

Medicare A and B: Benefits and Financing

Lina Walker
AARP Public Policy Institute

NASI 2014 Summer Academy:
JULY 24, 2014



Medicare has many parts

**Part A: Helps pay
for hospital bills**

**Part B: Helps pay
for doctor bills**

Medicare

**Part C: Coverage
thru' private plans,
called Medicare
Advantage**

**Part D: Provides
prescription drug
coverage**

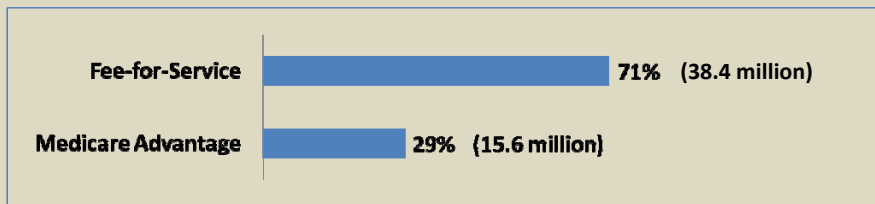
AARP Public Policy Institute

Beneficiaries Choose

➤ Fee-for-Service (FFS) / Traditional Medicare

- Medicare A (hospital)
- Medicare B (physician)

➤ Private Plans (Medicare Advantage)



Source: Projected 2014 enrollment from 2013 Medicare Trustees Report

Eligibility in A

➤ Part A

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



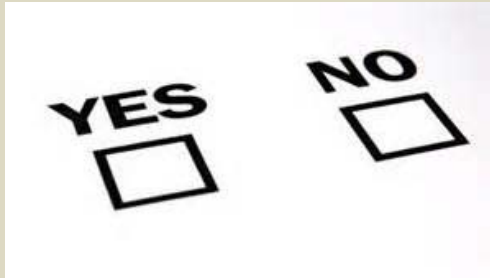
**Young and Old
on Medicare:
20% under 65**

AARP Public Policy Institute

Eligibility in B

➤ 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**

AARP Public Policy Institute

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

**Different parts
cover different
services**

➤ 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

AARP Public Policy Institute

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)***



AARP Public Policy Institute

Part A Cost Sharing

- Hospital Inpatient
 - Deductible: \$1,216 per "Spell of Illness"
 - Days 1-60, no cost-sharing
 - Days 61-150, daily coinsurance
- Post-Hospital SNF Care
 - Days 21-100: \$152 per day
- None for:
 - Home health
 - Hospice care (minimal)

Could have multiple spells in a year



AARP Public Policy Institute

* Numbers for 2012

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

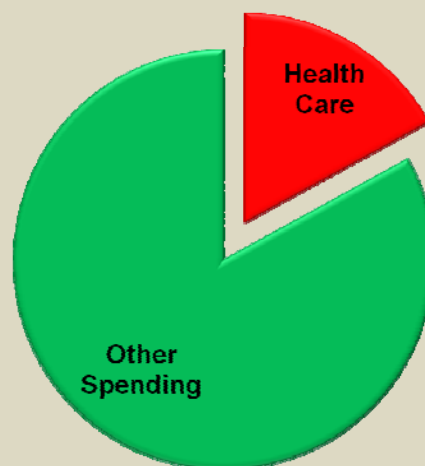


AARP Public Policy Institute

* Numbers for 2012

Out of Pocket Spending

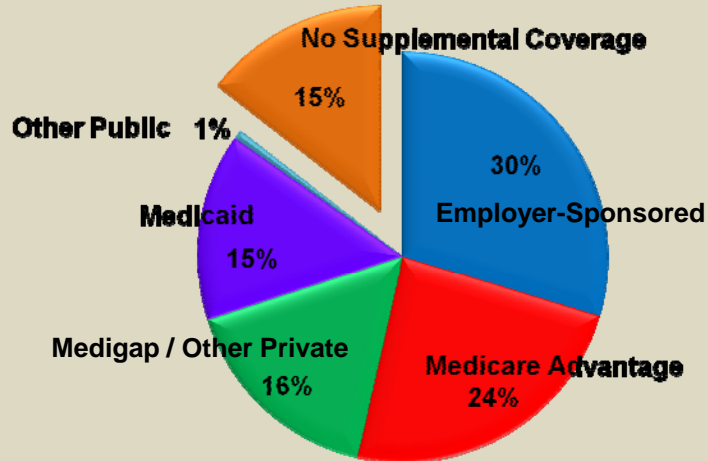
About half spent at least 16% of their income on health care



AARP Public Policy Institute

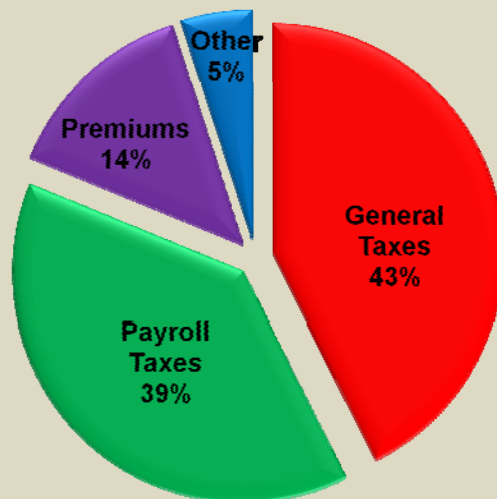
Supplemental Coverage

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



AARP Public Policy Institute

How is Medicare Funded?



Source: Projected 2013 Financing from 2013 Medicare Trustees' Report, Table V.B5
May not sum to 1 due to rounding

AARP Public Policy Institute

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



AARP Public Policy Institute

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



AARP Public Policy Institute

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	+\$12.10
\$107,001 to \$160,000	\$214,001 to \$320,000	\$209.80	+\$31.10
\$160,001 to \$214,000	\$320,001 to \$428,000	\$272.70	+\$50.20
\$214,001+	\$428,001+	\$335.70	+\$69.30

AARP Public Policy Institute