

An Overview of Medicare

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Alliance for Health Reform – Medicare 101

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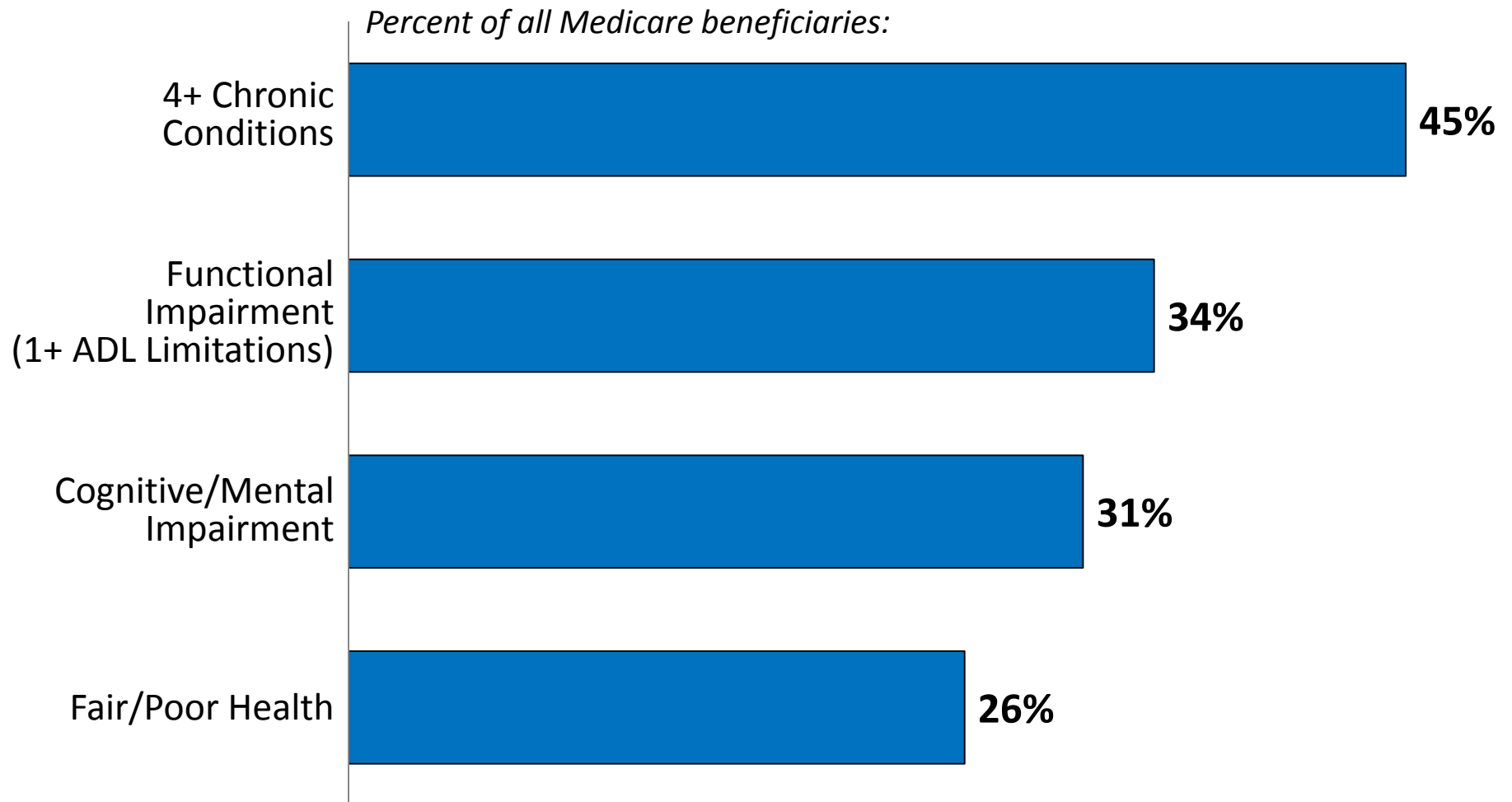
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Medicare Past and Present

- Established in 1965 to provide health and economic security to seniors age 65 and older
- Expanded in 1972 to cover younger beneficiaries with permanent disabilities
- Now covers 55 million people, including 46 million age 65 and older and 9 million under age 65
- Covers individuals without regard to their income or medical history
- Benefits include hospital visits, physician services, and prescription drugs
- Private plans have been playing an increasingly larger role in the delivery of Medicare benefits

