

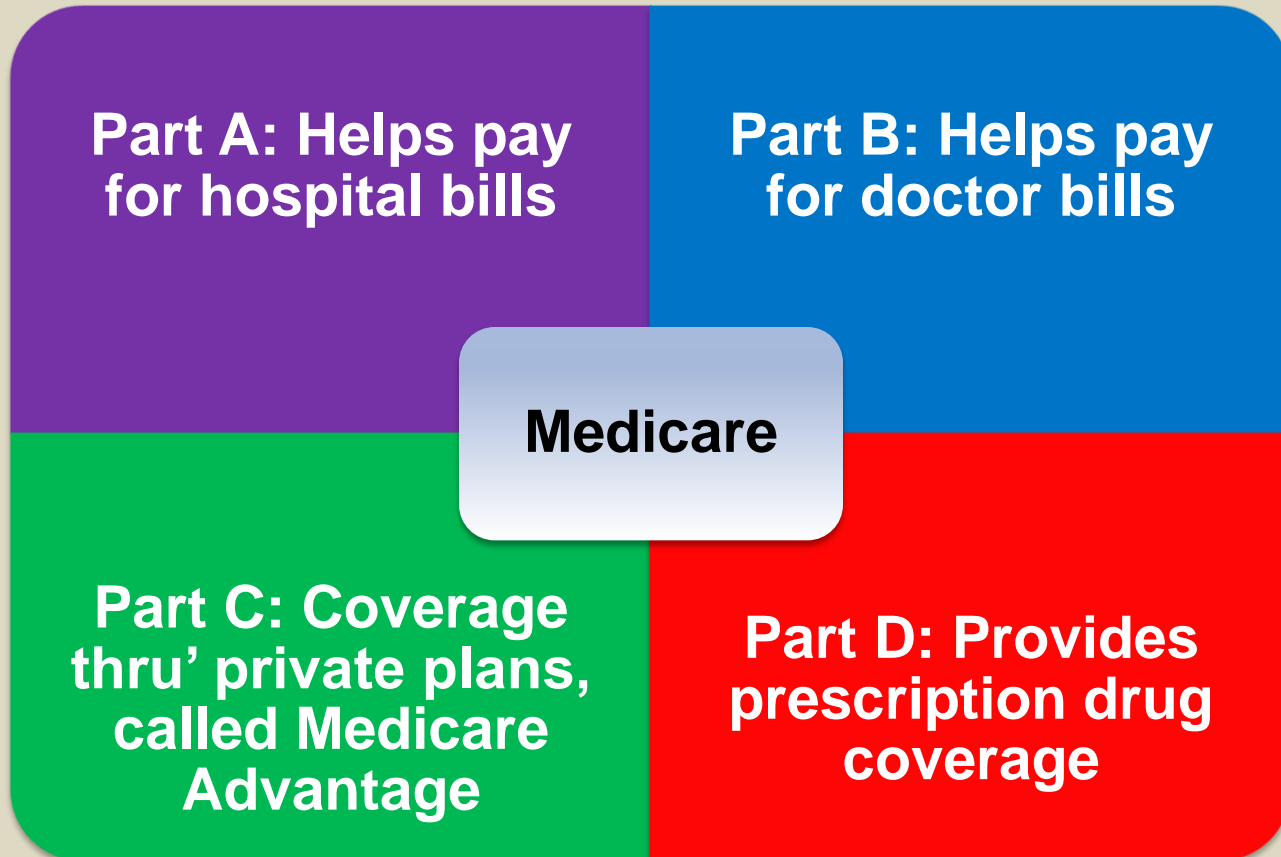
Medicare A and B: Benefits and Financing

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AARP Public Policy Institute**

