Medicare and Medicaid

Daniel Swagerty, MD, MPH
Geriatric Medicine Clerkship
2014 - 2015
Objectives

- Understand Medicare eligibility, structure, participant costs, and funding
- Describe effect of key concepts on patients and practice
  - Skilled Need
  - Observation vs Inpatient Admission
  - Adverse Selection
Objectives

- Be able to describe eligibility requirements and covered services under the hospice benefit of Medicare
- Understand how long-term care is funded through Medicaid
Who is Eligible for Medicare?

- **Individuals 65 yrs and over**
  - US Citizen **or**
  - Legal resident residing in the US more than 5 years

- **Individuals under 65 yrs**:
  - Receiving SSD payments for 24 months
    - With ALS when eligible for SSD payments
  - With end stage renal disease (on dialysis or post kidney transplant)
How is Medicare Structured?

Part A  Part B  Part C  Part D
How is Medicare Structured?

Part A

Part B

Part C

Part D
Medicare Part A Coverage
Hospital Benefits

Inpatient care including:

– Hospital semi-private room
– Inpatient tests/procedures
– Nursing care
– Inpatient medications

Does not cover physician charges
– These are covered under Part B
Medicare Part A Coverage
Skilled Nursing Facility Benefits

- Facility Fees
- PT/OT/ST
- Medications
- Tests

- Does not cover physician charges
  - These are covered under Part B
How is Medicare Structured?

Part A

Part B

Part C

Part D
Medicare Part B Coverage
Outpatient Services Benefits

Outpatient care including:

– Outpatient labs and imaging
– Outpatient physical/occupational/speech therapy
– No outpatient prescription drugs (addressed through Part D in 2006)

Physician fees from any environment
Medicare Part B Coverage
Durable Medical Equipment Benefits

- Covered by Medicare
- Specific Requirements
How is Medicare Structured?

Part A
Part B
Part C
Part D
Medicare Part C Coverage

- Medicare Advantage Plan
  - Alternative to Traditional Medicare
  - Private HMO, PPO, or fee-for-service plan
  - Combines Part A, B, and D benefits

- KS - Johnson & Wyandotte Counties
  - Humana
  - Advantra
How is Medicare Structured?

Part A
Part B
Part C
Part D
Medicare Part D Coverage
Outpatient Prescription Drug Benefits

- Covers outpatient prescription drugs
- Delivered through private plans that contract with Medicare
  - Kansas, 2014: 33 plans available
- Automatically enrolled if eligible for Medicare and Medicaid
Medicare A and B
Important Concepts

- Observation vs Admission
- Skilled Need
Observation vs Admission

- Used to help determine whether admitted or sent home
- Typically, no more than 48 hours
- Paid for as outpatient under Part B
- Outpatient drugs given while inpatient not covered

- Meets criteria for hospital admission
- Requires a physician’s order to start
- Paid for as inpatient under Part A
- Home medications given in hospital covered
Skilled Need

- Must have been inpatient for three midnights prior to SNF
- Must have **skilled need**. Examples:
  - PT/OT/ST
  - High-level wound care
  - Teaching/care for new condition: ostomy, enteral feeding, IV abx, prosthesis
  - Coordination of care for complex patients
Skilled Need

- Patient does not meet criteria if:
  - Primary service is giving oral medications
  - Patient can ambulate, perform hygiene, dress and feed him/herself independently
What Does Medicare Cost?

Part A

Part B

Part C

Part D
Types of Patient Costs

- Fixed Costs
  - Premium

- Variable Costs (Expense Sharing)
  - Deductible
  - Co-pay or Co-insurance
What Does Medicare Cost?