Exhibit 2

Selected Measures of Health Status of the Medicare Population, 2010

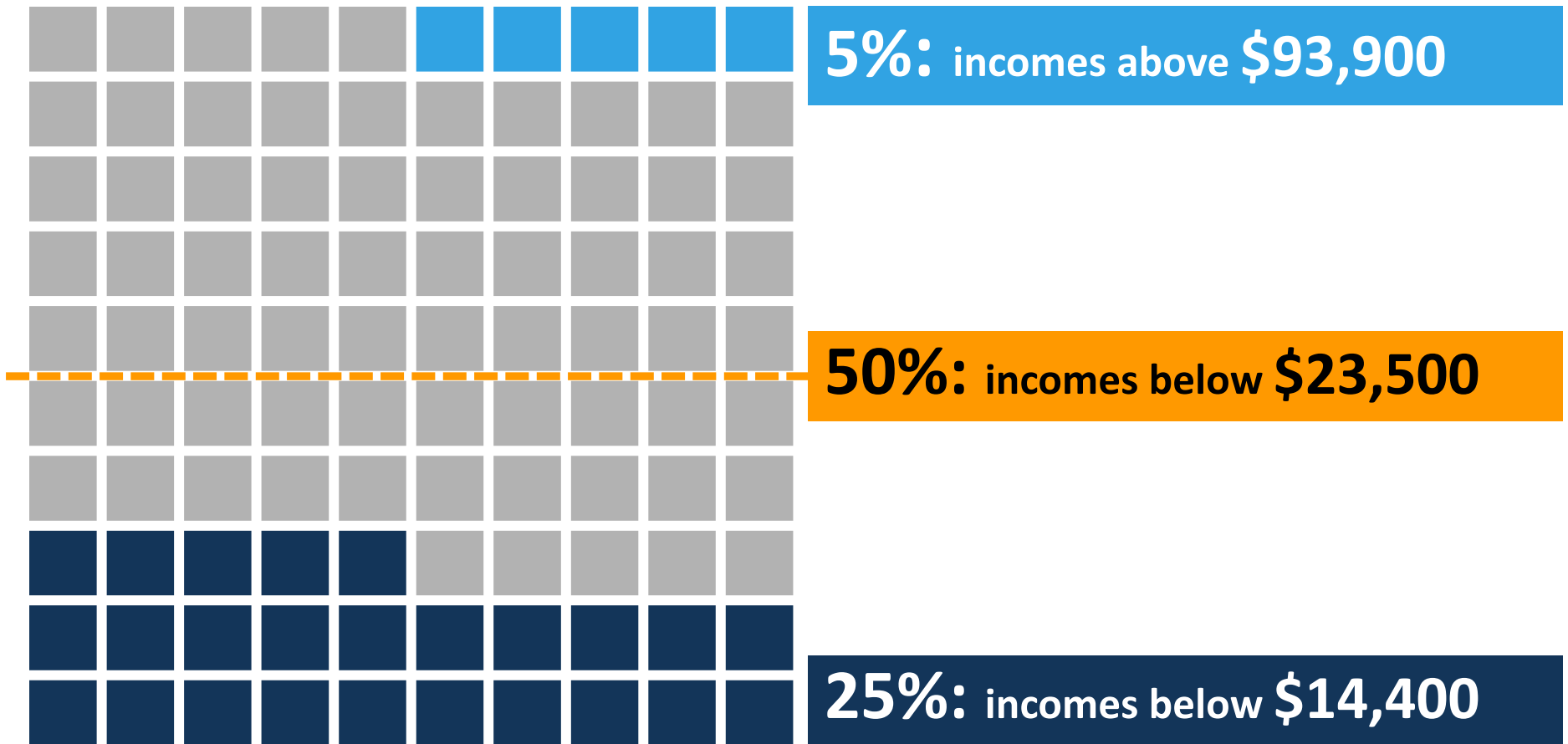


NOTE: ADL is activity of daily living.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.

Exhibit 3


Distribution of Medicare Beneficiaries By Income, 2013




NOTE: Total household income for couples is split equally between husbands and wives to estimate income for married beneficiaries.

SOURCE: Urban Institute analysis of DYNASIM for the Kaiser Family Foundation.

