# Medicare 101: The Basic A-B-C-Ds

Barbara Cochrane, PhD, RN, FAAN
de Tornyay Professor for Healthy Aging

NW GWEC – January 10, 2017

## Objectives

- List at least three health care financing systems for older adults in the United States
- Define the four parts of Medicare – A – B – C – and D
- Describe Medicare reimbursement for primary, hospital, home, hospice, and skilled nursing care of older adults

## Setting the Stage: Social Security

- 82.1% of people 65 and older got Social Security in 2014
- 61% of beneficiaries got half or more of their income from Social Security
- 19.7% got all of their income from Social Security

*Income of the Population 55 or Older*, 2014, SSA (2016)

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## Setting the Stage: Social Security

- Social Security signed into law in 1935
- SSA benefits represented about 33% of older adults' income overall in 2014
- Among SSA beneficiaries in 2014 …
  - 48% of married couples and 71% of unmarried persons received 50% or more of their income from SSA
  - 21% of married couples and 43% of unmarried persons receive 90% or more of their income from SSA
- Most older adults do not receive employer-sponsored pensions

*Income of the Population 55 or Older*, 2014, SSA (2016)

## Older Americans Act

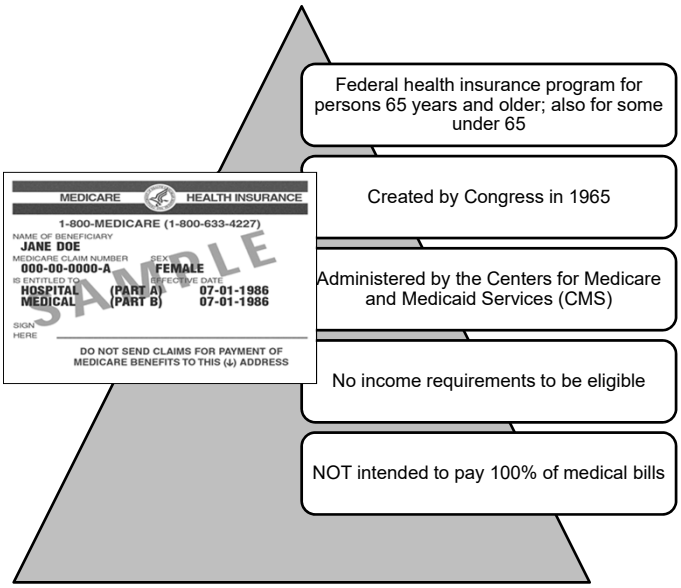
- Passed in 1965 to assist states/Area Agencies on Aging (AAAs) to offer coordinated community-based services for older adults:
  - Access services
  - In-home services
  - Legal assistance
  - Supportive services and senior centers
  - Vulnerable elder rights protection activities
- OAA reauthorized in April 2016 (for 3 years)

## Medicare Bill Signed

President Lyndon B. Johnson at the signing ceremony July 30, 1965, at the Truman Library in Independence, Missouri.

*"No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings they have so carefully put away over a lifetime so they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations."*

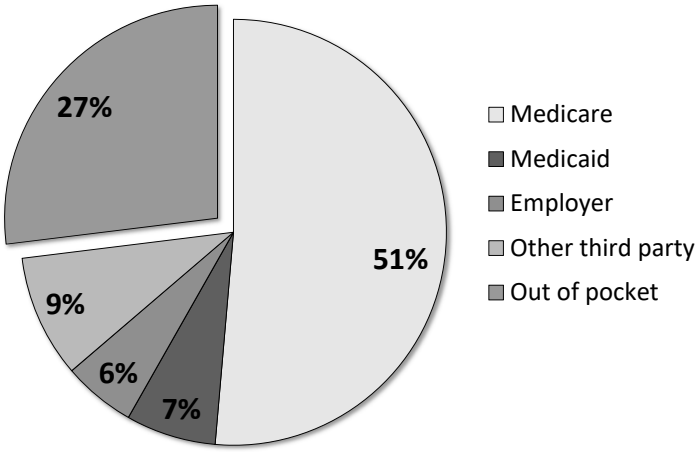
# What is Medicare?