**NASI 2013 Summer Academy:
DEMYSTIFYING MEDICARE
JULY 24, 2013**

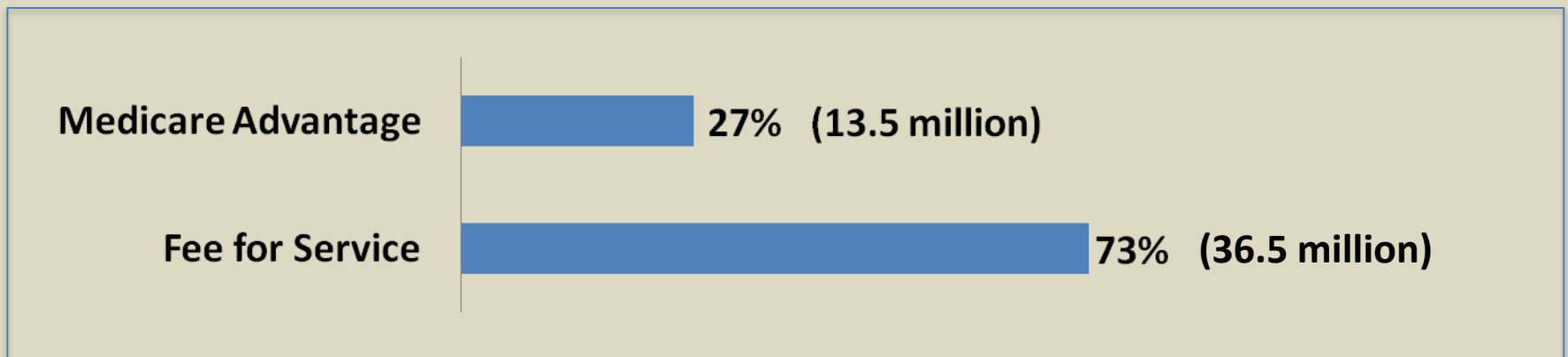


Medicare has many parts



Beneficiaries Choose

- **Fee-for-Service (FFS) / Traditional Medicare**
 - Medicare A (hospital)
 - Medicare B (physician)
- **Private Plans (Medicare Advantage)**



Eligibility in A and B

➤ Part A

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



➤ Part B

- Part B is voluntary for anyone who has Part A
 - 90% of beneficiaries in Part A also enroll in Part B

Benefits: What's Covered

➤ Part A (hospital)

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

➤ Part B (physician)

- 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

- Sharing in the cost of services (cost-sharing)
 - includes deductibles, coinsurance, and copayments on most services.

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



Part A Cost Sharing

- Hospital Inpatient
 - Deductible: \$1,184 per “Spell of Illness”
 - Days 1-60, no cost-sharing
 - Days 61-150, coinsurance
- Post-Hospital SNF Care
 - Days 21-100: \$148 per day
- None for:
 - Home health
 - Hospice care (minimal)

*Could have
multiple spells
in a year*

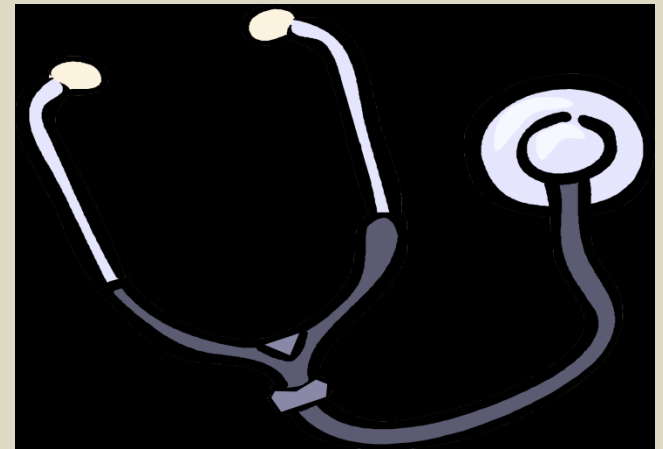


Part B Cost Sharing

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

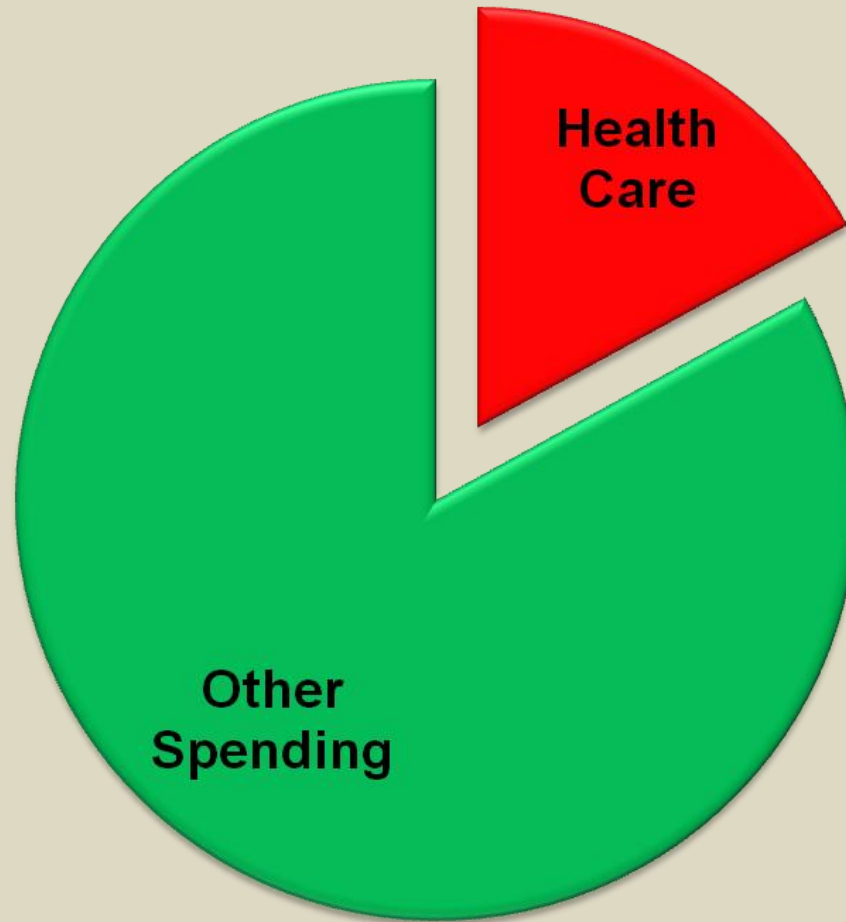
Some exceptions:

