

The A, B, C and D's of Medicare

MEDICARE IS AN EXTREMELY COMPLEX HEALTH-INSURANCE PROGRAM IN WHICH MOST SENIORS ARE ENROLLED. THIS MONTH'S COLUMN WILL PROVIDE SOME BASIC INFORMATION REGARDING MEDICARE COVERAGE AND THE COST ASSOCIATED WITH CERTAIN AREAS OF COVERAGE.

Let's start with the basics. Medicare Parts A and B are often referred to as Original Medicare. Part C, otherwise known as Medicare Advantage, became available in 1999, while Part D became available in 2006.

There are three main categories of Medicare-eligible persons:

- People age 65 and older
- People under age 65 with certain disabilities
- People of all ages with end-stage renal disease (permanent kidney failure requiring dialysis or kidney transplants)

A senior who does not automatically receive Medicare-enrollment information should contact the Social Security Administration during the initial enrollment period, which is a seven-month period that starts three months before the month of his or her 65th birthday.

Medicare A

Coverage: Medicare Part A, also known as Hospital Insurance, helps cover the costs of inpatient hospital care, post-hospitalization Skilled-Nursing-Facility care (SNF), home health care and hospice care. Beneficiaries must meet certain conditions to receive these benefits.

Cost: Most individuals do not pay a premium for Part A because they or their spouses paid for it through payroll taxes while working.

Medicare uses defined lengths of time, known as benefit periods, to measure a patient's use of services for inpatient hospital and SNF care, and separately for hospice care. A benefit period begins the day a patient enters

an inpatient hospital. It generally ends 60 days following the date of hospital discharge. Seniors must pay an inpatient hospital deductible (\$1,068 in 2009) for the first day of hospitalization in each benefit period. This deductible covers the first 60 days of a Medicare-covered hospital stay. After 60 days, certain rules and additional copayments will apply. Most Medicare Supplement programs provide coverage for the Medicare Part A deductible and copayments.

Medicare Part A will cover up to 100 days of inpatient care per benefit period in a Medicare-participating Skilled-Nursing Facility (SNF). Upon discharge from a minimum three-day hospital stay, and if a physician certifies that the patient needs care in an SNF, the patient may receive skilled-nursing or rehabilitation care daily for a medical issue that relates to their inpatient admission. The first 20 days are covered at 100 percent by Medicare. With the assumption that skilled nursing or rehabilitation is medically necessary after 20 days, Medicare will cover all but a daily coinsurance amount of \$133.50 (in 2009) for up to an additional 80 days. Please note that for the purposes of Medicare, SNF care must be for rehabilitation – once care transitions from rehabilitation to custodial care, Medicare will no longer provide coverage.

Enrollment Period: Seniors who did not choose to enroll in Medicare Part A during the initial enrollment period may enroll any month thereafter, without penalty.

Medicare B

Coverage: Medicare Part B, also known as Major Medical Insurance – not to be confused with supplemental

insurance policies – helps to cover physicians' services, outpatient services, medical laboratory fees, ambulance transportation when medically necessary, limited outpatient psychiatric care, screening and certain preventative services including breast and prostate cancer screening, and prosthetic devices.

Medicare B, however, does not cover routine physical examinations¹, routine eye or hearing tests, certain immunizations, chiropractic services, full-time in-home private nursing care, homemaker services provided by a relative or friend, or services that are not medically necessary.

Cost: Medicare B is financed with general federal revenues and monthly (\$96.40² in 2009) premiums deducted from retirees' Social Security retirement benefits. If the Medicare beneficiary is not yet enrolled for Social Security retirement benefits, the Medicare Part B premium will be billed quarterly.

Beneficiaries have a \$135³ annual deductible that represents the first \$135 in Medicare's approved amounts for covered services. Generally, Medicare pays 80 percent of its approved amount and patients are responsible for 20 percent. At times, one's supplemental insurance will cover the remaining 20 percent. It is important to note that there is no "Maximum Out-of-Pocket" on the Medicare Part B coinsurance – the 20 percent patient responsibility is for all Medicare-approved claims.

Enrollment Period: It is usually a good idea to enroll for Medicare Part B immediately upon your eligibility to avoid incurring a 10 percent penalty, which is added to the Part B premium for each year that a beneficiary delays enrolling. If a beneficiary is working

and receives health-insurance coverage through their employer, it is especially important to learn whether Medicare or your insurance company will be responsible for “Primary” coverage. In general, if you work for a business with fewer than 20 employees, Medicare will be “Primary” and you will need to enroll for Medicare Part B when you are first eligible to avoid a substantial loss of coverage. Your insurance company may assume that you are enrolled in Medicare Part B and as such, they will only provide supplemental coverage.

