



# **Medicare Basics and Medicare Advantage**



# Medicare

- The federal health insurance program for people age 65 and over, some disabled people under 65 years of age, and people with End-Stage Renal Disease (permanent kidney failure treated with dialysis or a transplant)



# Medicare has four (4) parts

### Parts A and B

- Part A

- Covers inpatient hospital, skilled nursing facility care, home health and hospice

- Part B

- Covers doctor, laboratory, x-ray, and ambulance services

- Covers durable medical equipment (wheelchairs, hospital beds) and blood and medical supplies



# Medicare has four (4) parts

## Parts C and D

- Part C

- Private Health Plans:

- Health Maintenance Organizations (HMO's)
    - Preferred Provider Organizations (PPO's)

- Part D

- Covers outpatient prescription drugs available through Medicare private drug plans or Medicare private health plans



# Eligibility

- Must be a U.S. citizen or have been a permanent legal resident for 5 continuous years and be 65 years or older: or
- Under 65, disabled and have been receiving Social Security Disability Insurance (SSDI) for at least 24 months



### Eligibility (cont'd)

- Receiving continuing dialysis for permanent kidney failure or need a kidney transplant; or
- Have Amyotrophic Lateral Sclerosis (ALS-Lou Gehrig's disease).



# Medicare Cost Sharing 2011

## Part A

### **Part A – No premium if individual or spouse worked 10 years or more**

- Inpatient hospital -\$1132 deductible per benefit period
- No coinsurance for days 1-60
- \$283 daily coinsurance for days 61-90
- \$566 daily coinsurance for days 91-150
- Skilled Nursing Facility -No deductible for each benefit period
- No coinsurance for days 1-20
- \$141.50 daily coinsurance 21-100



# Medicare Cost Sharing 2011

## Part B

**Part B – Premium \$115.40 if annual income is below \$85,000 (\$170,000 for couples). If income is higher, premium will be higher**

- Annual deductible \$162
- 20% for physician and other medical services
- 45% for outpatient mental health services





# Medicare Cost Sharing 2011

## Part C

**Part C – May have a monthly premium/varies by plan and other cost sharing depends on plan**



# Medicare Cost Sharing 2011

## Part D

### **Part D – May have a monthly premium/varies by plan**

- Annual deductible -\$310
- Initial coverage – 25% cost sharing to meet limit of \$2,840
- Coverage Gap – when total drug spend exceeds \$2,840, cost sharing is 50% brand and 93% generic
- Catastrophic –total drug spend \$4,550, cost sharing is 5% or \$2.50 generic and \$6.30 brand



# Medicare Coverage Rules

- Item or service must be reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member, and
- Not be statutorily excluded



# Medicare – The Exclusions

- Dental care
- Cosmetic Surgery
- Personal Care
- Private duty nursing
- Long-term care
- Chiropractic services (except a subluxation – when one or more of the bones of your spine moves out of position – using manipulation of the spine)
- Care outside of the United States
- Hearing aids (except certain implants for extreme hearing loss)
- Eyeglasses (except after cataract surgery)
- Custodial care (unless skilled nursing care is provided)
- Acupuncture



# Medicare Advantage

- Medicare does not cover all the cost as noted above
- Most people on Medicare purchase supplemental insurance also know as a MediGap policy which fills in the “gaps”



# Medicare Advantage

- Medicare Advantage plans are an alternative to Medicare supplements
- When a Medicare beneficiary selects a Medicare Advantage plan they no longer need a supplement



# How Medicare Advantage Works

- A private health organization contracts with Medicare for a certain plan type and service area
- The plan types include Health Maintenance Organization, Preferred Provider Organization, Private Fee for Service, Medicare Savings Account and Special Needs Plan



# How Medicare Advantage Works

- Plans may be local and designate certain counties in a particular state as the service area
- Plans may be regional but must be a PPO and cover the entire region with a uniform benefit package (There are 26 Medicare Advantage regions)





# How Medicare Advantage Works

- Medicare Advantage plans must cover everything original Medicare covers and beginning in 2006, in general, must also offer Part D benefits as well
- Plans are allowed to enhance benefits above and beyond original Medicare, however, premium increases or increases in cost sharing can only occur in January after approval from CMS and advance notice to enrollees.



# Enrollment and Eligibility

### The enrollee must:

Be entitled to Medicare Part A and enrolled in Medicare Part B

Live in the health plan's service area

Not have ESRD (require a routine course of dialysis or kidney transplant)\*

Agree to follow the rules of the health plan

**\*There are some exceptions**



# Enrollment and Eligibility

- For Special Needs Plan the enrollee must:
  - Be dual eligible; or
  - Have a certain specified health condition; or
  - Be institutionalized



# Enrollment and Eligibility

- There are specific enrollment periods for Medicare Advantage (similar to employer group)
- Those eligible for Special Needs Plans may elect a plan at any point in the year with an effective date the first of the following month



# Other Noteworthy Issues

- Medicare Advantage enrollees are entitled to all of their Medicare benefits as Medicare beneficiaries
- Medicare Advantage plans pay all claims. Enrollees use the plan card, not the red, white, and blue Medicare card.
- The plan is paid each month for every enrollee and payment is based on the health status of the enrollee also referred to as risk adjustment payments.



# Other Noteworthy Issues

- Enrollment and disenrollment is always effective the first day of each month.
- The health plan is regulated by the CMS regional office assigned to the health plan's state
- There are numerous reporting requirements
- There are certain important changes to Medicare Advantage under health care reform



- Payment to MA plans is linked to a beneficiary's experience and quality of care
- Higher performing plans will be paid more
- These quality incentives will help offset payment reductions included in the new law
- The end result will be that plans will see revenue decrease an estimated 12% by 2017
- Starting in 2012, bonus payments are available for high performing plans



- Star Ratings Sources

- CMS data on quality and member satisfaction
- CAHPS
- Medicare HEDIS
- HOS

Plans must have at least 4 stars to receive a bonus