Part A – Hospital Insurance Program

	<div style="display: flex; justify-content: space-between; align-items: center;"> Part A  </div>
Services covered	Inpatient hospital, skilled nursing facility, (some) home health care, and hospice care
Premiums	\$0 (for most); entitlement after 10+ years of payroll taxes
Deductible	\$1,216 per benefit period
Cost sharing	Daily copayments for inpatient hospital stays and skilled nursing facility stays
Financing	2.9% tax on earnings paid by employers and employees (1.45% each; increased to 2.35% for taxpayers with wages above \$200,000 for individuals or \$250,000 for couples)

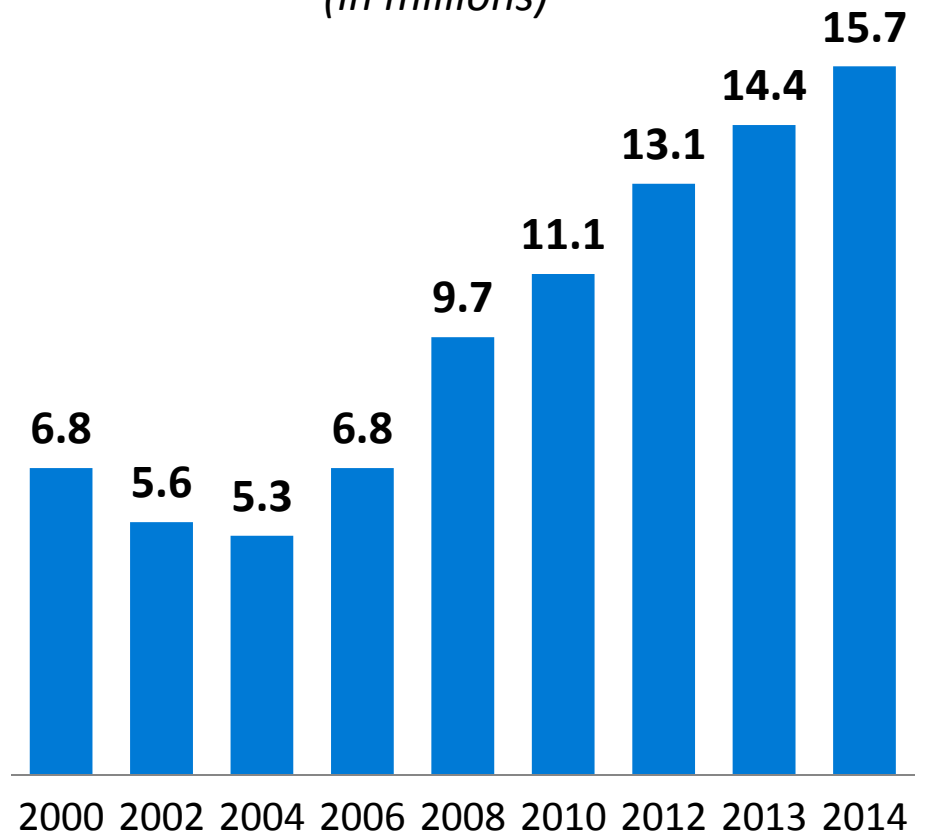
Part B – Supplementary Medical Insurance

	Part B 
Services covered	Physician visits, outpatient hospital services, preventive services, and (some) home health care
Premiums	\$104.90 per month (for most); Income-related = \$147-\$336/month for those with incomes >\$85,000/individual; \$170,000/couple
Deductible	\$147 per year
Cost Sharing	20% coinsurance (generally) for most covered services, except preventive services which are free
Financing	Premiums (pay for 25% of program costs) and general revenues

Part C – Medicare Advantage

- An alternative to traditional Medicare; beneficiaries can enroll in a private plan with a restricted provider network (mainly HMOs and PPOs)
- Medicare pays plans a fixed amount per enrollee
- Enrollees receive all Medicare-covered Part A & Part B benefits
 - Typically also receive drug coverage (Part D)
 - Often receive extra benefits (e.g., dental, eyeglasses)
- Enrollees generally pay the Part B premium and an additional premium for their Medicare Advantage plan

Medicare Advantage Enrollment
(in millions)