Part A

Part B

Part C

Part D
Medicare Part A Premiums 2014

- Patient or spouse has contributed to Medicare for over 40 quarters: $0/month

- If patient or spouse worked less than 40 quarters, must pay premium to participate
Medicare Part A Hospital Deductible and Co-Insurance 2014

- *Benefit period*: time from hospital admission until a patient has been out of the hospital for 60 days
Medicare Part A Hospital Deductible and Co-Insurance 2014

- **Deductible**
  - $1216 per benefit period

- **Co-insurance**

<table>
<thead>
<tr>
<th>First 60 days</th>
<th>$0 per day</th>
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<tbody>
<tr>
<td>61st – 90th day</td>
<td>$304 per day</td>
</tr>
<tr>
<td>90th – 150th day</td>
<td>$608 per day</td>
</tr>
<tr>
<td>After 150 days</td>
<td>All costs</td>
</tr>
</tbody>
</table>

- **No cap on how much patient can pay annually or lifetime**
Medicare Part A SNF Deductible and Co-Insurance 2014

- **Deductible**
  - No deductible

- **Co-insurance**

<table>
<thead>
<tr>
<th>First 20 days</th>
<th>0%</th>
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<tbody>
<tr>
<td>21\textsuperscript{st}-100\textsuperscript{th} day</td>
<td>20% per day (up to $152)</td>
</tr>
<tr>
<td>After 100\textsuperscript{th} day</td>
<td>100% per day (about $760)</td>
</tr>
</tbody>
</table>
What Does Medicare Cost?

Part A
Part B
Part C
Part D
Medicare Part B Premium 2014

- **Premium**
  - $104.90 per month
  - Some higher income participants (≈5%) will pay a higher premium
  - Lower income participants (≈25%) can get premium assistance
Part B Late-Enrollment Premium Penalty

- If a participant doesn’t sign up for Part B when first eligible, there is a late enrollment penalty
- The monthly premium goes up 10% for each full 12-month period that the participant delayed enrollment
- This surcharge continues for the remainder of the participant’s life
- This is done to avoid adverse selection
Important Concept

Adverse Selection

Aka The Death Spiral
Medicare Part B
Deductible and Co-insurance
2014

- **Deductible**
  - $147 per year

- **Co-insurance**
  - 20% for most services
What Does Medicare Cost?

- Part A
- Part B
- Part C
- Part D
Medicare Part D
2014 Premiums

- Projected average premium
  - $40 per month (varies based on plan)
- Similar to Part B, high income participants pay higher premiums
- \( \approx \frac{1}{3} \) of participants are eligible for premium assistance due to low income/assets
- Similar to Part B, there is a late enrollment penalty
Standard Medicare Prescription Drug Benefit, 2014

**DEDUCTIBLE**
- **Deductible** = $310

**INITIAL COVERAGE PERIOD**
- **Enrollee pays 25%**
- **Plan pays 75%**

**COVERAGE GAP** aka “Donut Hole”
- **Initial Coverage Limit** = $2,850 in Total Drug Costs
- **Enrollee pays 25%**
- **Plan pays 75%**

**CATASTROPHIC COVERAGE**
- **Catastrophic Coverage Limit** = $6,691 in Estimated Total Drug Costs
- **Brand-name drugs**
  - **Enrollee pays 47.5%**
  - **Plan pays 2.5%**
  - **50% manufacturer discount**
- **Enrollee pays 5%**
- **Plan pays 15%; Medicare pays 80%**

(Will be phased out by 2020 - ACA)
How is Medicare Funded?

Part A
Part B
Part C
Part D
How Is Medicare Funded?

Source of Medicare Funding 2013

<table>
<thead>
<tr>
<th>Source</th>
<th>Total</th>
<th>Part A</th>
<th>Part B</th>
<th>Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>General revenue</td>
<td>40%</td>
<td>85%</td>
<td>72%</td>
<td>73%</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>38%</td>
<td>13%</td>
<td>25%</td>
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<tr>
<td>Beneficiary premiums</td>
<td>13%</td>
<td>2%</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>State payments</td>
<td>4%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Taxation of Social Security benefits</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Interest and other</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
<td>2%</td>
</tr>
</tbody>
</table>

TOTAL $532.6 billion
Part A $241.7 billion
Part B $229.1 billion
Part D $61.7 billion

