



Medicare: The Essentials

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Exhibit 1

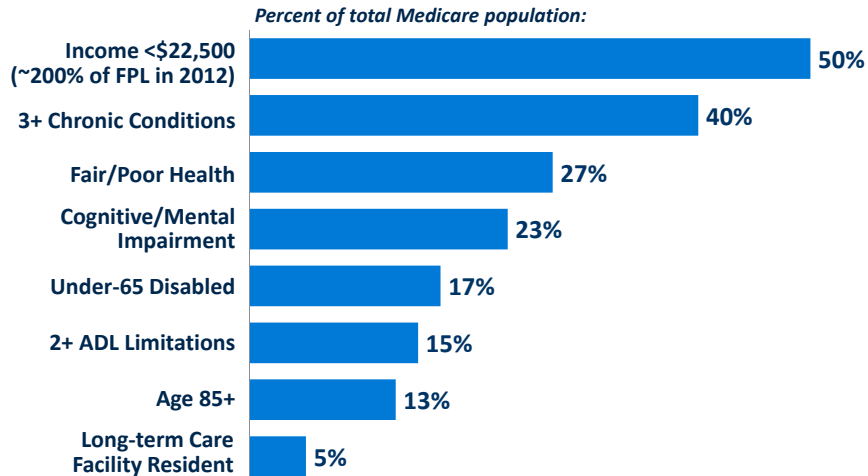
Medicare Past and Present

- Enacted 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 50 million people, including 9 million under-65 disabled
- Covers individuals and spouses without regard to 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 Characteristics of Medicare Beneficiaries



NOTE: ADL is activity of daily living. FPL is federal poverty level.

SOURCE: Income data for 2012 from Urban Institute analysis for the Kaiser Family Foundation. All other data from Kaiser Family Foundation analysis of the Medicare Current Beneficiary 2009 Cost and Use file.



Exhibit 3

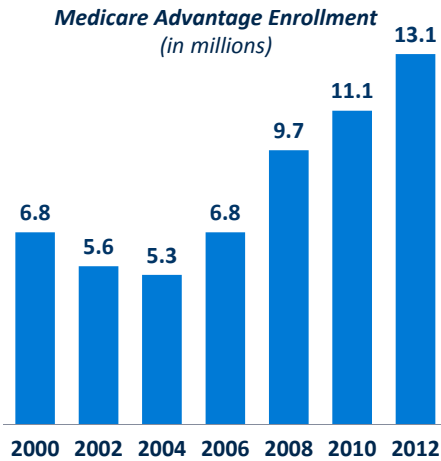
Benefits Covered by Traditional Medicare

- **Medicare Part A – Hospital Insurance Program**
 - Inpatient hospital, skilled nursing facility, home health, and hospice care
 - 2013 cost-sharing requirements:
 - \$1,184 deductible for hospital stays, plus daily copayments after 60 days
 - Daily copayments for skilled nursing facility stays after 20 days
 - Entitlement to Part A after 10+ years of payroll taxes
- **Medicare Part B – Supplementary Medical Insurance**
 - Physician visits, outpatient hospital, preventive services, home health
 - 2013 cost-sharing requirements:
 - \$104.90 monthly premium (income-related)
 - \$147 deductible
 - 20% coinsurance for physician visits, outpatient hospital services, and some preventive services
 - 35% coinsurance for mental health services (phasing down to 20% in 2014)
 - Enrollment in Part B is voluntary, with automatic enrollment at age 65 for Social Security recipients (but can opt out)



Medicare Advantage (Part C)

- An alternative to traditional Medicare; beneficiaries can enroll in a private plan (mainly HMOs and PPOs) to receive all Medicare-covered benefits and (often) extra benefits
- The government pays private insurers a fixed amount per enrollee
- Medicare Advantage enrollees:
 - generally pay the Part B premium
 - sometimes pay a supplemental premium for additional benefits (e.g., vision, dental)
 - typically receive drug coverage (Part D)



More than one quarter of all Medicare beneficiaries are enrolled in Medicare Advantage plans, as of late 2012

Medicare Part D – Prescription Drug Benefit

- Part D is a voluntary benefit offered through private plans
 - Stand-alone drug plans to supplement traditional Medicare or Medicare Advantage drug plans
- Beneficiaries in each state have a choice of more than 20 stand-alone drug plans
- Plans can offer a “standard” benefit, but most offer an equivalent alternative design
 - \$31.17 average monthly premium (range \$15-\$165.40)
- Additional subsidies for people with low incomes and modest assets
- ~90% of beneficiaries have drug coverage in 2012, up from 66% in 2004
 - 32 million out of 50 million beneficiaries are enrolled in a Part D plan (63% in stand-alone drug plans)

