

# **Medicare Fundamentals: Eligibility, Enrollment, Benefits, & Financing**

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Health Policy Alternatives

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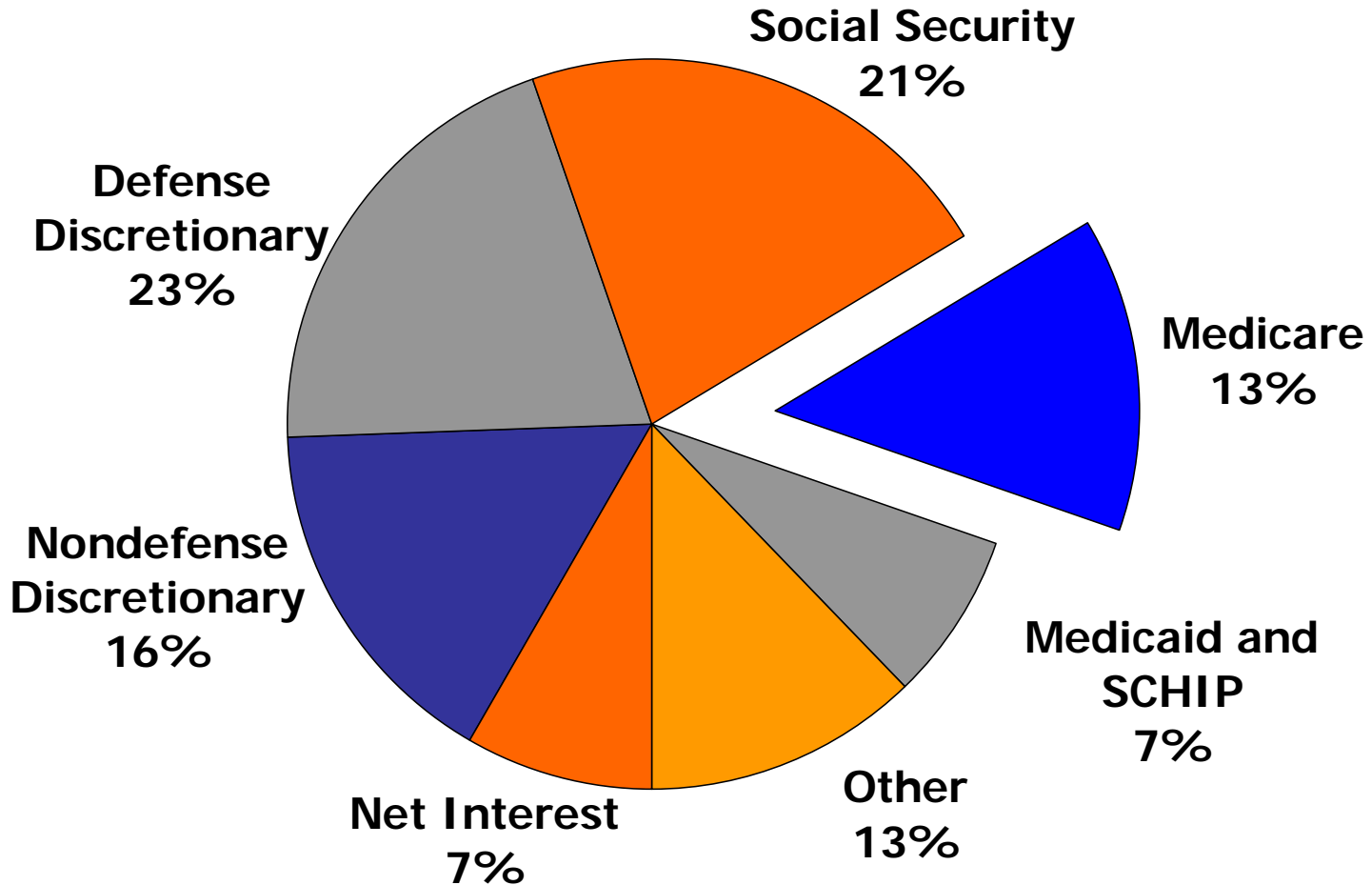
# Overview of Presentation

- Eligibility and entitlement to benefits
- Characteristics of Medicare beneficiaries
- Covered services and cost-sharing
- Program funding / administrative budget

# Medicare's Origins/Impact

- July 1, 1965 – Presidential leadership, congressional majorities
- Implemented July 1, 1966
- Benefits similar to popular FEHBP plan
- Forced integration on U.S. hospitals
- Enacted with Medicaid
- Together, 20% of federal spending

# Medicare Spending as a Share of Total Federal Outlays, FY2009



**FY 2009 Total Outlays = \$3.1 trillion**

SOURCE: Kaiser Family Foundation, based on OMB, Fiscal Year 2009 Budget, February 2008; Baseline Category Totals.

# Eligibility

Medicare is a health insurance program for individuals:

- Aged 65 & eligible for Social Security benefits;
- Eligible for disability benefits (after 24 months, 1972);
- With End Stage Renal Disease (ESRD, 1972); or
- Who elect to buy-in to the program.

