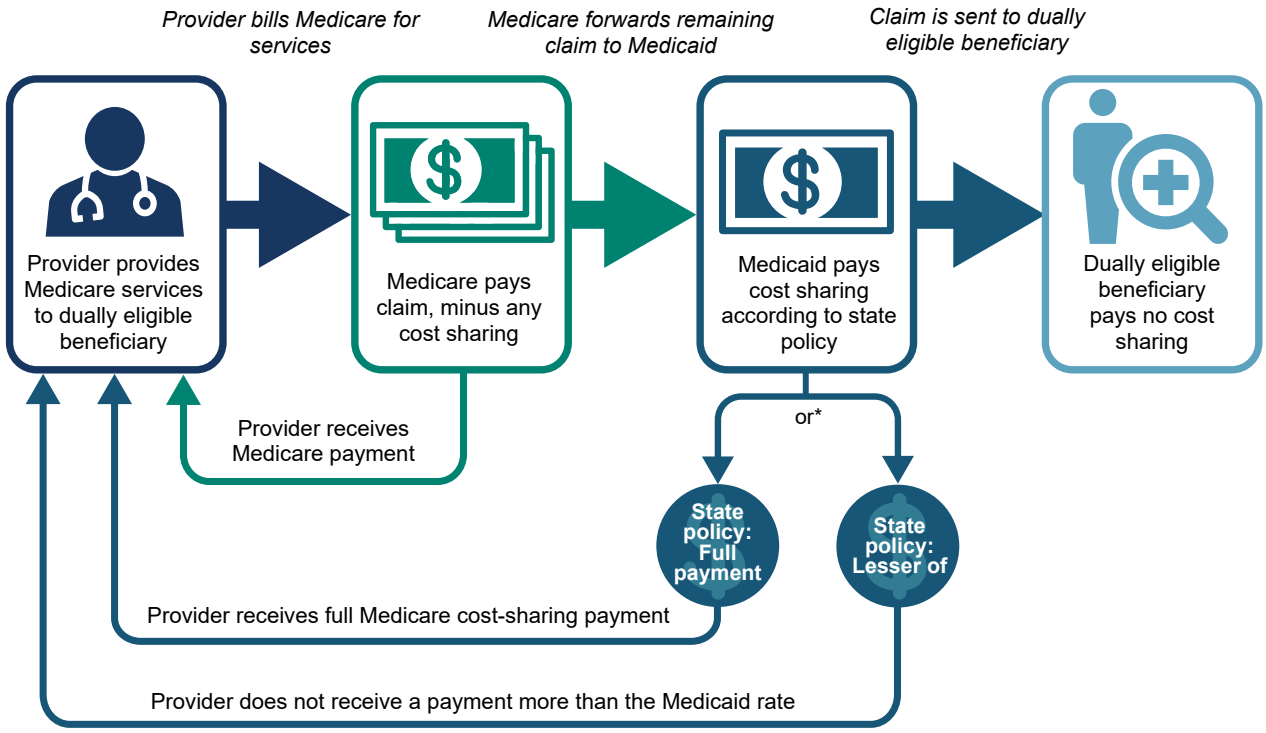
Dually Eligible Beneficiaries

Dually eligible beneficiaries receive both Medicare and Medicaid benefits by virtue of their age or disability and low income. In calendar year (CY) 2021, 12.8 million individuals were dually eligible for Medicare and Medicaid benefits. Combined Medicare and Medicaid spending on dually eligible beneficiaries was $493.4 billion, with Medicaid accounting for about 37 percent of this spending (MACPAC 2024). This population includes individuals with multiple chronic conditions, physical disabilities, and cognitive impairments such as dementia, developmental disabilities, and mental illness. It also includes some individuals who are relatively healthy.

Medicare is the primary payer for dually eligible beneficiaries and mainly covers medical services such as physician services, inpatient and outpatient acute care, and post-acute skilled-level care. Dually eligible beneficiaries are eligible for the same Medicare benefits as other Medicare beneficiaries but have low incomes that make it difficult to afford the premiums and cost sharing required by Medicare. Medicaid wraps around Medicare's coverage by providing financial assistance to dually eligible beneficiaries in the form of payment of Medicare premiums and cost sharing, as well as coverage of some services not included in the Medicare benefit, most notably long-term services and supports.

Individuals eligible for Medicaid assistance with Medicare costs as well as full Medicaid benefits are referred to as full-benefit dually eligible beneficiaries. Some dually eligible beneficiaries are eligible for Medicaid assistance with Medicare premiums and cost sharing but are not entitled to full Medicaid benefits, and these individuals are referred to as partial-benefit dually eligible beneficiaries. For example, individuals who qualify through the Qualified Medicare Beneficiary eligibility group without full Medicaid benefits receive Medicaid assistance with Medicare premiums and cannot be billed for Medicare Part A and B cost sharing. Among individuals eligible for both Medicare and Medicaid in CY 2021, 73 percent were full-benefit dually eligible beneficiaries and the remainder, 27 percent, were partial-benefit dually eligible beneficiaries (MACPAC 2024).

FIGURE 1. Medicare Crossover Process in Fee-for-Service Models



Note: *States may have other Medicare crossover policies, such as paying a set percentage of Medicare cost sharing.

Source: MACPAC analysis of state policies

References

Medicaid and CHIP Payment and Access Commission (MACPAC) and Medicare Payment Advisory Commission (MedPAC). 2024. *Data Book: Beneficiaries Dually Eligible for Medicare and Medicaid*. Washington, DC: MACPAC. https://www.macpac.gov/wp-content/uploads/2024/01/Jan24_MedPAC_MACPAC_DualsDataBook-508.pdf.

About MACPAC

The Medicaid and CHIP Payment and Access Commission (MACPAC) is a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP).