

Understanding Medicare

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What does Medicare cover? What are the costs of Medicare? What happens if you forget to enroll for Medicare?

Medicare is the federal health insurance program for people in the United States who are over the age of 65 or certain younger people with disabilities. Medicare is funded in part by payroll taxes, in part through premiums paid by participants, and in part by the federal budget. There are three primary parts of Medicare. Part A is the hospital insurance. Part B is the medical insurance. Part D is the prescription drug coverage.

Medicare is different from Medicaid, which is another government program that provides health insurance. Medicaid is funded and run by the federal government in partnership with states to cover people with limited incomes. Depending on the state, Medicaid can be available to people below a certain income level who meet other criteria (e.g., age, disability status, pregnancy) or be available to all people below a certain income level. Unlike Medicaid, Medicare eligibility does not depend on income.

Medicare Part A

Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care.

Part A is free for almost everybody. If you or your spouse paid payroll taxes for 40 quarters while working, you usually will not pay a monthly premium for Part A. You have to work for 10 years to build up benefits for 40 quarters. If you do not qualify for the premium-free Part A, you can buy Part A coverage. If you paid payroll taxes for less than 30 quarters, the standard Part A monthly premium for 2020 is \$458. If you paid payroll taxes for 30 to 39 quarters, the standard Part A monthly premium for 2020 is \$252.

Part A covers the following services:

- *Inpatient hospital care:* This is care received after you are formally admitted into a hospital by a physician. You are covered for up to 90 days each benefit period in a general hospital, plus 60 lifetime reserve days. Medicare also covers up to 190 lifetime days in a Medicare-certified psychiatric hospital.
- *Skilled nursing facility (SNF) care:* Medicare covers room, board, and a range of services provided in a SNF, including administration of medications, tube feedings, and wound care. You are covered for up to 100 days each benefit period if you qualify for coverage. To qualify, you must have spent at least three consecutive days as a hospital inpatient within 30 days of admission to the SNF, and need skilled nursing or therapy services.
- *Home health care:* Medicare covers services in your home if you are homebound and need skilled care. You are covered for up to 100 days of daily care or an unlimited amount of intermittent care. To qualify for Part A coverage, you must have spent at least three consecutive days as a hospital

inpatient within 14 days of receiving home health care. (Note: You can get home health care through Medicare Part B if you do not meet all the requirements for Part A coverage.)

- *Hospice care*: This is care you may elect to receive if a provider determines you are terminally ill. You are covered for as long as your provider certifies you need care.

Medicare does not usually pay the full cost of your care, and you will likely be responsible for some portion of the cost-sharing (deductibles, coinsurances, copayments) for Medicare-covered services.

Many participants are automatically eligible for premium-free Part A coverage (for example, those who have worked or whose spouses have worked at least 10 years, or 40 quarters, and paid payroll taxes through their employment).

If you are not eligible for premium-free Part A coverage, you will need to sign up for it when you first become eligible to do so (e.g., age 65). If you do not enroll when you are first eligible for Medicare, you can be subject to a late-enrollment penalty, which is added to the Part A premium. The penalty is 10% of your monthly premium, and it applies regardless of the length of the delay. You have to pay this higher premium for twice the number of years you could have had Part A coverage but did not sign up for it. For example, if you waited for a year to enroll in Part A coverage, you could pay the 10% penalty for two years.

Medicare Part B

Part B covers certain doctor's services, outpatient care, medical supplies and preventative services.

Everyone pays a premium for Part B coverage. Most people pay the standard Part B premium amount. For 2020, the standard premium amount is \$144.60 per month. If your modified adjusted gross income from two years ago is above a certain amount, you will pay an extra charge to your premium.