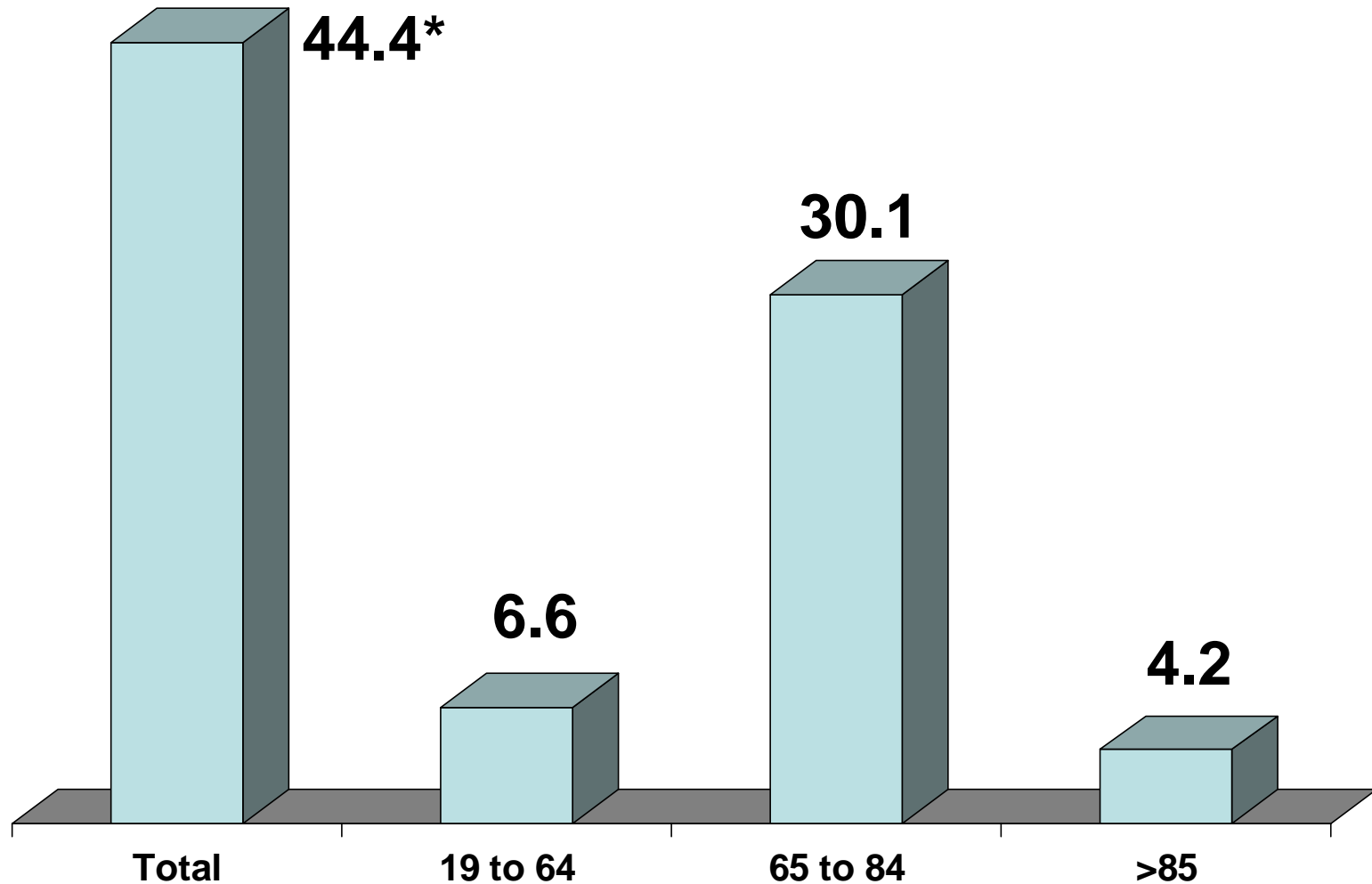
Initial enrollment by the Social Security Administration

# Entitlement & Enrollment

Eligible individuals (U.S. citizens/legal residents) are

- entitled to Part A (payroll taxes for 40 quarters)
- may enroll in Part B (late enrollment penalty)
- may enroll in a Medicare Advantage Plan;
- may enroll in a prescription drug plan

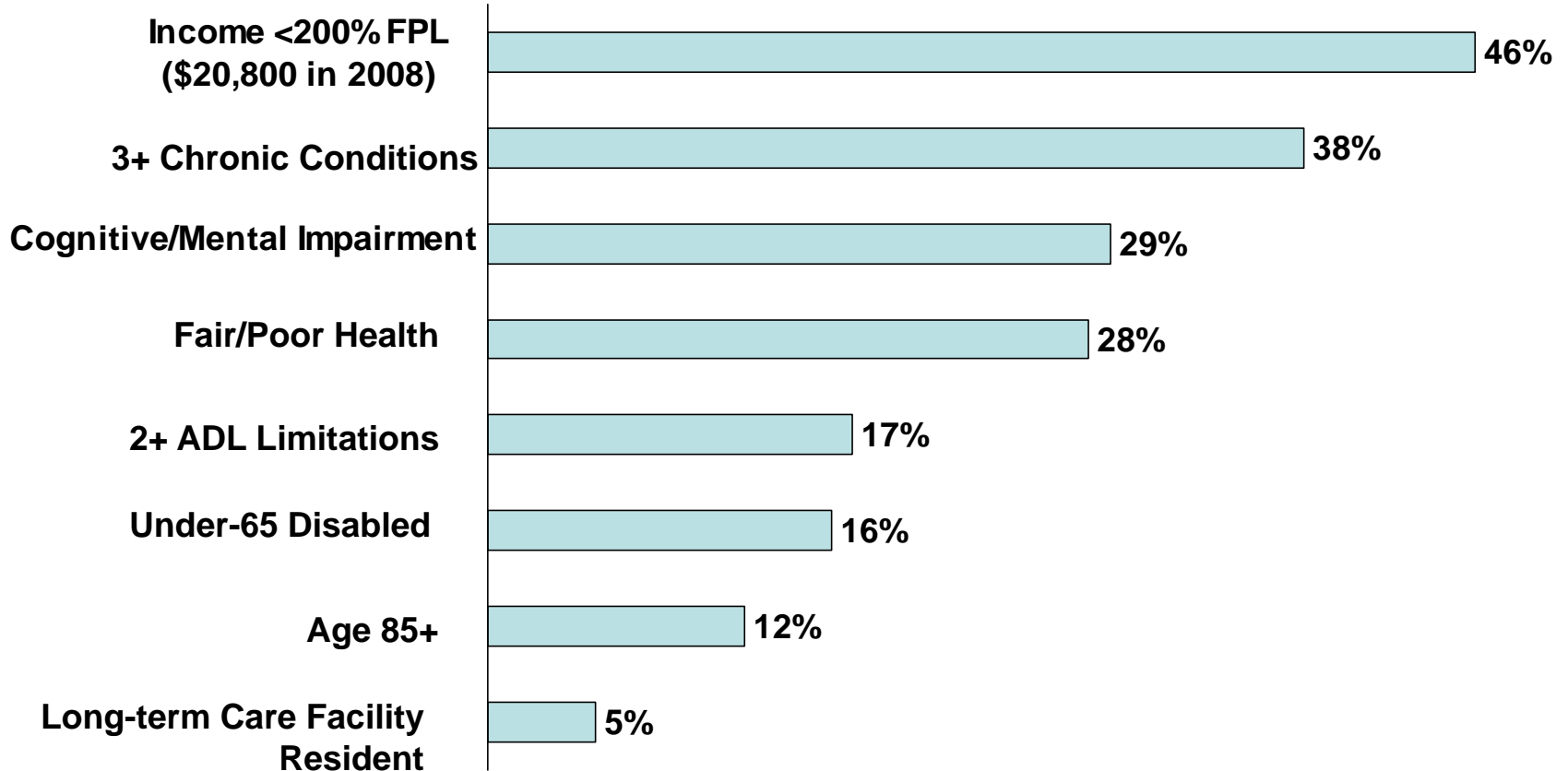
# Medicare Enrollment, Total & by Age Cohort, 2008 (in millions)