# Medicare: Eligibility

- Aged:
  - > 65 years old
  - US citizen OR
    - legal resident for at least 5 years
  - Paid "Medicare tax" (FICA) for at least 10 years
    - Or spouse paid for at least 10 years
- Disabled
  - Receiving Social Security Disability Insurance (SSDI) benefits
    - ALS: immediately
    - ESRD: immediately – 4 months depending on treatment
    - Other disabilities: 24 months

Medicare covers ½ of beneficiaries' total health care spending
Beneficiaries pay >¼ out-of-pocket on services/premiums




Traditional Medicare beneficiaries' avg total health care spending (2011) = $19,921

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2011 Cost and Use file.

# Affordable Care Act – March 2010

President Obama signed into law, creating:

- Patient Protection and Affordable Care Act (Public Law 111-148)
- Health Care and Education Reconciliation Act of 2010 (Public Law 111-152 )
- Together, commonly known as The Affordable Care Act (ACA) of 2010

## ACA – Individual Mandate

- Individual mandate to obtain medical insurance
- Otherwise, penalty imposed:
  - Starting at $95 in 2013
  - Rising each year until 2016 when the penalty reaches $695.
- Penalty not a threat for most older adults, since those over 65 are generally eligible for Medicare coverage.
  - As long as they enroll in the coverage available, seniors 65 and over will not face the penalty

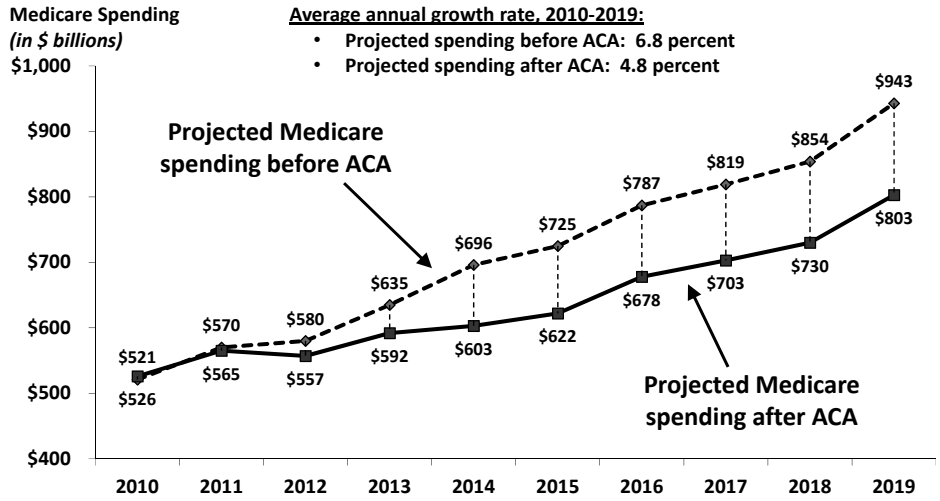
## ACA Changes to Medicare

- Benefit improvements
  - Boosts payments for primary care
  - Expands coverage for preventive services
  - Gradually reduces prescription drug *donut hole* until 2020 – when person just pays 25% of all prescription drugs
  - Reductions to Medicare not allowed to:
    - Ration care
    - Reduce or change benefits or eligibility
    - Increase co-pays or premiums
- Savings
  - Reduced payments to Medicare Advantage, hospitals, other medical providers (not MDs)

## ACA and Community-Based Long-Term Services and Supports

- Strengthen emphasis on HCBS by giving states options to expand programs for Medicaid enrollees
- Some (limited) federal matching incentives
- Doesn't set minimum access standards, so wide variations
- Hospital Readmission Reduction Act
- Community-based Care Transitions Program –designed to improve quality of care transitions, reduce readmissions

## Projected Medicare spending has declined since enactment of ACA




NOTE: Estimates do not take into account future changes to Sustainable Growth Rate formula to prevent reduction in fees.
SOURCE: Kaiser Family Foundation analysis of CBO data; Medicare Baseline Spending before reform from CBO, March 2009 Baseline: MEDICARE; after reform from CBO, May 2013 Baseline: MEDICARE.