Three in ten Medicare beneficiaries are enrolled in Medicare Advantage plans

Part D – Prescription Drug Benefit

- Part D is a voluntary drug benefit offered through private stand-alone drug plans (PDPs) or Medicare Advantage drug plans
- Plans can offer the “standard” benefit; most offer an alternative design equal in value
 - Plans vary widely in terms of premiums, drugs covered, and costs
 - All plans are now required to offer coverage in the “doughnut hole”
- Additional subsidies for enrollees with low incomes (<150% of poverty) and resources
- 7 in 10 beneficiaries are enrolled in Part D plans

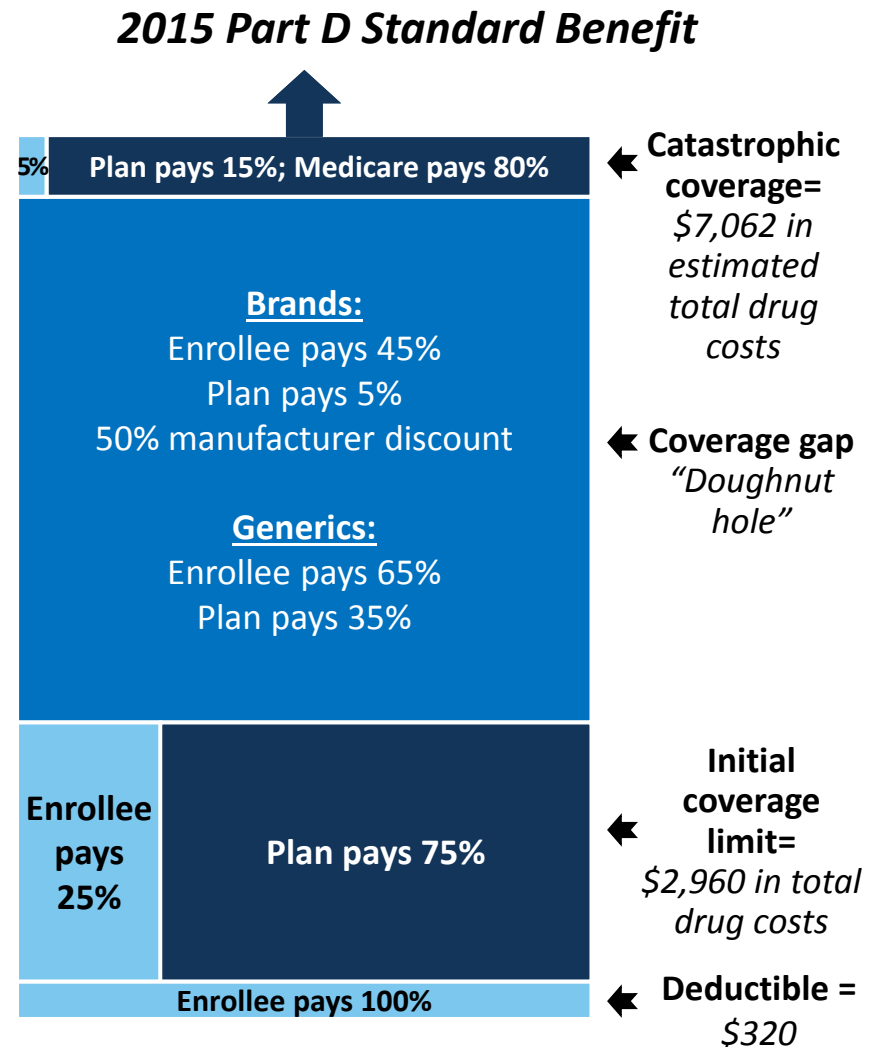
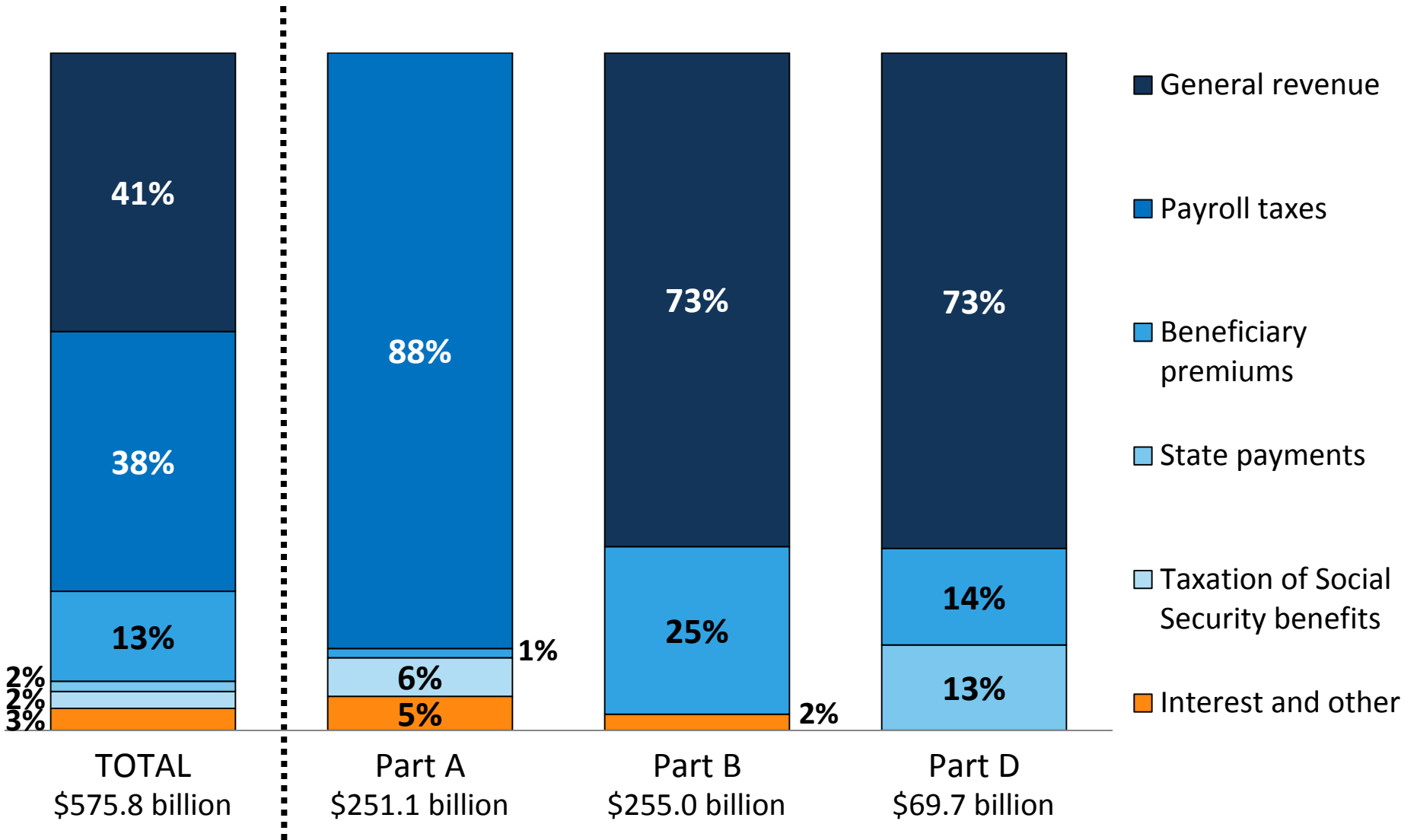