\* Excludes beneficiaries living in the territories.

# Medicare Covers a Population with Diverse Needs and Significant Vulnerabilities

*Percent of total Medicare population:*



NOTE: ADL is activity of daily living.

Source: Income data for 2007 from U.S. Census Bureau, Current Population Survey. All other data from Kaiser Family Foundation analysis of the Centers for Medicare & Medicaid Services Medicare Current Beneficiary Survey, 2006.

# Part A Benefits

## **Medicare coverage standard: “reasonable and necessary”**

- Inpatient hospital care (150 days/spell of illness)
  - 1<sup>st</sup> day deductible: \$1,068
  - \$267/day for 61-90 days of stay
  - \$534/day for life-time reserve days (60 days)
- Skilled nursing care (level of care criteria)
  - requires 3-day prior hospital stay
  - \$133/day for 21-100 days (100 days/year)
- Home health care (level of care & homebound)
  - 100 visits/year
  - no co-insurance
- Hospice care (no coverage for curative services)
  - terminal illness w/6 months prognosis

**No catastrophic out-of-pocket spending limit**

# Part B Benefits (voluntary)

**Annual \$135 deductible & 20% co-insurance (ex. Home health/Lab.)**

- Outpatient hospital services
- Physicians' services
- Ambulatory surgery services
- Home health services
- Drugs and biologicals
- Therapy services
- Durable medical equipment/prosthetics/orthotics
- Laboratory and x-ray services
- Preventive services

**No catastrophic out-of-pocket spending limit**

# Medicare Parts C and D

Part C: Offers voluntary enrollment in private health plans – Medicare Advantage plans

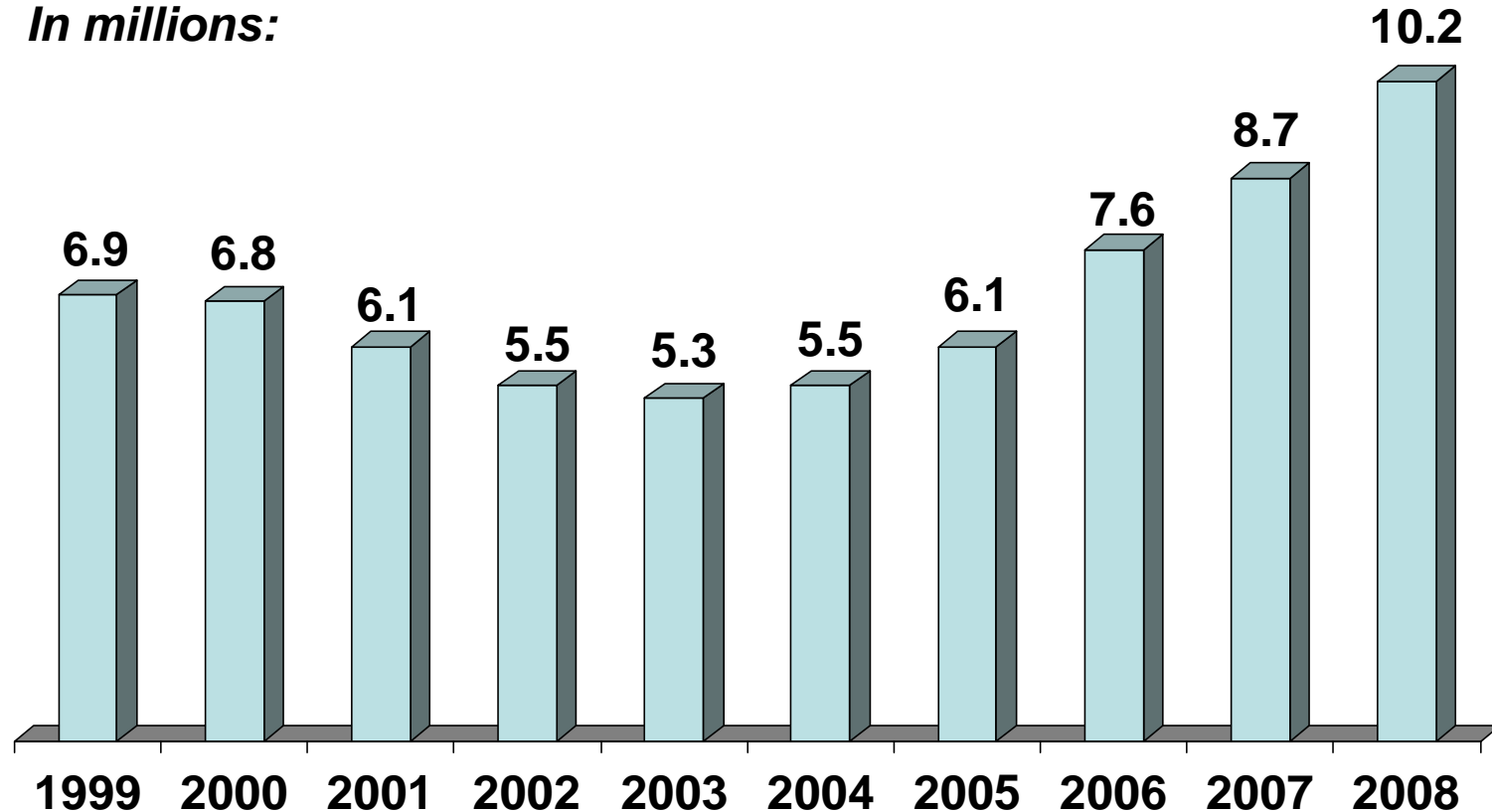
- All benefits under Part A and B;
- May offer lower cost-sharing & premiums
- May offer additional benefits