## The Four Parts of Medicare

| Part A | Part B | Part C | Part D |
|---|---|---|---|
| Hospital Insurance | Medical Insurance | Medicare Advantage Plans (e.g., HMO, PPO) Includes Part A & B and sometimes Part D coverage | Medicare Prescription Drug Coverage |

## The A, B, C's and D's of Medicare

**Part A: Funded by payroll tax**

- Inpatient hospital care
- Up to 100 days of skilled nursing facility care
- Hospice care
- Limited post-acute, inpatient rehab, home health, other services (3-day hospitalization required)

**Part B: Financed by premiums and general revenues**

- Physician/ARNP services (house calls, if homebound)
- Outpatient hospital care
- Preventive services (e.g., mammography)
- Mental health services
- Home health
- X-rays and other diagnostic procedures
- Durable medical equipment

## What Medicare Part B Does Not Cover

- Routine dental care
- Routine eye exams
- Routine hearing care
- Routine foot care (some foot care for people w/diabetes)
- Acupuncture
- Cosmetic surgery
- Long term care, such as custodial care

## The A, B, C's and D's of Medicare

Part C – Medicare Advantage

- Private plan for Medicare-covered & often extra benefits (instead of original Medicare)
  - 31% of Medicare beneficiaries enrolled in Part C (2016)
- Medicare pays fixed amount per enrollee to insurers that sponsor these plans
  - Medicare pays private health plans slightly more than traditional Medicare costs
- Plans provide benefits covered under Parts A & B, with enrollees paying:
  - Part B premium
  - Sometimes pay supplemental premium for additional benefits (e.g., vision, dental)
  - Typically receive drug coverage (Part D)

# Medigap
## (aka Medicare Supplemental Insurance)

- Standardized in 1992
- One of 10 standardized plans
  - A, B, C, D, F, G, K, L, M and N
- Considerations (need to shop) …
  - Only works with Original (traditional) Medicare
  - Coverage may be different under each plan
  - Cost may be different under each plan
  - Individual health care needs
  - Other supplemental health coverage – might not need Medigap

## Medigap vs. Medicare Advantage

| Medigap | Medicare Advantage |
|---|---|
| Not part of Medicare | Part C of Medicare |
| Generally higher premiums and no copayment. Plan F has high deductible option with lower premiums | Generally lower premiums<br>PPO has deductibles<br>Annual out-of-pocket limit<br>Enrollee pays copayments with use |
| Can use any provider (with limited exceptions) | HMO – network only<br>PPO – pay more for outside network<br>PFFS – any provider who accepts plan<br>SNP – network only |
| No prescription drug coverage. Buy separate Part D plan | Some plans have prescription drug coverage |
| Secondary insurer; pays after Medicare pays | Becomes beneficiary's Medicare. Medicare does not pay MA plan copayments. |
| Can keep the policy if moves | Most plans are local or regional. May have to change plans if moves |
| Guaranteed renewable | Plans can terminate, be terminated or leave the market each year |
| May be subject to health screening | No health screening required |
| Can be more expensive for people with a disability than people 65 years and older | Same premium regardless of disability or age so long as beneficiary has Medicare Parts A and B |

## The A, B, C's and D's of Medicare

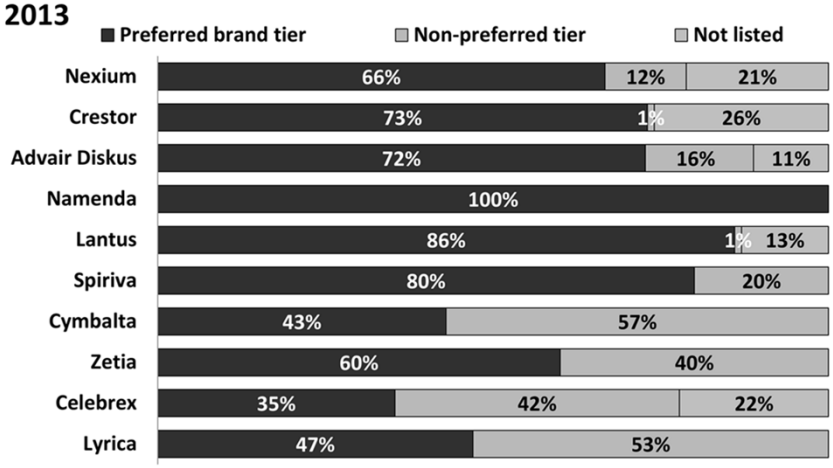
### Part D

- Helps pay for outpatient prescription drugs
- Benefits provided by private plans that contract with Medicare
- Two types of plans:
  - Stand-alone prescription drug plans
  - Medicare Advantage plans
- Funded by premiums, general revenues, and state payments
- Extra help with coverage gap (donut hole) for some beneficiaries