Exhibit 8

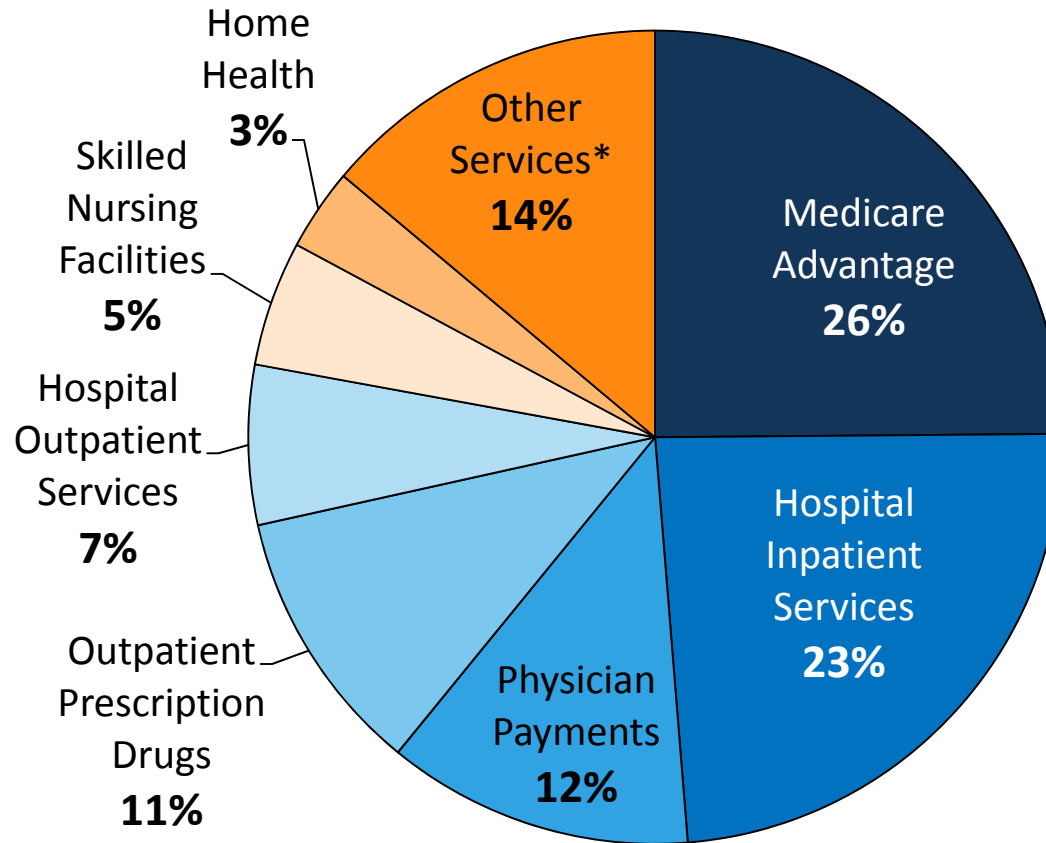
Sources of Medicare Revenue, 2013



SOURCE: 2014 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

Exhibit 9

Distribution of Medicare Benefit Payments, 2014



Total Medicare Benefit Payments, 2014 = \$597 billion

NOTE: *Other services includes ambulance services, ambulatory surgical centers, community mental health centers, durable medical equipment, federally qualified health centers, hospice, hospital outpatient services not paid for using the outpatient prospective payment system, outpatient dialysis, outpatient therapy services, lab services, rural health clinics, Part B drugs; also includes amounts paid to providers and recovered.

SOURCE: Kaiser Family Foundation analysis of data from Congressional Budget Office, 2015 Medicare Baseline (March 2015).

Exhibit 10

Gaps in Traditional Medicare's benefit package expose beneficiaries to potentially high out-of-pocket costs



NO routine eye exams
or eyeglasses



NO hearing aids



NO dental services
or dentures



NO long-term care benefit
(covers post-acute skilled nursing facility
and home health services)