Part D: Voluntary prescription drug coverage with low-income subsidies

- free standing drug plans (PDPs) or
- combined with a MA plan (MA-PD)

# Total Medicare Private Health Plan Enrollment, 1999-2008

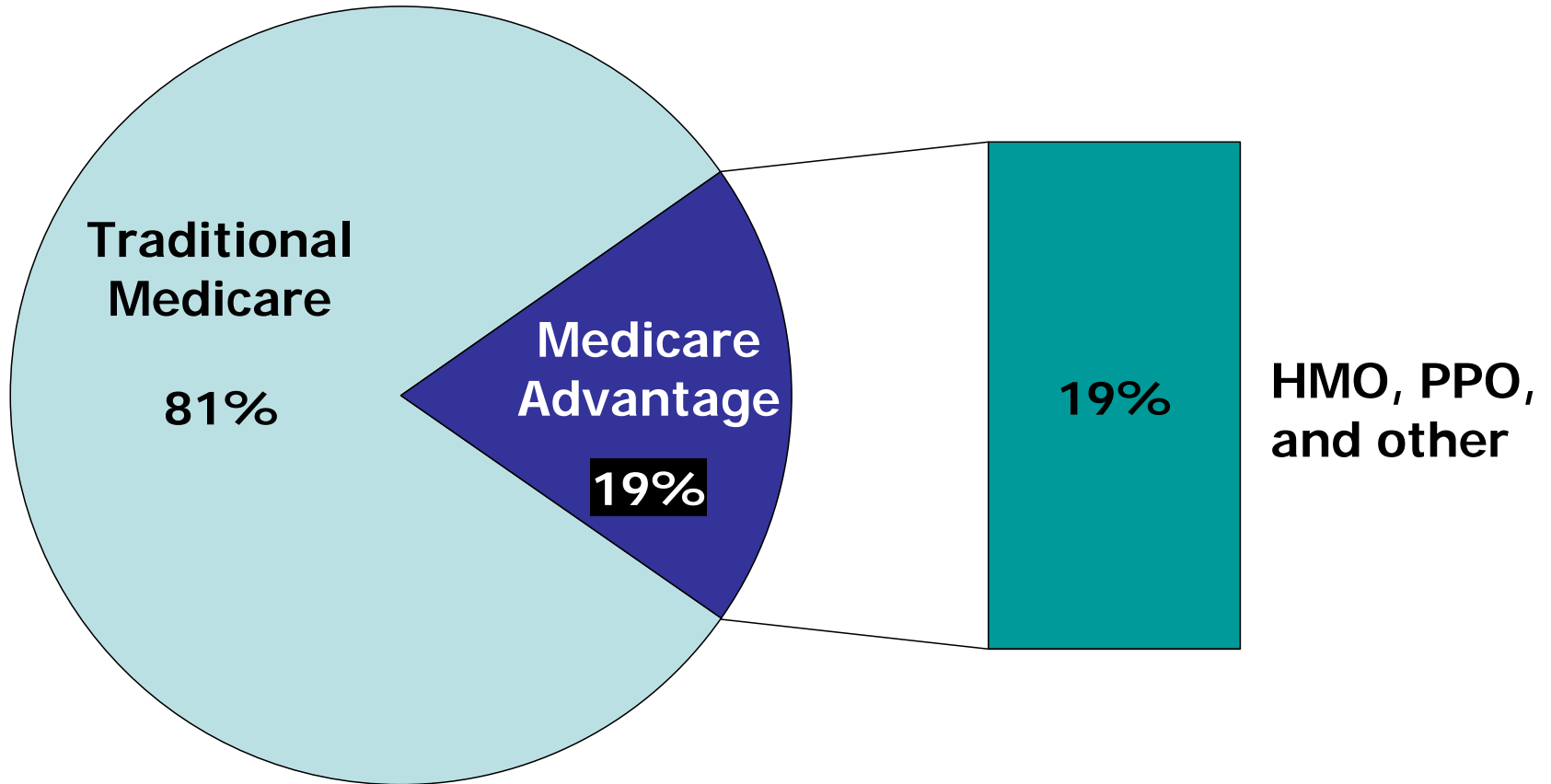
*Enrollment  
In millions:*



NOTE: Includes local HMOs, PSOs, and PPOs, regional PPOs, PFFS plans, Cost contracts, Demonstrations, HCPP, and PACE contracts.