## Medicare Prescription Drug Improvement & Modernization Act of 2003 – *Part D*

- Largest benefit expansion in Medicare history
  - Voluntary benefit effective 2006 – stand-alone private drug plans
- Formulary coverage criteria:
  - Approved by FDA
  - Sold/bought and used in the US
  - Used for a medically accepted indication
  - Cover at least 2 drugs in each category or class
    - *Exception*: Must cover substantially all antidepressants, anti-psychotics, anticonvulsants, anticancer, immunosuppressants, antiretroviral
- Subsidies for low-income beneficiaries
- Medicare has no authority to negotiate prices

## Share of Medicare Part D Stand-Alone PDP Enrollees with Coverage of Top Ten Brand-Name Drugs, by Formulary Tier, 2013




NOTE: PDP is stand-alone prescription drug plan. Analysis is weighted by enrollment. Preferred brand includes plans using standard benefit without tiers. Non-preferred brand includes plans using specialty tiers.
SOURCE: NORC/Social & Scientific Systems analysis of data from CMS.

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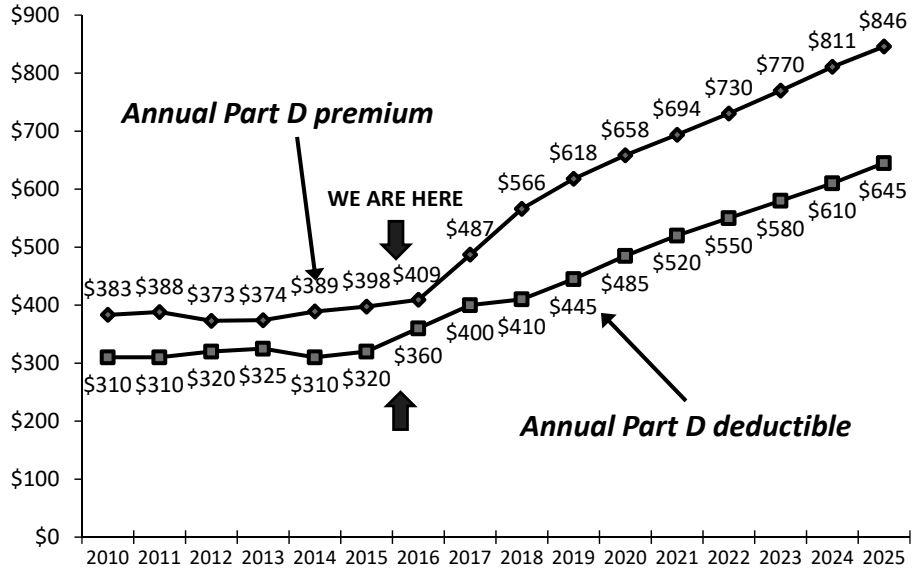
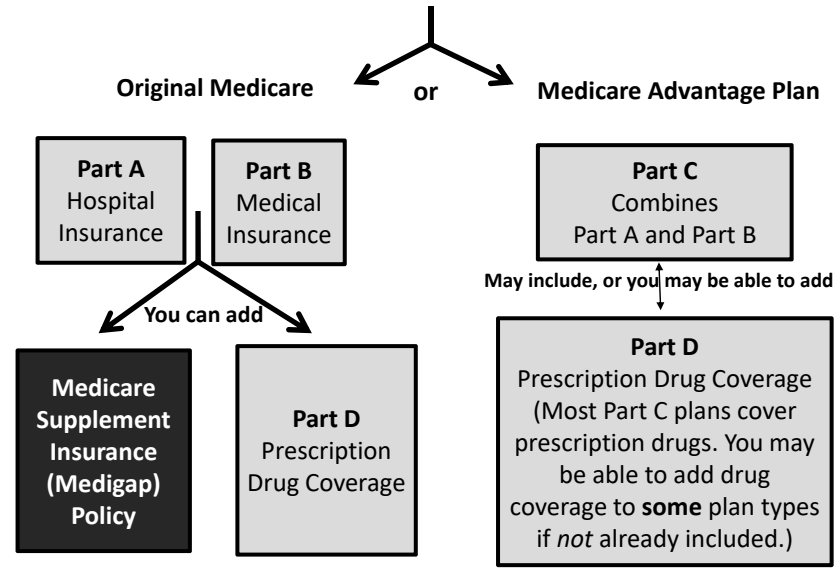
## *Past and projected Medicare Part D premiums and deductibles:*




SOURCE: Kaiser Family Foundation: 2016 Medicare Trustees Report (Table V.E2).

