



Understanding Medicare

PRESENTATION TO FPA OF EAST TENNESSEE

MARCH 8, 2017



Agenda

- Review the primary components of Medicare
- Eligibility
- Cost of basic coverage
- Cost considerations of Medicare “assignment”
- Enrollment dates
- Special enrollment considerations
- Coverage options for Medicare beneficiaries
- Q&A



Part I

THE BASICS OF
MEDICARE

Basic Components of Medicare

- Signed into law in 1965
- Medicare is administered by the Centers for Medicare & Medicaid Services (“CMS”), an agency of HHS
- **Part A** – Inpatient (Hospital, SNF, Hospice and Home Health)
- **Part B** – Outpatient (incl. Dr., Mental Health, DME & Other OP svcs.)
 - Enrollment in Part B is optional (but highly recommended)
 - May purchase a supplement
- **Part C** – Medicare “Advantage” (Medicare Alternative)
 - Must cover Part A and Part B benefits
 - May **not** purchase a supplement
- **Part D** – Prescription drug coverage

Medicare Eligibility

Parts A and B

- For most beneficiaries – age 65 or older
 - Available to U.S. citizens or permanent residents
- Under 65 with certain disabilities
 - E.g., ALS, exposure to certain environmental hazards
 - Kidney dialysis or transplant patient

Part C

- Entitled to benefits under Part A and enrolled in Part B
- Do not have ESRD when initially enrolling in the plan
- Reside in the service area of the plan
- Only one MA and one Part D plan at a time (or a combined plan)

Part D

- Must either be entitled to Part A and/or enrolled in Part B

Cost of Basic Components of Standard Medicare

- Part A:

- \$0 if you or your spouse worked and paid Medicare taxes for 10 years
- If you did not pay Medicare taxes for 10 years, you can enroll when eligible and pay a monthly premium of \$413 for Part A
- Part A deductible \$1,316 per benefit period

- Part B:

- Basic premium is \$134 for 2017
- May be higher based on household income
- Part B deductible \$183 per year
- Medicare pays 80% after deductible

- Part C:

- Premiums range from \$0 to \$250 generally

Cost Considerations for Medicare “Assignment”

- Primary issue remains i.e., What is the actual cost of healthcare goods and services?
- Based on my experience as a hospital company CFO
 - Commercial payers averaged approximately 40% of charges
 - Standard Medicare averaged 28% of charges
 - Medicare “Advantage” averaged 25% of charges
 - Medicaid was closer to 10% of charges (DSH payments could increase that)
- Hospital payments are based on DRGs not “charges”
- The fact that “charges” appear on hospital bills may scare beneficiaries into buying too much insurance
- Typical doctor visit for established patient is \$73 under Medicare. (\$108 level 4 visit)
- Physician charges in excess of Medicare approved amounts
 - Doctors accepting Medicare patients but not Medicare Assignment
 - Beneficiaries billed additional 15%

Enrollment Dates

- 7-month window of initial enrollment
 - 3 months before the month in which you turn 65
 - The month of your 65th birthday
 - 3 months after the month in which you turn 65
- Sign up for Part A normally applies only if you have to pay for it.
- If you sign up in the leading 3 month window of time, your coverage becomes effective on the first day of the month in which you turn 65
 - If you are born on the 1st day of the month, coverage begins on the 1st day of the month preceding the month of your 65th birthday
- If you wait to sign up in the month of your birthday, coverage becomes effective one month after you sign up
- General Election Period
 - January 1 – March 31 with coverage effective July 1

Enrollment – Special Considerations

- Special enrollment period anytime if you have group coverage and:
 - You or your spouse are working, and
 - The group plan is under the benefits of that spouse's **current employer**
- Additional special enrollment periods:
 - For 8 months after employment ends with company providing your coverage
 - For 8 months after employer terminates a group benefit plan
- Warning!
 - You can not leave work
 - Go on COBRA for 18 months
 - Get a SEP for Medicare Part B
 - That would require GEP and coverage delay to 7/1



Part II

UNDERSTANDING
YOUR MEDICARE
OPTIONS

Medicare – Two Basic Paths:

- Standard Medicare (“Government Plan”)
 - This is original Medicare
 - There are no networks; most providers accept Medicare (if they want senior customers)
 - You may buy a supplement
- Medicare “Advantage” (“Corporate Plan”)
 - Alternative to Standard Medicare (Opt in)
 - Government sends \$ to the health plan of your choice
 - You can not buy a supplement

Advantages of Each Option

○ Standard Medicare:

- Maximum flexibility over medical decisions with your doctor
- Greatest choice of medical providers
- With supplement, predictable and lower out of pocket costs when utilized extensively

○ Medicare Advantage

- Lower monthly premium
- Beneficiaries usually pay copays for medical services
- Options may bundle medical and prescription

Important Considerations

○ Standard Medicare

- Optional supplement policies and Part D coverages may exceed the premium cost of Medicare Advantage plans
- Limited guaranteed issue period for supplement (6 mo. Medigap OEP)
- Cost of supplements increases with age
- Supplements for the disabled are very expensive

○ Medicare Advantage

- Significant control over your plan of care is granted to your health plan, examples such as:
 - Nephrology biopsy
 - IP rehab and nursing care PT
 - Billing modifiers
- Networks limit provider options

Cost Examples

- Standard Medicare

- Part A – no premium
- Part B – Base \$134 (income adjustments may apply)
- Part D – Base \$17 - \$66
- Optional Supplement approx. \$60 - \$250 mo.

- Medicare Advantage

- Requires Part A and B premiums same as above
- Combined additional premiums range from \$0 to \$214

Conclusion

- Standard Medicare

- Best option for those who have financial flexibility and place high importance on establishing a plan of care with minimal outside intervention

- Medicare Advantage

- Works well if your doctors accept the plan and you are willing to trade off lower monthly premiums for “corporate” oversight
- May be only affordable option for disabled

Commission Disclosure

- Standard Medicare
 - Optional supplement \$200
 - Optional Part D \$56 ⁽¹⁾
- Medicare Advantage
 - MA/MAPD \$408 ⁽¹⁾

(1) MA commissions are reduced by 50% in second and subsequent years.



Q&A

THANK YOU

Thank You!

Jeff Hinton

jeff.hinton@careadigm.com

865-588-3545 – direct dial

114 Westfield Rd.; Knoxville,
TN 37919