2013 Part D Standard Benefit

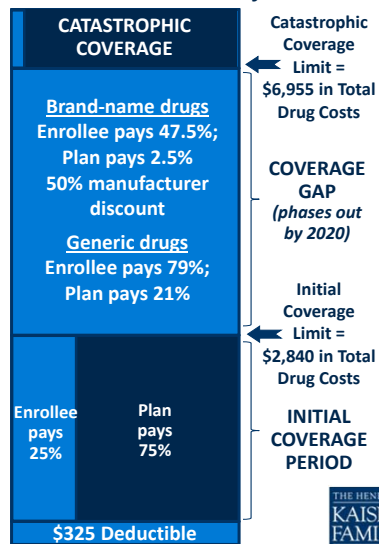
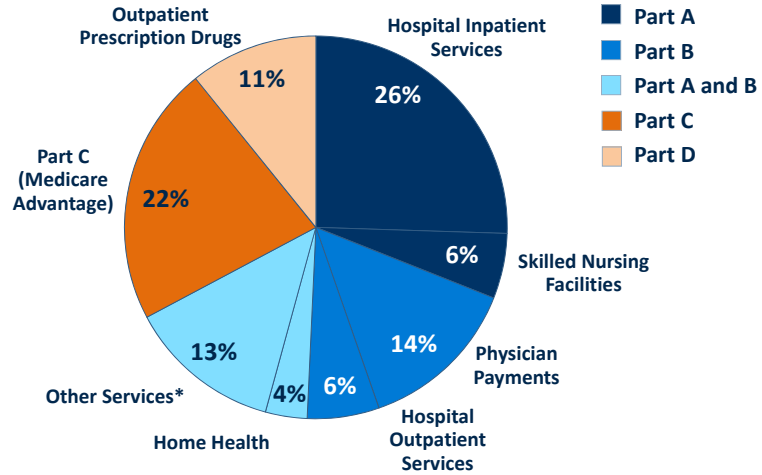


Exhibit 6

Medicare Benefit Payments, by Type of Service, 2012



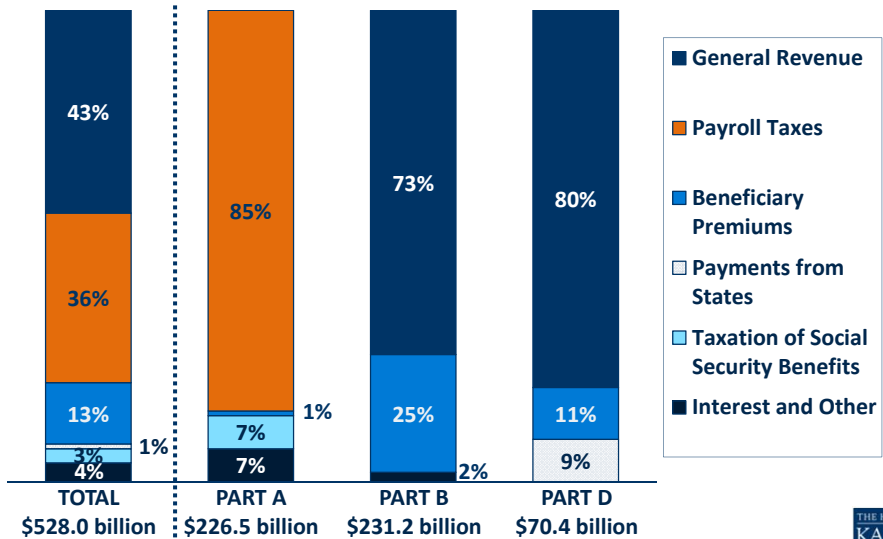
Total Benefit Payments = \$556 billion

NOTE: Does not sum to 100% due to rounding. Excludes administrative expenses and is net of recoveries. *Includes hospice, durable medical equipment, Part B drugs, outpatient dialysis, ambulance, lab services, and other services.
 SOURCE: Congressional Budget Office, Medicare Baseline, March 2012.



Exhibit 7

Sources of Medicare Revenue, 2011



SOURCE: Medicare Boards of Trustees 2012 Annual Report.



Exhibit 8

Medicare offers important benefits, but there are gaps in coverage

- **Medicare does not cover all services**
 - No coverage for hearing aids, eyeglasses, or dental care
 - Generally does not pay for long-term services and supports
- **Medicare has high cost-sharing requirements**
 - Monthly premiums for Part B, Part C, and Part D
 - Income-related premiums for Part B and Part D
 - Higher for individuals with income >\$85,000, couples with income >\$170,000
 - Separate deductibles for Part A, Part B, and Part D
 - Part D coverage gap, aka the “doughnut hole”
 - Phasing down to 25% in 2020
 - No annual limit on out-of-pocket spending for Medicare-covered services under traditional Medicare

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Exhibit 9

Recent Legislative Activity Related to Medicare

- **March 2010: Affordable Care Act**
 - Includes numerous changes to Medicare:
 - Changes to Medicare plan and provider payments; benefit improvements; delivery system reforms; new revenues
 - Reduces net Medicare spending by \$716 billion over 10 years (2013-2022)
- **August 2011: Budget Control Act**
 - Establishes “super committee” and sequestration
 - Authorizes 2% sequestration in Medicare payments beginning in 2013
- **January 2013: American Taxpayer Relief Act**
 - Delays sequestration for two months
 - Temporary “doc fix”: extends current physician payment rates through December 31, 2013

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