# Medicare Coverage Choices




SOURCE: CMS, 2016

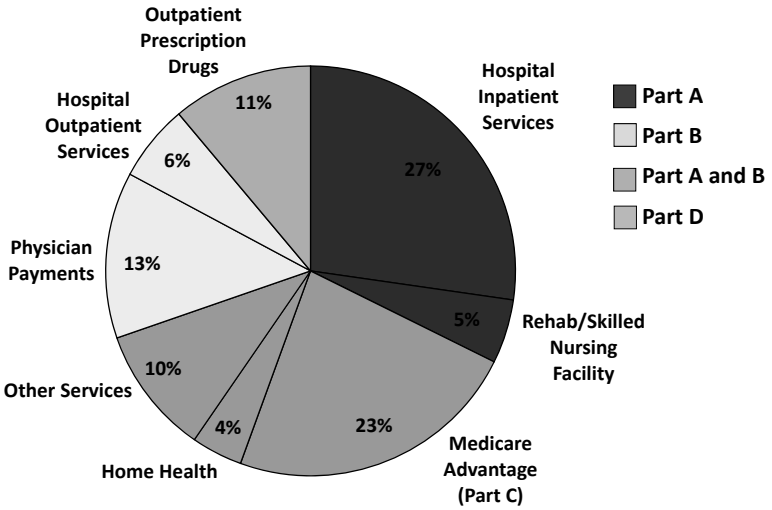
# What are Implications for Older Adults? (2013 Survey)

- >1/3 of older adults with Part D have daily concerns about prescription drug costs
- 1 in 5 have had to make sacrifices to manage drug costs
  - Delaying refills
  - Skipping doses
- Costs and inadequate knowledge of plans are barriers to adherence

## Medicare offers important benefits and some concerns

- Does not cover all medical benefits
  - No coverage: hearing aids, eyeglasses, dental care
  - Generally does not pay for long-term care
- High cost-sharing requirements
  - Monthly premiums for Parts B, C, and D
  - Separate deductibles for Parts A, B, and D
  - Part D coverage gap ("donut hole")
- No limit on out-of-pocket spending for benefits
  - Median out-of-pocket spending as a share of income rose from 11.9% in 1997 to 16.2% in 2006
  - Parts B and D premiums and cost sharing are more than 25% of average Social Security benefit
- Pays less than half of health/long-term care

## Medicare benefit payments, by type of service, in 2010



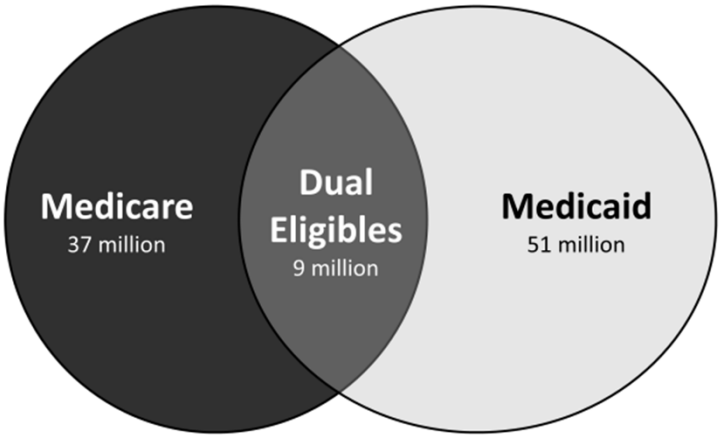

**Total Benefit Payments = $509 billion**

NOTE: Does not include administrative expenses such as spending to administer Part C and Part D.
SOURCE: CBO Medicare Baseline, August 2010.

# What is Medicaid?

- Federal-state health insurance program
  - For people with limited income/resources
  - Certain people with disabilities
  - Covers most health care costs
    - If one has both Medicare and Medicaid
- Run by states, governed jointly
  - Eligibility determined by state
  - Application processes and benefits vary
  - State office names vary
  - Strings are attached: lots of them
  - Federal share varies from 50%-90%

**Dually eligible beneficiaries comprise 20% of the Medicare population and 15% of the Medicaid population, 2008**




SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2008, and Kaiser Commission on Medicaid and the Uninsured and Urban Institute estimates based on data from FY2008 MSIS and CMS Form-64.