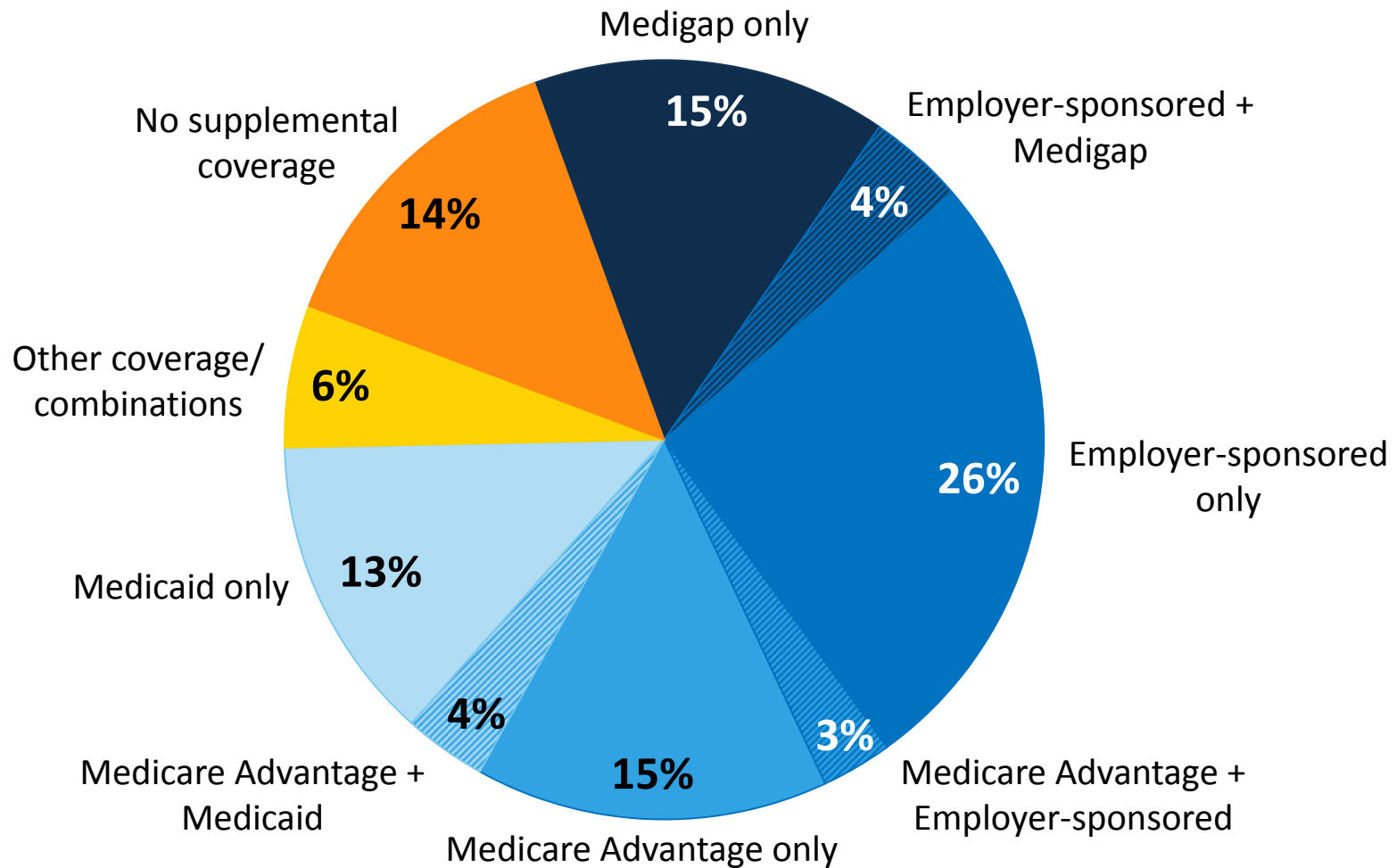
NO limit on
out-of-pocket expenses



Part D 'doughnut hole'
(filled in by 2020)

Exhibit 11

Distribution of Sources of Supplemental Coverage Among Medicare Beneficiaries, 2010