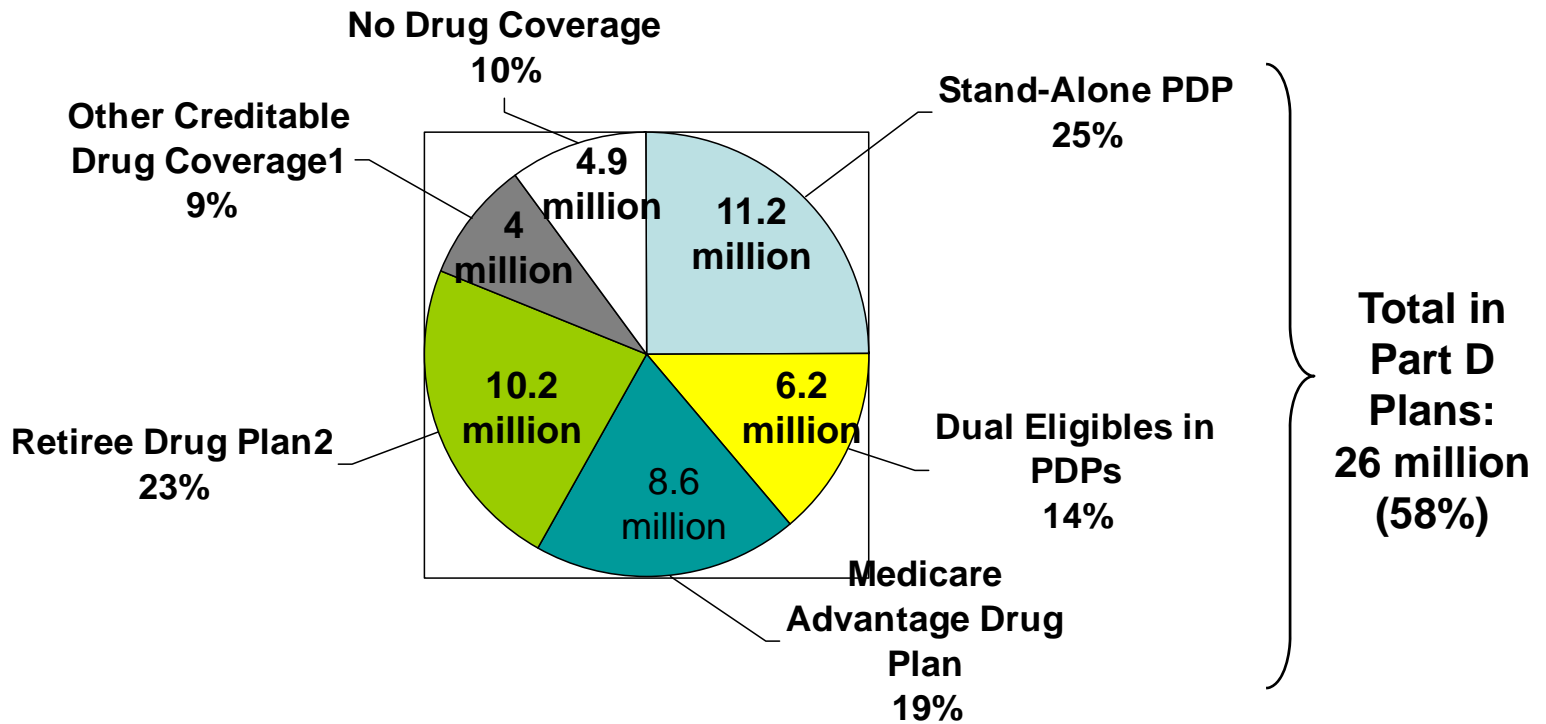
Source: Mathematica Policy Research, Inc. analysis of CMS Monthly Summary Report data from December (1999-2007) And October (2008).