## Primary Care Services

- Medicare is primary payer for primary care services: Physicians and Nurse Practitioners / Clinical Nurse Specialists
  - Fee-for-service (FFS) option
  - Covers office visits, ambulance services, ER care, visits in the home, hospital, nursing home
- Some preventive services: immunizations, mammography, prostate cancer screening, colorectal cancer screening, glaucoma screening

## A Word About Affordable Care Organizations (ACOs)

- Part of Medicare System of care in 2012 (per ACA)
- Goal – different types of providers and care organizations work together to deliver care; high quality care is rewarded
- Aims of ACOs:
  - Improved care
  - Improved health
  - Lower costs

## Hospital Payment

- Medicare—primary payer for in-hospital care (A) & physician/nurse practitioner services (B*)
  - Prospective payment based on DRGs since 1983
  - Medicare deductible
  - Most older adults carry supplemental insurance
- Some older adults still require acute care services at time of discharge
  - Whether and where they receive these acute care services can influence short- and long-term recovery
  - Bundling of payment and development of ACOs may impact service delivery

## Home Health Payment

- Medicare—primary payer for short-term skilled (≤ 3 mo) nursing care in the home (if homebound)
  - Rehabilitation services, wound care, catheter care, teaching patient and family to give injections
  - Covers RN, PT, OT, home health aides, durable medical equipment, MD/NP visits
- Long-term home health care
  - Medicaid pays for eligible persons: type and amount of care varies state to state
  - Otherwise out of pocket or informal care

## Personal Care Services

- Generally NOT covered by Medicare
- Provided by:
  - Family, friends, volunteers
  - Paid caregivers
- Agencies
- Free-lance
- Covered (paid for) by:
  - Patient/family
  - LTC Insurance
  - Medicaid

## Assisted Living Facilities

- Services include room & board, medication administration, limited personal care services, local scheduled transportation
- Covered (paid for) by:
  - Patient/family
  - Long-term care insurance
  - Medicaid, if Medicaid beneficiary and …
    - Meets state criteria for NH placement (needs assistance w/ 2 or more ADLs)
    - State has waiver for ALF in lieu of NH, & patient qualifies
- Facility fees are NOT covered by Medicare (physicians, home health services, DME covered)
- Hospice can provide services to ALF residents

## Skilled Nursing Care (Nursing Home)

- Medicare (Part A) pays for short-term (100 days or less) skilled nursing home care if medically unstable
  - Older adult must be able to participate in rehabilitation to qualify
- Approximately 40% of care is paid out-of-pocket
- Medicaid pays for long-term skilled nursing care
  - Nationally, Medicaid pays for approximately 45% of all nursing home care
- Hospice can provide services

## Medicare Hospice Benefit

- Criteria:
  - Part A beneficiary
  - 2 physicians certify terminal illness with expected lifespan of 6 months or less if the illness runs its usual course (neither NP or PA may certify)
  - Patient elects hospice care instead of other Medicare benefits for treatment of terminal illness
  - Patient chooses a Medicare-certified hospice
- Medicare-covered care for problems other than the terminal illness are still covered (outside of hospice)

## Long Term Acute Care Hospital

- Hospitals that specialize in patients needing prolonged acute care
  - Medically complex, multi-trauma, multiple complications
  - Intensive medical management, ventilator weaning, dialysis, IV antibiotics, wound care
  - Physician visits 3 times/week minimum
  - Up to 1 hour of PT/OT per day
- Patient financial responsibility:
  - Part A deductible (once per benefit period)
  - 20% of Part B charges

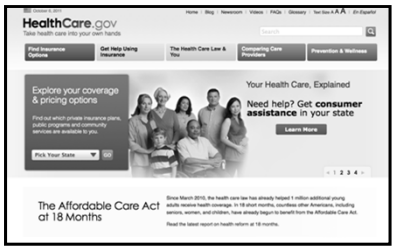
## Social Services

- Families are primary source of social services for older adults
- Services include:
  - Congregate meals
  - Meals-on-wheels
  - Transportation
  - Ombudsman services
- Older adult may qualify for some services, but they may not be available
- Older Americans Act (OAA) is primary source of publicly-funded social services