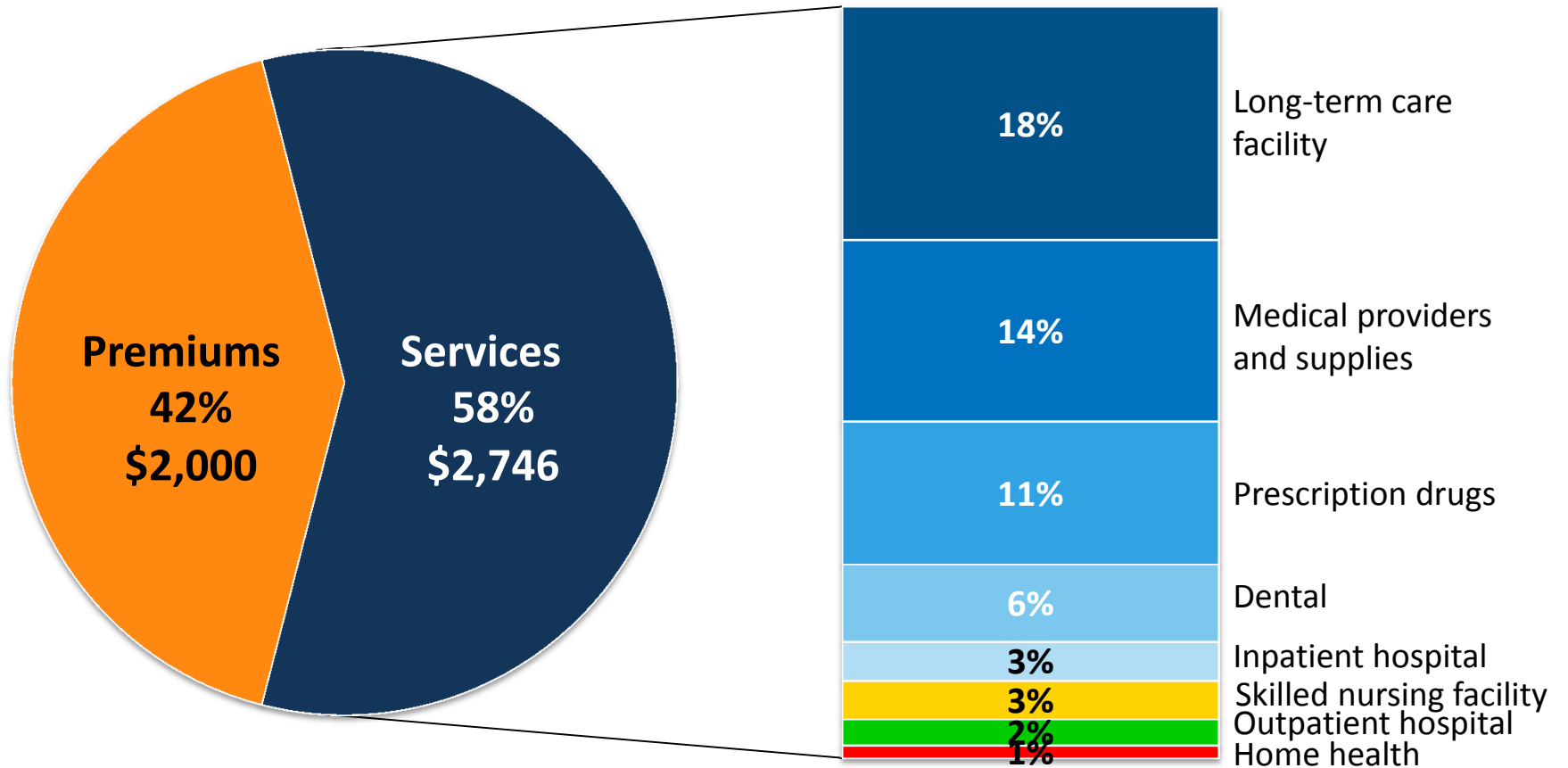


Total Medicare Beneficiaries, 2010 = 48.4 Million

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.

Exhibit 12

Distribution of Average Total Out-of-Pocket Spending on Services and Premiums by Medicare Beneficiaries, 2010



Average Total Out-of-Pocket Spending on Services and Premiums, 2010: \$4,745

NOTE: Analysis excludes beneficiaries enrolled in Medicare Advantage plans. Premiums includes Medicare Parts A and B and other types of health insurance beneficiaries may have (Medigap, employer-sponsored insurance, and other public and private sources). Estimates do not sum to total due to rounding.

SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2010 Cost and Use file.

The 2010 Affordable Care Act and Medicare

➤ **Benefit improvements**

- Closes Part D drug coverage gap by 2020
- Eliminated cost sharing for prevention services

➤ **Improving quality of care/lowering costs**

- Numerous payment and delivery system reforms and demonstrations
- New Center for Medicare and Medicaid Innovations
- Hospital readmissions reduction program
- Payment penalties for hospital acquired conditions (HAC)

➤ **Medicare savings**

- Reduces payments to Medicare Advantage plans
- Reduces payments for hospitals and other medical providers (not physicians)
- Authorized Independent Payment Advisory Board (IPAB)

➤ **New revenues**

- Added income-related premiums for Part D
- 0.9% payroll tax increase for individuals with income >\$200,000 (>\$250,000/couples)

➤ **\$428 billion net reductions in Medicare spending, 2010-2019**

- \$716 billion, 2013-2022 (revised baseline; later years in budget window)

Challenges Facing Medicare

➤ Spending/financing

- Medicare is 14% of the federal budget and a growing share of the budget and the economy
- Medicare faces long-term financing challenges, with a growing number of beneficiaries, population aging, and rising health care costs

➤ Beneficiaries

- Beneficiaries incur relatively high out-of-pocket costs as a share of income and household budgets
- Medicare coverage today is more complex than in the past; private plan choices abound

➤ Providers

- Improving care management and targeting interventions to beneficiaries with the greatest needs and highest costs
- Navigating new payment approaches and delivery system reforms
- Are payments adequate to ensure participation?

2014 Total Federal Outlays: \$3.5 trillion
2014 Net Federal Medicare Outlays: \$505 billion