Part B provides outpatient/medical coverage. The list below provides a summary of Part B-covered services and coverage rules:

- *Provider services*: Medically necessary services you receive from a licensed health professional.
- *Durable medical equipment (DME)*: This is equipment that serves a medical purpose, is able to withstand repeated use, and is appropriate for use in the home. Examples include walkers, wheelchairs, and oxygen tanks. You may purchase or rent DME from a Medicare-approved supplier after your provider certifies you need it.
- *Home health services*: Services covered if you are homebound and need skilled nursing or therapy care.
- *Ambulance services*: This is emergency transportation, typically to and from hospitals. Coverage for non-emergency ambulance/ambulette transportation is limited to situations in which there is no safe alternative transportation available, and where the transportation is medically necessary.
- *Preventive services*: These are screenings and counseling intended to prevent illness, detect conditions, and keep you healthy. In most cases, preventive care is covered by Medicare with no coinsurance.
- *Therapy services*: These are outpatient physical, speech, and occupational therapy services provided by a Medicare-certified therapist.
- *Mental health services*.
- *X-rays and lab tests*.
- *Chiropractic care* when manipulation of the spine is medically necessary to fix a subluxation of the spine (when one or more of the bones of the spine move out of position).
- *Select prescription drugs*, including immunosuppressant drugs, some anti-cancer drugs, some anti-emetic drugs, some dialysis drugs, and drugs that are typically administered by a physician.

This list includes commonly covered services and items, but it is not a complete list. Medicare does not usually pay the full cost of your care, and you will likely be responsible for some portion of the cost-sharing (deductibles, coinsurances, copayments) for Medicare-covered services.

Many participants are automatically enrolled in Part B coverage (for example, those who have worked or whose spouses have worked at least 10 years, or 40 quarters, and paid payroll taxes through their employment). If you are not automatically enrolled in Part B, and you do not enroll when you are first eligible for Medicare, you can be subject to a late-enrollment penalty, which is added to the Part B premium. You may have to pay the late-enrollment penalty for as long as you have Part B. The penalty amount could go up 10% for every 12-month period when you were eligible for Part B but did not enroll. For example, if you waited for three years to sign up, your penalty could be 30% of the premium. In this example, you might pay your Part B monthly premium, plus 30%, for as long as you have Part B.

Medicare Part D

Part D is the part of Medicare that provides outpatient drug coverage. Part D is provided only through private insurance companies that have contracts with the federal government – it is never provided directly by the government.

If you want Part D coverage, you have to choose and enroll in a private Medicare prescription drug plan or a Medicare Advantage Plan with drug coverage. Enrollment is optional (though recommended to avoid incurring future penalties) and only allowed during approved enrollment periods. Typically, you should sign up for Part D when you first become eligible to enroll in Medicare.

Whether you should sign up for a Medicare Part D plan depends on your circumstances. You may have creditable drug coverage from employer or retiree insurance. If so, you do not need to enroll in a prescription drug plan until you lose this coverage. Also, some people already enrolled in certain low-income assistance programs may be automatically enrolled in a Medicare drug plan and receive additional financial assistance paying for their medicines.

If you do not enroll in a Part D plan during the initial enrollment period for Part D, you may have to pay a late-enrollment penalty if you enroll in a Part D plan later. You will not have to pay this penalty if you:

- Enroll in the prescription drug plan when you are first eligible to do so, during the initial enrollment period for Part D.
- Make sure you have creditable coverage with your insurance plan. Your plan must tell you every year if your prescription drug coverage is creditable coverage. If you have a period of 63 or more days in a row without creditable coverage, you could pay a late-enrollment penalty.
- Qualify for Medicare Extra Help.
- Never enroll in a Part D plan.

The late-enrollment penalty for Medicare Part D depends on how long you go without creditable coverage. The late-enrollment penalty is calculated by multiplying 1% of the “national base beneficiary premium” by the number of months you were eligible, but did not apply, for Part D. This amount is rounded to the nearest 10 cents and added to your monthly prescription drug plan premium. The national base beneficiary premium may change each year, so the late-enrollment penalty may also change each year. Participants may have to pay the late-enrollment penalty the whole time they are enrolled in a Part D plan.

Medicare and Disability Requirements

Medicare is available for certain people with disabilities who are under age 65. These individuals must have received Social Security Disability benefits for 24 months or have End Stage Renal Disease (ESRD) or Amyotrophic Lateral Sclerosis (ALS, also known as Lou Gehrig’s disease). There is a five month waiting period after a participant is determined to be disabled before a participant begins to collect Social Security Disability benefits. People with ESRD and ALS, in contrast to persons with other causes of disability, do not have to collect benefits for 24 months in order to be eligible for Medicare.

People who meet all the criteria for Social Security Disability are generally automatically enrolled in Parts A and B. People who meet the standards, but do not qualify for Social Security Disability benefits, can purchase Medicare by paying a monthly Part A premium, in addition to the monthly Part B premium.