If a beneficiary does not sign up for Medicare Part B during the initial enrollment period, he or she can do so only during the general enrollment period, which is January 1 through March 31 of each year, except in certain situations. Coverage then starts the following July 1. Loss of employer-sponsored coverage is an example of a situation that would allow a beneficiary to enroll for Medicare Part B without incurring a penalty during a special enrollment period.

Medicare C

Coverage: Medicare Part C, also known as the Medicare Advantage plan, combines Part A and Part B options and must cover all medically needed services.

Several plans are available under Medicare Advantage including:

- Medicare Preferred Provider Organization (PPO)
- Medicare Health Maintenance Organizations (HMO)
- Medicare Private Fee-for-Service (PFFS)
- Medicare Special Needs
- Medicare Medical Savings Account (MSA)

Often, Part C coverage is a lower-cost alternative and includes extra benefits such as the Medicare Part D prescription-drug insurance plan, vision coverage, gym memberships, preventative care and/or dental benefits. While this plan may sound like an ideal alternative to Original Medicare, some retirement communities do not accept the coverage of these plans and therefore, enrollment in a Medicare Advantage plan should be considered carefully. Once you are enrolled in a Medicare Advantage plan for longer than one year, you may not be able to leave the plan to purchase a Medicare Supplement plan if you are not in good

health. You are also “locked-in” to your Medicare Advantage plan, except in special situations, for one full year.

Cost: In general, Part C coverage costs significantly less than a Medicare Supplement plan, and, because it may include Part D prescription-drug coverage, it is often very attractive from a financial perspective.

Enrollment Period: You will have the opportunity to enroll in a Medicare Advantage (Part C) plan when you first become eligible for Medicare Part B, during your open or special enrollment period, and every year between November 15 and December 31 for a January 1 effective date. You may change your Medicare Advantage plan every year if you wish, during the annual enrollment period. Medicare Advantage plans are required to accept all qualified beneficiaries, regardless of their health status, with the exception of individuals with end-stage renal disease.

Medicare D

Coverage: Medicare D is a program designed to help people with Medicare reduce their prescriptions drug costs and protect against future costs. A common question among seniors is whether or not they can enroll in PACE/PACENET (a state-funded prescription plan based on one’s income) and a Medicare Part D plan simultaneously. The answer is “yes.”

Cost: Medicare Part D plans vary in price from approximately \$20 per month to \$200 per month, based on the coverage the plan provides. Medicare Part D plans may include deductibles and/or copayments for prescriptions, as well as substantial coverage gaps that are also known as the “donut holes.” For individuals with extremely high drug costs, catastrophic coverage is available once the individual has reached \$4,350 in out-of-pocket costs (in 2009). This number will change annually for inflation.

Enrollment Period: Similar to Medicare Part C, beneficiaries may enroll for Part D benefits each year between November 15 and December 31 for an effective date of January 1. Enrollment in a Part D plan is not required, but a penalty will accrue at a rate of 1 percent for each month that you wait to enroll for Part D coverage and that you do not have other drug coverage that is at least as good as the

standard Medicare Part D plan. Many individuals will review their Part D coverage every year, as benefits and premiums change annually.

Understanding Medicare can be complicated; therefore, it is important for seniors and their families to speak to a professional who specializes in Medicare and supplemental coverage. You can also call the local Office of Aging (Lancaster: 717-299-7979) and speak with someone from APPRISE, which is a group of trained volunteers who educate seniors and their families about health-insurance coverage. APPRISE volunteers will also determine the adequacy of one’s coverage and submit necessary claim forms.

Some of the information I’ve provided was compiled from Centers for Medicare and Medicaid Services (<http://www.cms.hhs.gov/home/rsds.asp>), Medicare (www.medicare.gov) and Medicare’s Consumer Guide (www.medicareconsumerguide.com). Information was also provided by Barbara Hostetler, LUTCF, CPIA, of Hostetler Insurance Associates, Inc. Barbara works closely with Lancaster County seniors to help them to find the right Medicare program(s) to fit their needs. She can be reached at 717-293-7100 or www.hostetlerinsurance.com. ❖



Jessica A. Pavelko, CSA, a lifelong Lancaster resident and senior consulting specialist, launched Pavelko Senior Consulting Services, LLC (PSCS) in 2006. The business takes a unique personal and professional interest in seniors and their

families by assisting them in making certain all of the resources are being utilized that best meet an individual’s needs. PSCS acts as an advocate and navigator for seniors, and helps them and their family members make wise decisions regarding the care that they desire and deserve. For more information, contact PSCS at 717-517-8871, e-mail at info@pavelko.org or visit www.pavelko.org.

- 1 However, individuals may be covered for a one-time “Welcome to Medicare” physical exam for those newly eligible for Medicare who take advantage of the benefit within the first six months of their Part B Enrollment.
- 2 Some people will pay a higher premium based on their modified adjusted gross income.
- 3 2009 deductible; Medicare adjusts each year.