# Learn More

- 1-800-MEDICARE

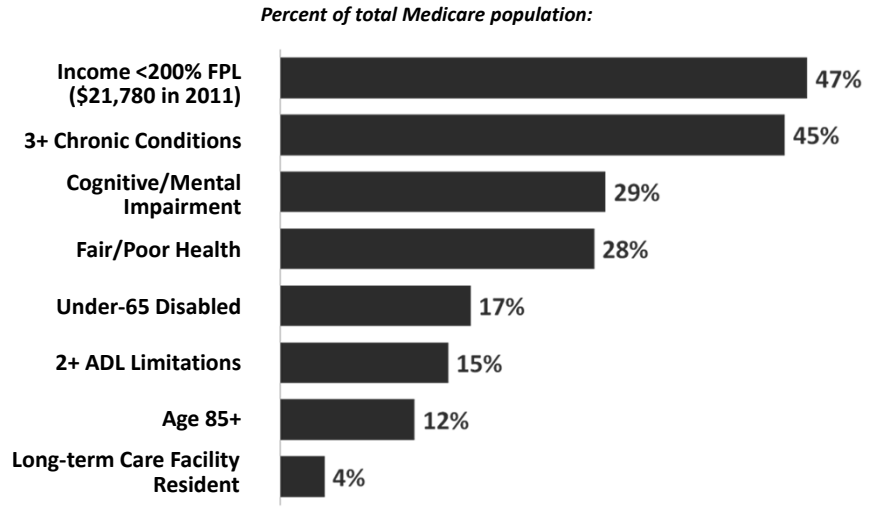
http://www.healthcare.gov




http://www.medicare.gov

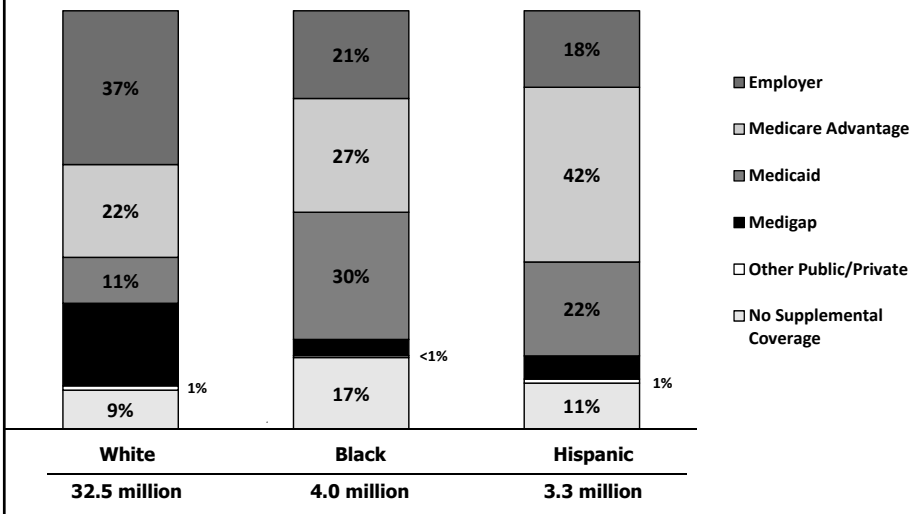

*Are there issues with affordable, accessible, or available care for older adults?*

## Medicare covers a population with diverse needs and characteristics




NOTE: ADL is activity of daily living.
SOURCE: Income data for 2009 from U.S. Census Bureau, Current Population Survey, 2010 Annual Social and Economic Supplement. All other data from Kaiser Family Foundation analysis of the Centers for Medicare & Medicaid Services Medicare Current Beneficiary 2008 Access to Care file.

## Supplemental Coverage Among Medicare Beneficiaries, by Race/Ethnicity, 2008




SOURCE: Kaiser Family Foundation analysis of the CMS Medicare Current Beneficiary Survey Access to Care File, 2008.

## Affordable Care

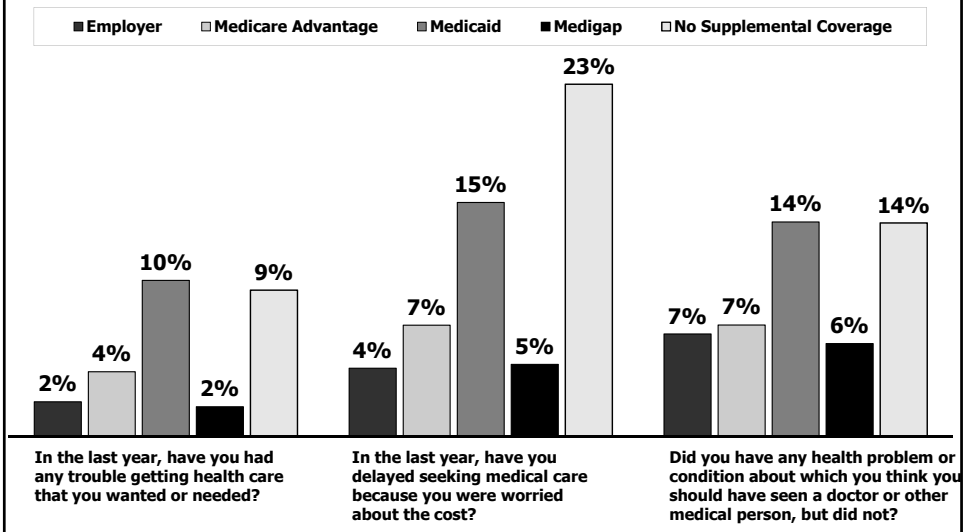
- ~17% of persons on Medicare live below the federal poverty level
  - 47% live on <200% Federal Poverty Level
- With the exception of Medicaid and Medicare-reimbursed home care and nursing home care, there are no specific eligibility or access requirements in alternative living arrangements (e.g., assisted living, adult home) other than one's ability to pay