# Medicare Private Fee-for-Service Enrollment as a Share of the Total Medicare Population, 2007



**Total Medicare Beneficiaries = 44 million**

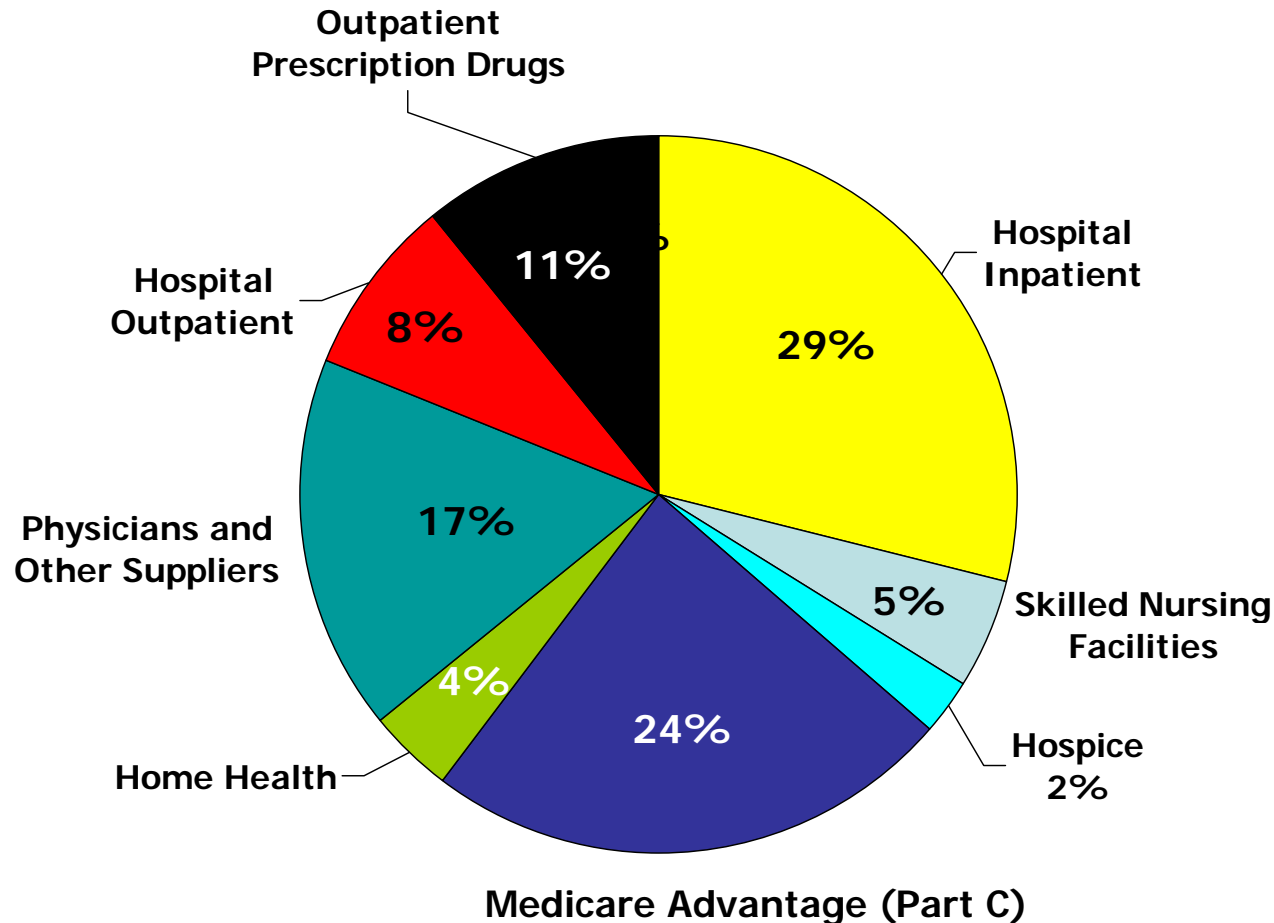
# Prescription Drug Coverage Among Medicare Beneficiaries, 2008



**Total Number of Beneficiaries = 45 million**

Note: PDP is prescription drug plan. 1Includes Veterans Affairs, Indian Health Service, state pharmacy assistance programs, employer plans, Medi-gap, and other sources. 2Includes Retiree Drug Subsidy coverage; retiree coverage without subsidies, FEHBP, and TRICARE coverage.  
Source: Part D enrollment data from CMS Monthly Summary report, October 2008; all other drug coverage data from HHS, January 31, 2008.

# Medicare Benefit Payments, by Type of Service, 2009



**Total Benefit Payments = \$477 billion**

NOTE: Does not include administrative expenses such as spending for implementation of the Medicare drug benefit and the Medicare Advantage program.

SOURCE: Kaiser Family Foundation, based on Congressional Budget Office, Medicare Baseline, March 2008.

