An Introduction to Medicare Parts A, B and D

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Beneficiaries Choose

- Fee-for-Service (FFS) / Traditional Medicare
  - Medicare A (hospital)
  - Medicare B (physician)

- Private Plans (Medicare Advantage)

Source: Projected 2015 enrollment from 2014 Medicare Trustees Report
Part A (Hospital Insurance): Eligibility

- **Part A**
  - Not just for 65+
  - Also, under 65
    - If disabled (on SSDI),
    - with End-Stage Renal Disease
      (If meet other requirements)

Young and Old on Medicare:
20% under 65
Part B (Medical Insurance): Eligibility

- **Part B**
  - Part B is voluntary for anyone who has Part A
  - Monthly cost: $104.90 (for most people)
  - 90% of beneficiaries in Part A also enroll in Part B

*Must sign up*
**A&B Benefits: What’s Covered**

- **Part A (hospital services)**
  - Inpatient hospital
  - Post-hospital skilled nursing facility (SNF)
  - Limited home health care (mostly post-hospital)
  - Hospice care

- **Part B (physician services)**
  - Physician services
  - Prescription drugs – if physician-administered
  - Laboratory and diagnostic services
  - Outpatient hospital services
  - Durable medical equipment
  - Limited home health care (not covered under Part A)
  - Blood products, Rehab Therapy, Ambulance, Mental Health

*Different parts cover different services*
Beneficiary Cost-Sharing

- Beneficiaries pay a share of cost for Medicare A and B (cost-sharing)
  - includes deductibles, coinsurance, and copayments on most services.

No limit on out-of-pocket expenses (no catastrophic cap)

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Part A Cost Sharing

- Hospital Inpatient
  - Deductible: $1,260 per “Spell of Illness”
  - Days 1-60, $0
  - Days 61-90, $315 daily coinsurance per benefit period
  - Days 91+ = 60 “lifetime reserve days”, $630 daily coinsurance

- Post-Hospital SNF Care
  - Days 21-100: $152 per day

- No cost-sharing for:
  - Home health
  - Hospice care

Source: 2015 Medicare cost-sharing from Medicare.gov

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Part B Cost Sharing

- Deductible: $147 per year
- Coinsurance: 20% of Medicare approved amount

Some exceptions:
- Some prevention/screening exempt from cost-sharing
- Clinical lab services: $0
- Mental health
- Hospital outpatient

Source: 2015 Medicare cost-sharing from Medicare.gov
The vast majority have supplemental coverage that helps with Part A and Part B costs.

Source: AARP Public Policy Institute analysis of 2010 Medicare Current Beneficiary Survey (MCBS)
Medicare Part D (Prescription Drug Benefit)

Pays for **outpatient prescription medicines**

**Eligibility:** Entitled to Part A and enrolled in Part B.

Provided through Medicare-approved private insurance plans.

- Plan availability: Varies by state
- Drugs covered: Formularies vary by plan
- Pharmacies: Networks vary by plan
Part D: Choice of Coverage

**PDP** - Stand-alone drug plans that work with traditional Medicare (Part A and B), or

**MA-PD** - Medicare Advantage Plan (Part C) that offers prescription drug coverage
Medicare Part D: Costs

- **Monthly Premium:** May vary by plan (average is $38.83/month)
- **Cost-sharing:** May vary by plan
- **Subsidies for enrollees with limited income/assets (LIS)**
2015 Part D Standard Benefit

- Benefit parameters are adjusted annually based on per capita spending
How is Medicare Funded?

- **General Taxes**: 43%
- **Payroll Taxes**: 39%
- **Premiums**: 14%
- **Other**: 5%

Source: Projected 2014 Financing from 2014 Medicare Trustees' Report, Table V.B5
May not sum to 1 due to rounding
How Is Part A Funded?

- Primarily through payroll taxes
  - Employees and employers each pay 1.45% of wage earnings: total of 2.9%
  - Self-employed pay 2.9%
  - Starting 2013: High-income workers pay additional 0.9% tax on earnings

- Tax revenue “deposited” to Medicare Hospital Insurance (HI) Trust Fund
- Benefits paid from HI Trust Fund
How are Parts B & D funded?

- Beneficiary premiums and federal general revenues.

- Supplementary Medical Insurance (SMI) Trust Fund
  - Premiums fund about 25% of costs
Higher Premiums for Upper Income Beneficiaries (Parts B & D)

<table>
<thead>
<tr>
<th>Income Ranges by Tax Filing Status</th>
<th>Monthly Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual return</strong></td>
<td><strong>Joint return</strong></td>
</tr>
<tr>
<td>$85,000 or less</td>
<td>$170,000 or less</td>
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<tr>
<td>$85,001 to $107,000</td>
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<tr>
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<tr>
<td>$214,001+</td>
<td>$428,001+</td>
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</tbody>
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Source: 2014 premiums from Medicare.gov
Questions?

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