## Access

- IOM defines access as timely use of personal health services to achieve the best possible health outcomes
- Inadequate insurance coverage is one barrier to access
- Some good news:
  - Medicare beneficiaries report more positive experiences than employee covered plans

(Commonwealth Fund, 2009)

## Measures of Access to Care Among Medicare Beneficiaries, by Source of Supplemental Coverage, 2008




SOURCE: Kaiser Family Foundation analysis of the CMS Medicare Current Beneficiary Survey Access to Care File, 2008.

## A Tale of 3 Cities…

| Characteristic | Aberdeen | Seattle | Yakima |
|---|---|---|---|
| Hospital beds /1000 Residents | 3.6 | 1.6 | 2.2 |
| FTE hospital based RNs /1000 Residents | 3.2 | 2.8 | 3.0 |
| Primary Care Providers /100,000 Residents | 90.4 | 91 | 78.4 |
| Medical Specialists /100,000 Residents | 48.9 | 52.2 | 31.2 |
| Surgeons /100,000 Residents | 56.0 | 41.5 | 38.2 |
| Total Medicare Reimbursement /Enrollee (2010) | $9,026 | $7,645 | $7,651 |

www.dartmouthatlas.org

## CASE 1

- 86-year-old man hospitalized because he fell and fractured his right distal fibula 2 days ago
- History includes heart failure, moderate dementia, stage 3 chronic kidney disease
- Consultation with orthopedic surgery indicates 2 potential interventions: surgery for open reduction & internal fixation, or immobilization in a hard cast
- With either option, he will not be able to bear weight for 4 weeks
- He is enrolled in traditional Medicare Parts A and B and has a Part D policy
- He has no other health insurance
- His wife needs help with caring for his basic needs and is feeling financially overwhelmed

## CASE 1

- Which option would result in the lowest out-of-pocket expenses over the next month?
  a. Surgery with 5-day hospital stay, followed by 20-day nursing-home stay for rehabilitation
  b. Outpatient surgery without hospitalization, followed by 20-day nursing-home stay for rehabilitation
  c. Immobilization in a cast, with 30-day stay in an inpatient rehabilitation facility
  d. Immobilization in a cast, with 30-day stay in a nursing home
  e. Immobilization in a cast at home and home-health aide assist with basic care for 30 days, 12 hours/day

## CASE 2

- 80-year-old woman lives by herself in an apt
- History: morbid obesity, CHD, HF, adult-onset DM, hyperlipidemia, asthma, and chronic pain
- Independent in ADLs but can walk only 10 feet with walker. Nephew brings meals and helps with other IADLs
- On occasion, she is hospitalized for exacerbation of HF or asthma. She leaves her apartment when hospitalized and to see her pulmonary specialist
- She has traditional Medicare Parts A and B and no supplemental insurance

## CASE 2

- How would Medicare compensate physician house-call services for this patient?
  a. Part A would pay on a capitation basis
  b. Part A would pay on a fee-for-service basis.
  c. Part B would pay on a capitation basis
  d. Part B would pay on a fee-for-service basis
  e. There would be no Medicare compensation

## Case 3

- Sarah Vaughan is a widowed 73 year old female living independently in her own home
- She comes to the clinic because of a progression of her COPD
- She is a smoker and has a history of hypertension.
- She now will require oxygen for periods of exertion and has been prescribed her bronchodilator now in a nebulized form instead of metered-dose inhaler

## Questions?

*barbc@uw.edu*