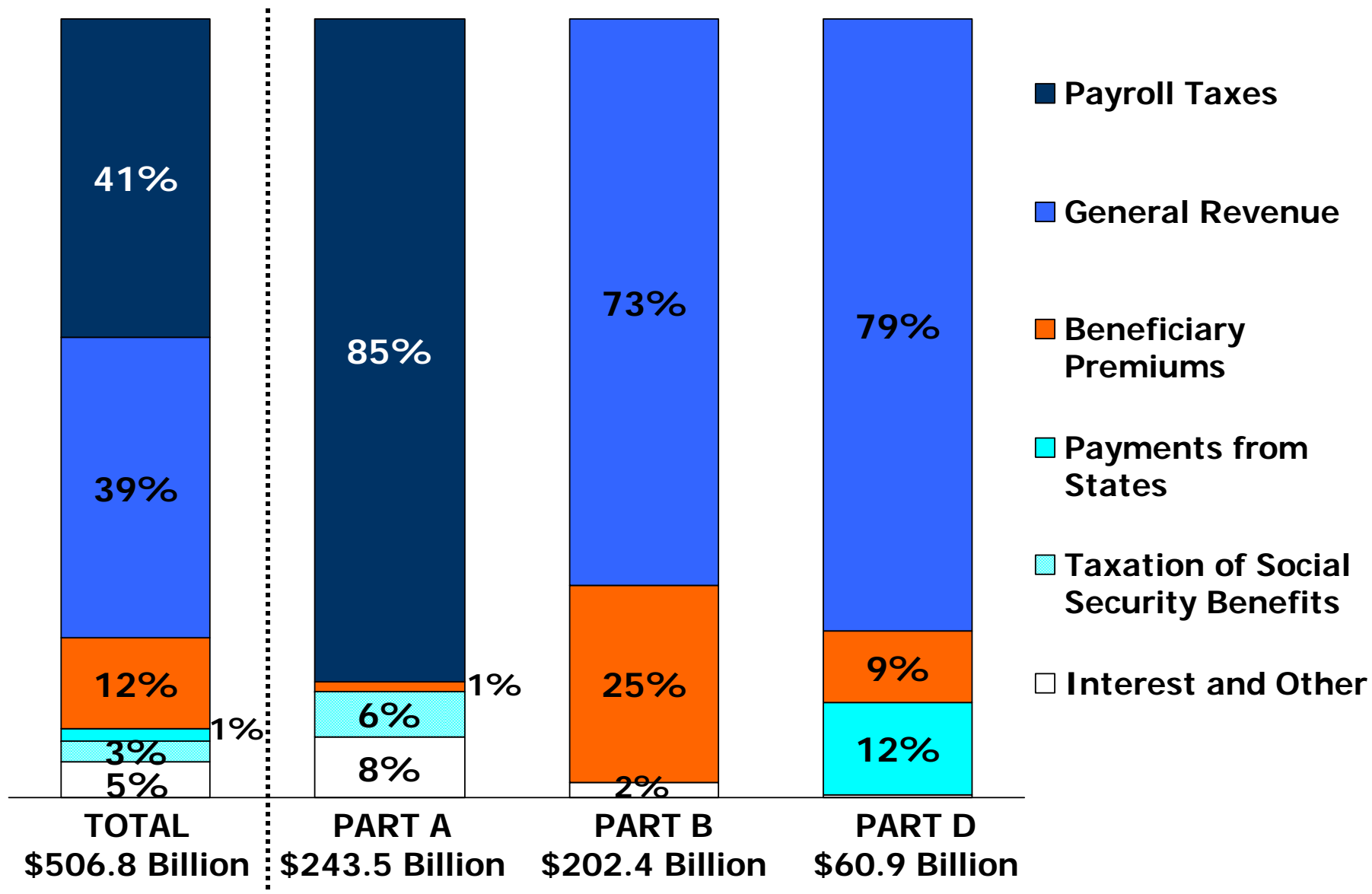
# Program Financing, 2008

- Payroll taxes = 1.45% or 2.9% self-employed
  - \$221 billion
- General revenues: \$210 billion
- Premiums (Part B & D): \$55 billion
- Interest: \$21 billion

## Part B Premium

- 2008: \$96.40 (25% of Part B costs)
- Between \$80,000-\$200,000 of income, premium is between 35% to 80% of Part B costs)

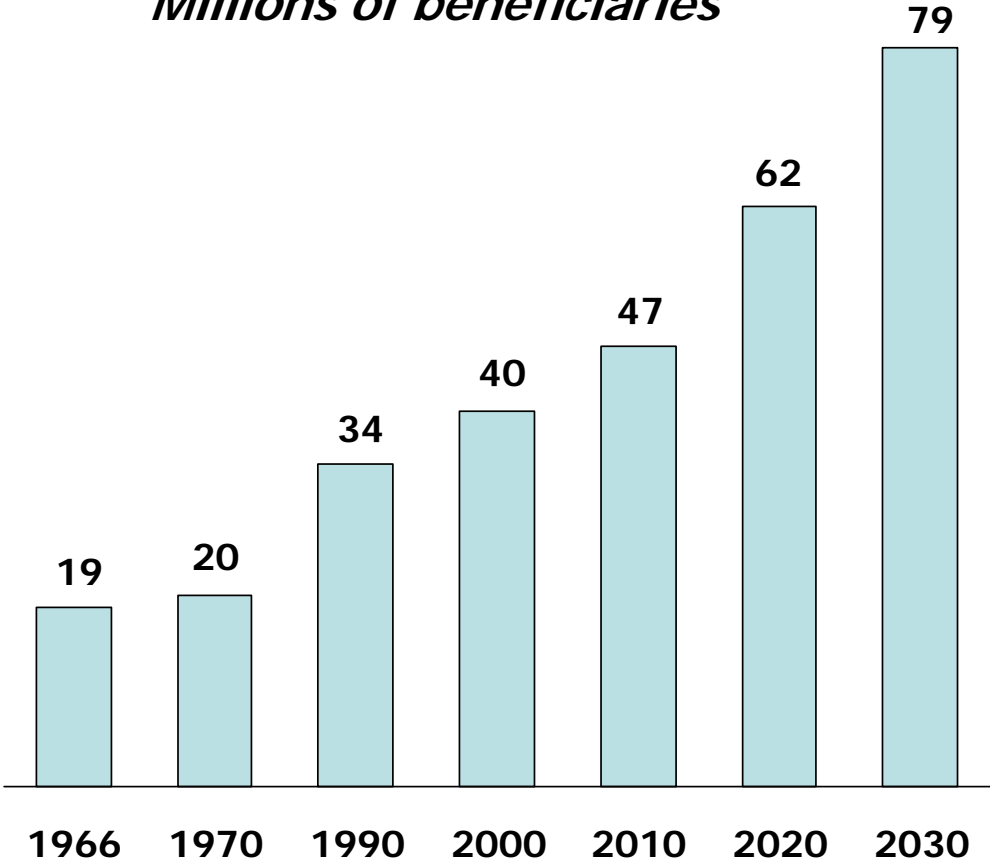
# Estimated Sources of Medicare Revenue, FY2009



