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“A Conversation About Medicare Part A, B, C and D”

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What are the requirements for Medicare coverage?

- As a baseline, persons 65 years of age or older and receiving Social Security automatically qualify for Medicare Part A and Medicare Part B

- Persons with Lou Gehrig's disease, kidney failure or those receiving disability benefits for two years are also eligible

Why are there four primary Medicare coverages?

- **For each Medicare coverage there is a:**
  - Different selection of care, products and services
  - Certain number of requirements by the particular plan
  - Different amount of money beneficiaries are required to pay for it
  - Specified funding source and administrator or plan provider (including commercial and government entities) assigned to it

Are all four paid for by the government?

- **Medicare Part A is the only one which is free as long as the person using it meets its work and social security requirements**
  - It is funded by payroll taxes (employees, employers and self-employed persons), income taxes paid on Social Security benefits, interest earned by the government's Medicare trust fund investments (known as the "Hospital Insurance Trust Fund") and through premiums paid by persons not eligible for premium-free Part A coverage
- **Medicare Part B and D coverage is paid by:**
  - Funding authorized by Congress
  - Premiums from persons enrolled in Medicare Part B and Part D
- **Medicare Part C plans are funded by the persons enrolled in them and the premiums they pay**

How does Medicare Part A work?

- **Medicare Part A is focused on advanced healthcare needs and costs**
- **Hospital, skilled nursing home, home health and hospice care is covered**
- **Medicare Part A is free for persons who have paid social security taxes for at least 40 calendar quarters (10 years)**
  - If a person does not meet these minimum requirements, they pay a monthly premium or may not be eligible at all

How does Medicare Part A work?

- **Persons with Medicare may get drugs as part of their treatment during a covered stay in a hospital or skilled nursing facility (SNF)**
  - Part A payments to the hospital or SNF generally cover all drugs provided during a stay.
- **Part A doesn't pay for outpatient prescription drugs**
- **Hospital services provided in an outpatient setting, like an emergency department or hospital observation unit, are subject to different coverage rules, these drugs may/may not be covered under Medicare Part B**
  - Generally, Part B doesn't cover self-administered drugs a person gets in outpatient settings, a person's Medicare drug plan (Part D) may cover these drugs under certain circumstances.
  - A person may have to pay out-of-pocket and submit a claim to their Part D plan to be reimbursed

How does Medicare Part B work?

- **Medicare Part B focuses on basic health care needs and service**

- **Medicare Part B covers:**
  - doctors' services
  - preventative care
  - durable medical equipment
  - hospital outpatient services
  - laboratory testing
  - x-rays
  - mental health care
  - some ambulance services and home health

- **Medicare Part B coverage requires a monthly premium payment**

How does Medicare Part B work?

- Medicare Part B covers a limited selection of drugs
- Coverage usually is limited to drugs given by infusion or injection
- If the injection is usually self- administered or not given as part of a doctor's service, Part B probably won't cover it
- In most cases, self-administered therapies are subject to the yearly Part B deductible, persons with Medicare may have to pay the Part B deductible amount prior to Medicare paying its share

How does Medicare Part C work?

- Medicare Part C is not a separate benefit, it part of Medicare policy allowing for private health insurers to provide Medicare benefits usually referred to as “Medicare Advantage” plans

- These plans include the same benefits as Medicare Part A and B but with different costs, coverages and rules, many include Part D coverage as part of their plan

- These plans often feature approved networks of physicians and hospitals enrolled persons can go to for care

- Part C plans may save persons money as out-of-pocket costs as these plans are generally lower than with Original Medicare alone, however; costs will vary by services used/type of plan purchased

How does Medicare Part C work?

- Each Advantage Plan can charge different out-of-pocket costs and rules about seeing a specialist or particular choice of hospital

- Plans may include Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs), Private Fee-For-Service (PFFS), Special Needs Plans (SNP), Medical Savings Account (MSA)

- Persons are required to have Medicare Part A and Part B coverage, live in the coverage area and not have End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant)

How does Medicare Part D work?

- **Part D focuses on outpatient prescription drug insurance**
- **It is available only through private health insurance companies**
- **The insurers/plans are approved by the Federal government**
- **Part D is optional for most persons, it depends on their existing prescription drug coverage and healthcare needs**
  - Depending on a person's needs and prescription drug utilization, it can provide them with medicine at a lower cost and potentially protect them from drastic increases in prescription drug cost

What does “Dual Eligible” mean?

- **Persons eligible for Medicare Part A and/or Part B plus some form of Medicaid benefit are referred to as “Dual Eligibles”**
  - These benefits are referred to as Medicare Savings Programs (MSPs)
  - Dual eligibles qualify for some form of Medicaid benefit; that Medicaid coverage is limited to certain costs, such as Medicare premiums, or the full benefits covered under the State Medicaid plan

What is “Medicare Supplement” insurance?

- Medicare supplement (“Medigap” or “Med-sup”) plans are sold by insurers to help pay healthcare costs Medicare doesn't cover, like copayments, coinsurance and deductibles; to get Medigap coverage, persons must have Medicare Part A and B
- Some Medigap plans cover services Medicare doesn't, like care outside the U.S.
- Medigap and Medicare Advantage are different, Medicare Advantage plans are for access to Medicare benefits, a Medigap policy is a supplement to Medicare benefits
- Persons pay a monthly premium for Medigap plus the monthly Medicare Part B premium
- Medigap covers one person, spouses/partners each have to sign up for their own
- Standardized Medigap coverage is guaranteed, insurers can't cancel if premiums are paid
- Medigap policies sold after 1/1/06 do not include prescription drug coverage.
- If you have a Medicare Medical Savings Account (MSA plan), you can’t have a Medigap plan

How do healthcare product manufacturers engage the Medicare marketplace?

- **Medical device companies, diagnostic product firms and pharmaceutical manufacturers assert resources/strategy such as:**
  - Dedicated Medicare contracting, finance, legal, marketing and sales staff
  - Active engagement in lobbying efforts and participation with trade associations to stay ahead of Medicare policy developments and influence decision makers
- **Medicare has significant price sensitivity, the tradeoff is access:**
  - The Medicare marketplace is growing, the patient population is increasing
  - It has high utilization within its patient base, sales volume is typically high

Summary

- Medicare is one of the largest federal government programs and a sizable marketplace for providers, insurers and healthcare product companies
- Each component, Part A,B,C,D, provides specific care and services paid for through various funding sources
- Its patient population represents significant care/cost challenges
- Heavily regulated with a strong emphasis on economic value, its large patient base coupled with a high utilization of products and services make it a segment fortified with opportunity

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