Medicare

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Overview

- The American health care system(s)
- Structure of Medicare
- General Q&A

Our Health Care System(s)

- Publicly funded
  - Medicare (federal only)
    - Age 65 and older
    - Permanent kidney failure needing dialysis/transplant
    - Certain types of disability (including Lou Gehrig's disease)
  - Medicaid (federal/state)
    - Low-income
    - Eligibility rules vary by state

Our Health Care System(s)

- Publicly funded (continued)
  - SCHIP (federal/state)
    - Covers children
  - Department of Veterans Affairs (federal)
    - Priority to Veterans with low income or “service-connected” injury
  - Tricare (federal, for military employees)
  - County and city systems

Our Health Care System(s)

- Private insurance (usually employer-based)
  - Indemnity (Fee-for-service)
  - PPO (Preferred-provider organization)
    - PPO as insurance product
  - HMO (Health maintenance organization)
    - Group/staff model HMO (e.g. Kaiser-Permanente)
    - HMO as insurance product

Origins of Medicare

- Previous attempts at enacting universal health insurance had failed
- Insurance for elders considered politically more feasible than universal insurance
- Medicare seen as extension of Social Security
- Medicare explicitly structured to be similar to private insurance plans of its time

Ball RM. Health Affairs 1995;14:62

Structure of Medicare

- Federal program enacted in 1965 under the Johnson administration
- From the outset, divided into two benefits:
  - Part A: hospital care, skilled nursing facility stays (up to 100 days), hospice, some home health, funded by payroll tax, no premium
  - Part B: MD visits and outpatient services, funded by general revenue and beneficiary premiums ($93.50/month in 2007 but higher for high-income individuals)

Patashnik E et al. J Health Politics Policy Law 2001;26:7

Medicare Managed Care (Part C)

- Has been available as alternative to traditional Medicare Parts A+B since program inception
- Typical scenario:
  - Beneficiary pays Medicare Part B premium
  - In return for restrictions on access to care, managed care organization (MCO) provides more generous package of benefits to beneficiary
  - Medicare pays a certain amount to MCO per enrolled beneficiary per month, adjusted for patient complexity
  - MCO *at financial risk*

Medicare Advantage

- 2003 legislation created new private options for Medicare beneficiaries:
  - FFS
  - PPO
- Commercial plans get paid fixed amount per member per month (adjusted for complexity)
- But physicians typically paid on a fee-for-service basis…more later

Medicare Enrollees

- Prior to Medicare, only half of those 65 and older had health insurance--now about 97%
- Rapid growth of enrollees over time
  - 19 million in 1966
  - 40 million in 2001
  - estimated 77 million in 2030
- Vast majority are in traditional fee-for-service Medicare

Moon M. N Engl J Med 2001;344:928

Major Medicare Milestones

- 1972: Coverage expanded to include individuals with end-stage renal disease and those with long-term disabilities
- 1983: Prospective payment system for inpatient services established (Traditional Medicare only)
- 1986: Hospice benefit made permanent
- 2003: Medicare Modernization Act provides prescription drug benefit effective 2006

http://www.cms.hhs.gov/about/history/mcaremil.asp
http://www.hospice-america.org/history.html

Fee-for-Service vs. Managed Care

- Physician bills fee-for-service Medicare for each service provided (each patient visit, each joint injection, etc.)
- versus…
- Physician contracts with, or is employed by, managed care organization to provide needed care to patients
- New commercial PPO/FFS plans feel like traditional FFS Medicare (to some extent) but are administered by private plans

Medicare FFS

- Fee-for-service (FFS) as it relates to physicians:
  - Physician sees patient
  - Physician submits claim to regional *carrier*
  - Carrier determines if claim is eligible for reimbursement
  - Medicare pays 80% of allowable fee for the service
  - Beneficiary responsible for remaining 20%
  - For mental health, beneficiary has 50% copay
- Private FFS/PPO plans will have their own arrangements

Medicare Part A covers…

- Acute hospitalizations ($992 deductible, 2007)
- Up to 100 days of post-hospital care in a skilled nursing facility (SNF)
  - First 20 days, no co-pay; thereafter, $124/day (2007)
  - Does not include custodial care
- Hospice care
- Ambulance to hospital or SNF if medically necessary
- Home health care (covered by Part B if beneficiary doesn't have Part A)

http://www.medicare.gov/publications/pubs/pdf/10050.pdf

Medicare Part B covers…

- Durable medical equipment (e.g., wheelchair)
- Physician office visits
- Non-physician services
  - Social workers, psychologists, physician assistants, nurse practitioners

http://www.medicare.gov/publications/pubs/pdf/10050.pdf

Medicare Part B covers…

- Cancer chemotherapy, drugs given in MD offices, and limited other drugs
- Lab tests and imaging studies
- Typical preventive services (colon cancer screening, etc.)
  - "Welcome to Medicare" physical exam: must be within 6 months of getting Part B)

http://www.medicare.gov/publications/pubs/pdf/10050.pdf

Medicare A & B do not cover…

- Eyeglasses
- Dental work
- Hearing aids
- Transportation to outpatient services
- Long-term nursing home care

http://www.medicare.gov/publications/pubs/pdf/10050.pdf

Medicaid and Long-Term Care

- If a Medicare beneficiary needs long-term care, she
  - Pays privately, spending down her assets
  - Becomes eligible for Medicaid once assets reach a critical threshold
- Medicaid is primary payer for long-term care

Supplements/Alternatives to Medicare

- Employer coverage for retirees
- Medicare-Medicaid (dually-eligible population)
  - PACE (Program for All-Inclusive Care of the Elderly)
- Medicare with private Medigap policy
  - Medigap prescription coverage being phased out

Medicare Part D (Prescription Drugs)

- Options for Medicare beneficiaries:
  - Medicare FFS with voluntary stand-alone prescription drug plan (PDP)
    - Additional premium ~$27/month for PDP (2007)
  - Medicare managed care including prescriptions
  - Stay in employer-sponsored health plan, which Medicare will subsidize
  - VA (If you're a Veteran)

Kaiser Family Foundation. http://www.kff.org/medicare/upload/7044-04.pdf

Medicare Drug Benefit

- Plans must cover at least two drugs within each therapeutic class
- Tiered copayments allowed
- Beneficiaries with low income (<15K/yr) and modest assets (<11.5 K) have no monthly premium, no annual deductible, and minimal copayments

Kaiser Family Foundation. http://www.kff.org/medicare/7044-02.cfm
And http://www.kff.org/medicare/upload/7044-04.pdf

Benefit Design for Part D

- First $250 – beneficiary pays 100%
- Next $2000 ($250-$2250)
  - Beneficiary pays 25%, Medicare pays 75%
- Next $2850 ($2250-$5100)
  - Beneficiary pays 100% (“doughnut hole”)
- Additional expenditure above $5100
  - Beneficiary pays 5%, Medicare pays 95% (“catastrophic coverage”)

Kaiser Family Foundation. *http://www.kff.org/medicare/7044-02.cfm*

Medicare and You

- How does Medicare affect physicians?
  - Documentation requirements for billing (in traditional Medicare)
    - Potential audit to check for overbilling
  - Care has to be “medically necessary,” and not all procedures are approved
  - Medicare fee schedule
  - Medicare Part D formularies

For Additional Information

- www.medicare.gov

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