NOTE: Numbers may not sum due to rounding. Amounts are fiscal year totals.
Medicare Part A Tax

- 1.45% of taxable wages for both employees and employers
- As of 1/1/2013, 2.35% of taxable wages over:
  - $250,000 for couples filing jointly
  - $200,000 for individuals
Medicare Part A Trust Fund

Medicare Part A Trust Fund Balance at Beginning of the Year, as a Percentage of Annual Expenditures, 2012-2026

In billions:

Medicare Hospice Benefit
Medicare Hospice Benefit

- Medicare Hospice Benefit (MHB) covers 80% of patients who are receiving hospice care
- Initial Goal: Support families caring for their dying relative at home
- Now, can provide MHB services in home, nursing home or in acute hospital
MHB Eligibility

- Replaces Medicare Part A
- Must “sign off” Part A and “sign on” MHB
- Reversible
- Must be certified by Hospice Medical Director and 1 physician to have life expectancy < 6 months “if the patient's disease runs its natural course”
MHB Coverage
No deductible or copay

- Oversight from Hospice Medical Director
- Nursing Care including 24/7 emergency contact by nurse
- Social work
- Counseling and spiritual services
- Durable Medical Equipment
- Home Health/Bath Aide
- Homemaker services
- Bereavement Services for patient and family
Medicare Coverage Gaps

- No limits on out-of-pocket expense
- High hospital deductibles
- No dental or hearing aid coverage
- No long-term care coverage
- 75% supplemental benefits/plans
- 15% Medicaid
Medicaid
and
Long Term Care
Who Pays for Long-term Care?

Medicaid is the Primary Payer for Long-Term Services and Supports (LTSS), FY 2011

- Medicaid, 40%
- Medicare Post-Acute Care, 21%
- Other Public and Private, 18%
- Out-of-Pocket, 15%
- Private Insurance, 7%

Total National LTSS Spending = $357 billion

NOTE: Total long-term care expenditures include spending on residential care facilities, nursing homes, home health services, personal care services (government-owned and private home health agencies), and § 1915(c) home and community-based waiver services (including home health). Long-term care expenditures also include spending on ambulance providers. All home and community-based waiver services are attributed to Medicaid.

SOURCE: KCMU estimates based on FY 2011 Centers for Medicare & Medicaid Services (CMS) National Health Expenditure Accounts data.
What is the Cost of LTC?

Long-Term Care Costs Can Exceed Seniors’ Income

Average Annual Care Costs, by Type of Service

- Nursing Home: $90,520
- Assisted Living Facilities: $42,600
- Home Health Aide: $20,800
- Adult Day Care: $18,200

Annual Gross Income: $22,002

34% of seniors live below 200% of poverty

Medicaid Eligibility

- Based on income; varies by state
- 5 year income look-back period for all states
- Application can take 1 week to 3 mos
- Each state has different qualification rules
Kansas Medicaid for Individuals

- Single person has to spend total assets down to $2000 to qualify for Medicaid
  - Excludes house and car
- Patient gets to keep $62 of monthly income as a personal needs allowance (PNA).
- The rest of patient’s monthly income goes to pay medical expenses, then health care premiums, then to the nursing home.
- Medicaid covers any remaining unpaid NH expenses.
Kansas Medicaid for Married Couples

- If couple doesn't have much, the spouse at home can keep up to $23,448 of assets (house and care exempted) without a division of assets.
- If more assets, spouse at home can keep half of the assets (house and car exempted) up to maximum of $117,240.
- The spouse at home is also entitled to a minimum monthly income of $1,939. This is income for spouse at home, supplemented by income of spouse in NH.
Summary

- Most of a physician’s reimbursement for older patients will be from Medicare, so understanding Medicare is vital for your practice.

- Things to remember for your patients:
  - Medicare is not free and it doesn’t pay for everything.
  - There may be penalties if they don’t sign up for Part B and D on time.
  - Patients may still struggle with prescription drug costs.

- Most long-term care is privately financed or paid for by Medicaid.