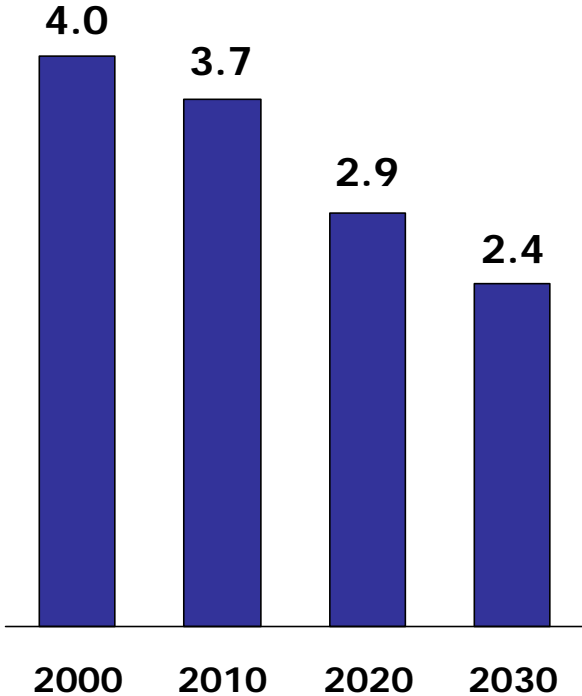
SOURCE: 2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Medicare Beneficiaries and The Number of Workers Per Beneficiary

*Millions of beneficiaries*



*Number of workers per beneficiary*

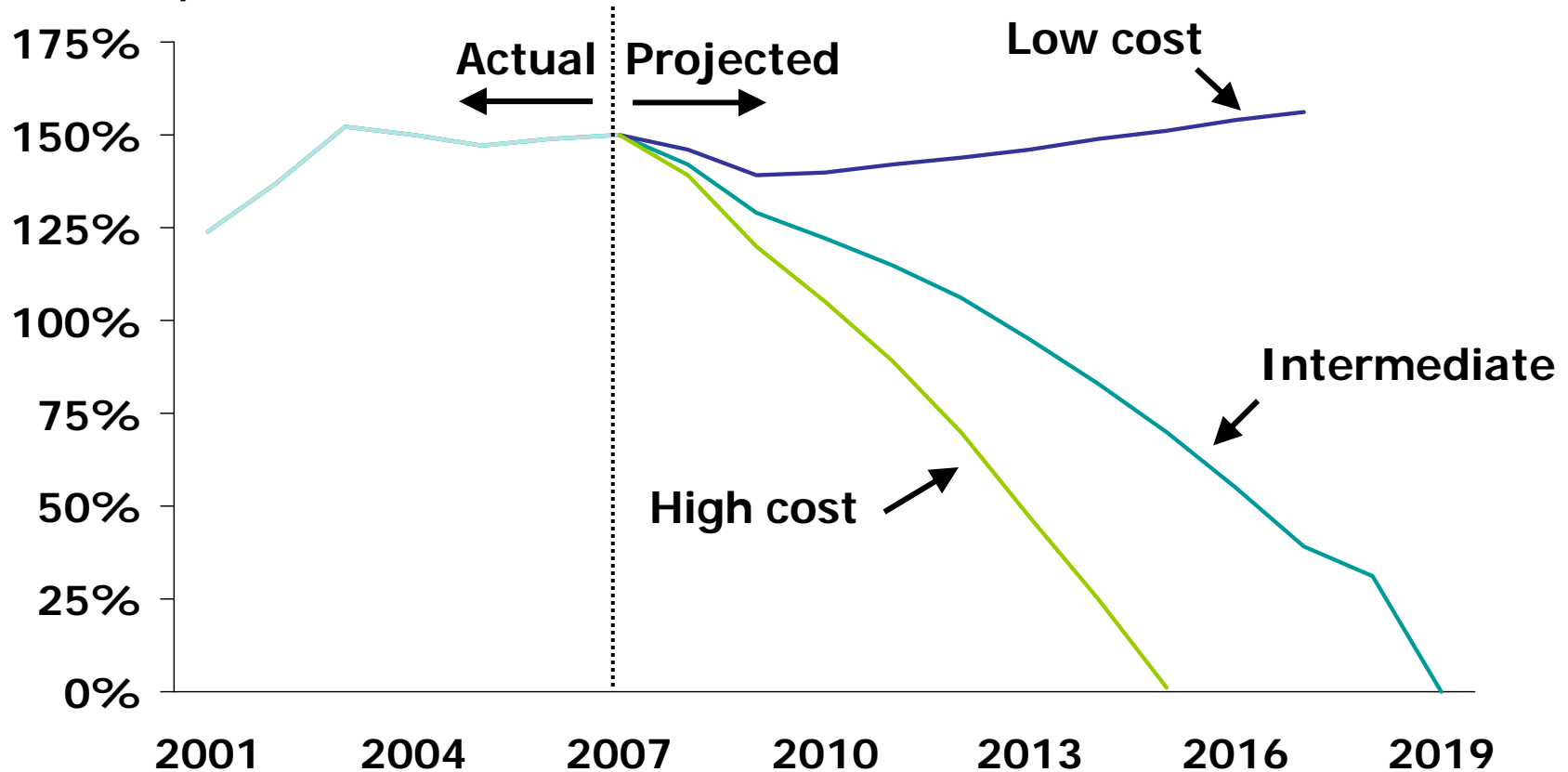


SOURCE: Kaiser Family Foundation, based on 2001 and 2008 Annual Reports of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Medicare Part A (Health Insurance) Trust Fund Balance, 2001-2019

Under High Cost, Low Cost, and Intermediate Assumptions

*Fund balance as % of annual expenditures:*



NOTE: The Medicare Trustees recommend that the HI Trust Fund assets should be maintained at a level of at least 100% of annual expenditures.

SOURCE: Kaiser Family Foundation, based on 2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Agency Administration

- **4148 employees**
- **10 regional offices**
- **1.3 billion FFS claims**
- **40 FFS contractors → 23**
- **Over 500 MA/PDP private plans**

# CMS Administration Budget FY2009

<u>Administration</u>	<u>Contractors</u>	<u>Survey &amp; Certification</u>	<u>Research</u>
\$643m	\$2.3b	\$293m	\$ 31m

**TOTAL: \$3.3b**

**Budget as % of Medicare Spending: <1%**