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



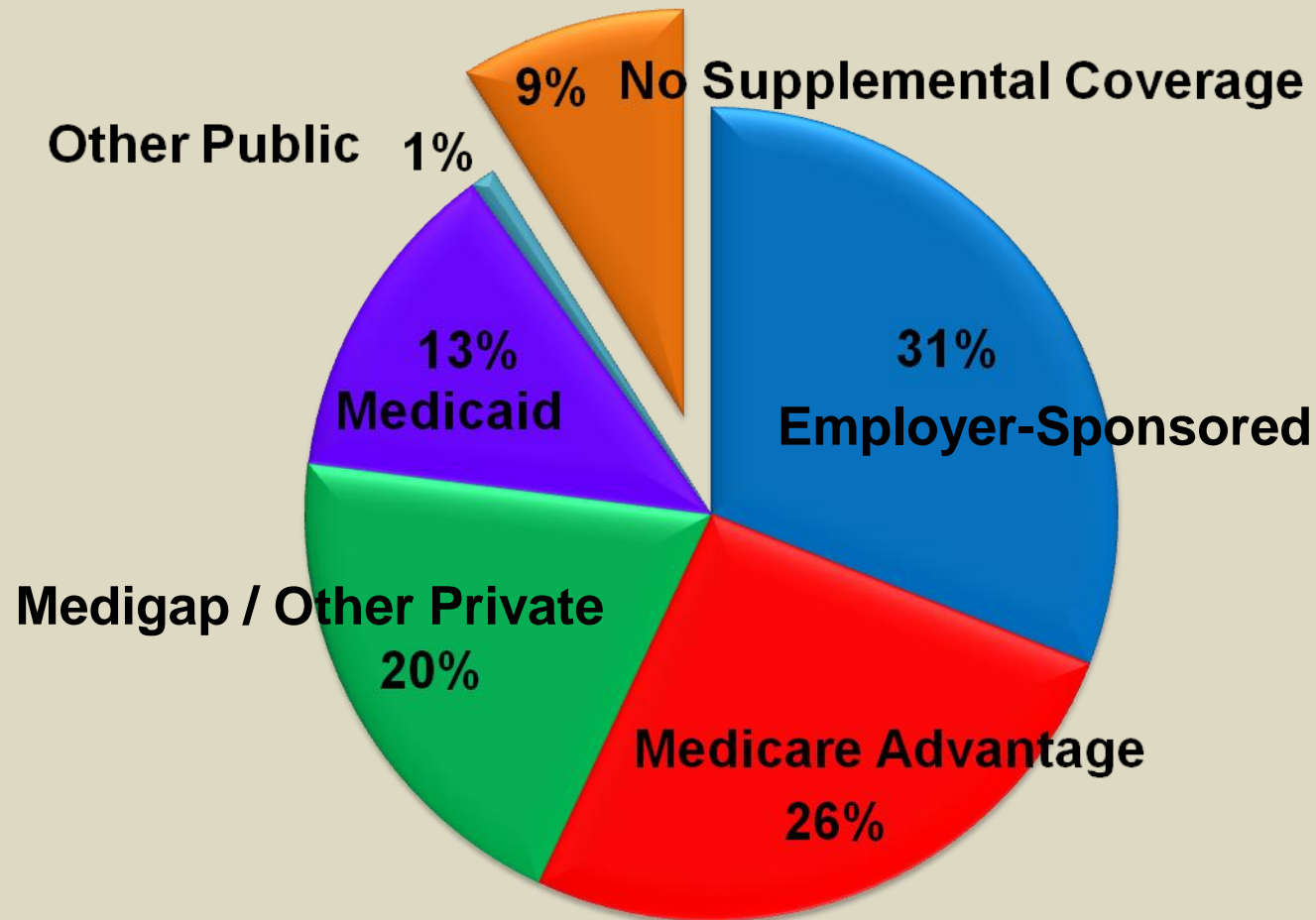
Out of Pocket Spending

About half spent at least 17% of their income on health care

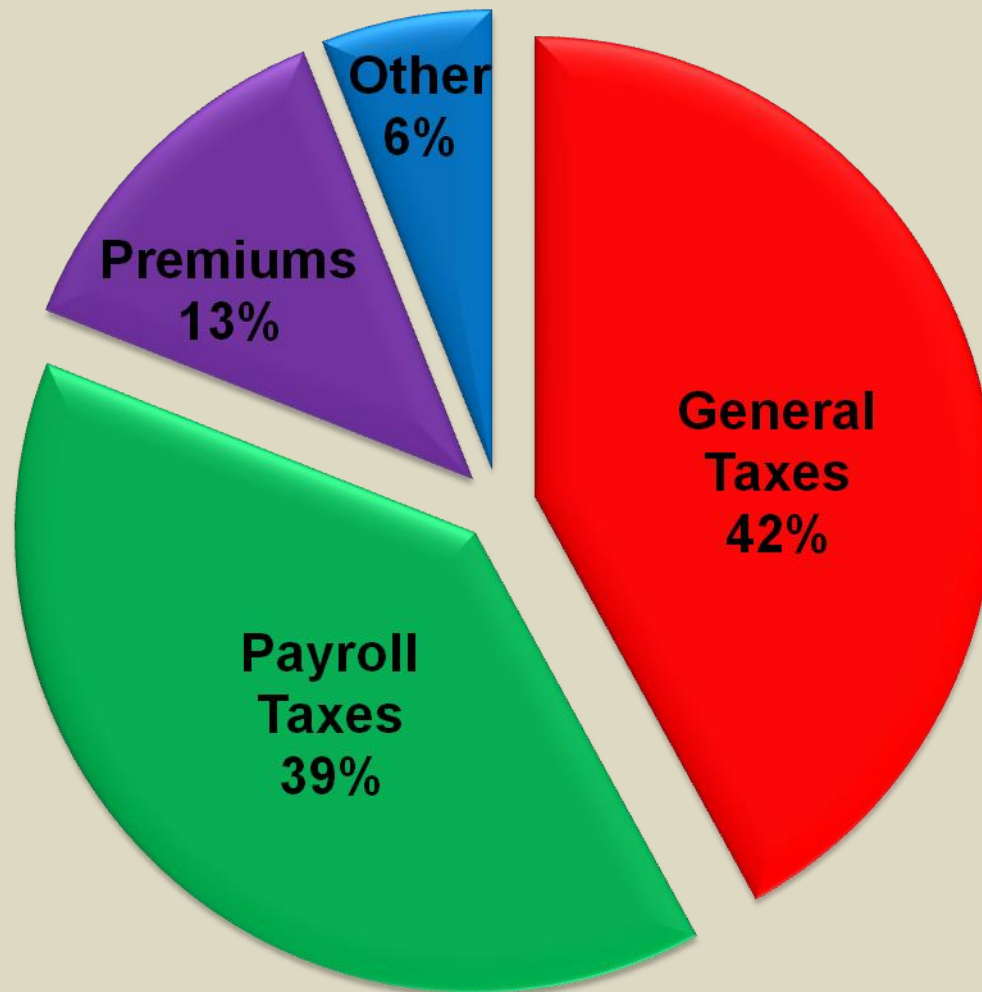


Supplemental Coverage

The vast majority have supplemental coverage that helps with Part A and Part B costs.



How is Medicare Funded?



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 Is Part B Funded?

- Beneficiary premiums and federal general revenues.
- Premiums cover 25% of costs
- Cost sharing covers about 8% costs
- General revenue covers about 67%

Part B premiums more than doubled since 2000, outpacing general price increases



Higher Premiums for Upper Income Beneficiaries (Parts B & D)

Income Ranges by Tax Filing Status		Monthly Premium	
<u>Individual return</u>	<u>Joint return</u>	<u>Part B premium</u>	<u>D premium</u>
\$85,000 or less	\$170,000 or less	\$104.90	Your plan premium
\$85,001 to \$107,000	\$170,001 to \$214,000	\$146.90	+\$11.60
\$107,001 to \$160,000	\$214,001 to \$320,000	\$209.80	+29.90
\$160,001 to \$214,000	\$320,001 to \$428,000	\$272.70	+\$48.30
\$214,001+	\$428,001+	\$335.70	+\$66.60

Part A Financing Challenge

Within 13 years, HI trust fund won't be able to pay the full amount of hospital costs

