



THE BASICS

JANUARY 15, 2009

Medicare

Medicare (Title XVIII of the Social Security Act) is the federal health insurance program administered by the Centers for Medicare & Medicaid Services for Americans aged 65 and older and for younger adults with permanent disabilities or end-stage renal disease. Medicare consists of four parts.

- **Part A**, the Hospital Insurance program, pays for hospital stays and skilled nursing facility care.
- **Part B**, the Supplementary Medical Insurance program, pays for services such as physician services, blood tests, wheelchairs and other medical equipment, and outpatient hospital services.
- **Part C**, known as Medicare Advantage, covers Part A and B services for beneficiaries who enroll in private health insurance plans.
- **Part D** provides prescription drug coverage through private drug plans.

Since Medicare began in 1965, the number of people served by the program has more than doubled; over 45 million Americans are projected to be covered in 2009. Medicare spending is expected to total over \$501 billion in 2009, according to the Medicare actuary.

WHO IS ELIGIBLE?

Individuals who receive Social Security cash benefits on the basis of age or disability are automatically entitled to Medicare Part A benefits. Part B enrollment is voluntary, and about 93 percent of those eligible do enroll. Beneficiaries must pay a monthly premium (\$96.40 in 2009; more for beneficiaries with incomes over \$85,000) for Part B coverage.

National Health Policy Forum

2131 K Street, NW
Suite 500
Washington, DC 20037

T 202/872-1390
F 202/862-9837
E nhpf@gwu.edu
www.nhpf.org

Individuals eligible for Part A or enrolled in Part B may voluntarily enroll in Part D. Beneficiaries enrolled in Part D also pay a monthly premium, the amount of which varies depending on the Part D plan chosen.

- **At age 65**, individuals become eligible if they or their spouse paid Social Security taxes for at least 40 calendar-year quarters (or about 10 years of work) or if they qualify for Railroad Retirement Benefits. In 2007, 36.9 million beneficiaries aged 65 and older participated in Medicare.
- Individuals **under age 65** can become eligible for Medicare if they received Social Security Disability Insurance (SSDI) payments for at least 24 months. To qualify for SSDI, an applicant's medical condition must be evaluated and determined to be a total and permanent disability as defined by the Social Security Administration. In addition to workers who are disabled, Medicare also covers certain disabled widows and widowers and disabled adult children of retired, deceased, or disabled workers. In 2007, 7.2 million beneficiaries qualified through disability.
- Individuals **under age 65 with end-stage renal disease** are eligible for Medicare if they or their spouse paid into the Social Security system for at least 40 quarters or if they qualify for Railroad Retirement Benefits. About 100,000 non-disabled persons with this disease were enrolled in Medicare in 2007.

WHAT SERVICES ARE COVERED?

Under **Part A**, the following services are covered:

- Inpatient hospital care
- Skilled nursing facility care for 100 days per benefit period following a minimum of a three-day hospital stay
- Intermittent home health care following a minimum of a three-day hospital stay
- Hospice care
- Inpatient psychiatric care for up to 190 days during a beneficiary's lifetime

Under **Part B**, the following services are covered:

- Physician services (including office visits)

The National Health Policy Forum is a nonpartisan research and public policy organization at The George Washington University. All of its publications since 1998 are available online at www.nhpf.org.

- Medical equipment
- Laboratory and diagnostic services
- Outpatient hospital services
- Physical, occupational, and speech therapy
- Outpatient mental health services
- Some home health care services not preceded by a hospital stay
- Blood for transfusions
- One-time “Welcome to Medicare” preventive physical exam
- Some screening tests, such as mammograms and pap smears, and tests for diabetes, glaucoma, prostate and colorectal cancers, and cardiovascular disease
- Some types of orthopedic shoes and inserts for those with severe diabetes
- Some outpatient mental health care services
- Certain prescription drugs that are not self-administered by the beneficiary

Under **Part D**, coverage includes:

- Outpatient prescription drugs

WHAT IS NOT COVERED?

- Routine or annual physical exams after the initial “Welcome to Medicare” exam
- Long-term custodial care at home or in a nursing home
- Hearing aids
- Most routine eye care and most eyeglasses
- Dental care and dentures (in most cases)
- Routine foot care (with limited exceptions)
- Most health care services obtained outside the United States
- Accupuncture
- Most chiropractic services
- Cosmetic surgery

WHAT ARE THE COST-SHARING REQUIREMENTS FOR BENEFICIARIES?

Beneficiaries are responsible for cost-sharing requirements, including deductibles, coinsurance, and copayments. For example, in 2009, beneficiaries pay a \$1,068 inpatient hospital deductible and a \$135 annual deductible for Part B–covered services.

Under Medicare Advantage, private plans must cover both Part A and B services. The cost-sharing requirements may differ as long as the average projected liability per person is the same or smaller as under the traditional program. Beneficiaries who enroll in Medicare Advantage may also receive some benefits and services not covered by traditional Medicare.

HOW IS MEDICARE FINANCED?

Part A is financed primarily through payroll taxes; employees and employers each pay 1.45 percent of wage earnings (self-employed individuals pay 2.9 percent). Revenue from the payroll tax is held in the Hospital Insurance Trust Fund and is used to pay Part A benefits.

Part B is financed by beneficiary premiums and by federal general revenues. Premiums collected from beneficiaries cover about 25 percent of total annual costs for Part B services.

Part D is financed through general revenues, premiums paid by Part D enrollees, and state contributions to Medicare drug costs.

FOR MORE INFORMATION

- Centers for Medicare & Medicaid Services (CMS), *2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, March 25, 2008; available at www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2008.pdf
 - CMS, *Medicare & You 2009*; available at www.medicare.gov/Publications/Pubs/pdf/10050.pdf
-