



# The History of Medicare

## THE HISTORY OF MEDICARE

In 1965, the Social Security Act established both Medicare and Medicaid. Medicare was a responsibility of the Social Security Administration.

The first U.S. President to propose a prepaid health insurance plan was Harry S. Truman. On November 19, 1945, in a special message to Congress, President Truman outlined a comprehensive prepaid medical insurance plan for all people through the Social Security system. The plan included doctors, hospitals, and nursing, laboratory, and dental services - it was dubbed "The National Health Insurance."

Over the years lawmakers have narrowed the field of health insurance recipients mostly to social security beneficiaries.

President John F. Kennedy was aware of the need for health insurance for the aging, however, it wasn't until 1965 that President Lyndon B. Johnson signed H.R. 6675 (The Social Security Act of 1965; PL 89-97) to provide health insurance for the elderly and the poor. On July 30, 1965, President Johnson signed the Medicare and Medicaid Bill (Title XVIII and Title XIX of the Social Security Act). Medicare then extended health coverage to Americans aged 65 or older. About 19 million beneficiaries enrolled in Medicare in the first year of the program.

On December 8, 2003, then President George W. Bush signed the Medicare Prescription Drug Improvement and Modernization Act into law. This legislation provides seniors and people living with disabilities a prescription drug benefit, more health care choices and some better benefits. President Bush stated that he felt that "By reforming and modernizing Medicare, we are honoring the commitments of Medicare to all our seniors."

We now in 2010 find ourselves in the midst of yet another wave of health care reform; the bill that was passed is complex and difficult to understand. If you are interested in providing Medicare Health Insurance policy options to potential clients make sure that you familiarize yourself with the modern changes and laws.



## **WHO IS ELIGIBLE FOR THE MEDICARE BENEFIT PROGRAM?**

You are eligible for Medicare if you or your spouse worked for at least 10 years in Medicare-covered employment and you are 65 years or older and a citizen or permanent resident of the United States. You may still qualify for coverage if you are not yet 65 if you have a severe disability or End-Stage Renal disease (permanent kidney failure requiring dialysis or transplant).

Here are some simple guidelines. You can get Part A at age 65 without having to pay premiums if:

- You already get retirement benefits from Social Security or the Railroad Retirement Board.
- You are eligible to get Social Security or Railroad benefits but haven't yet filed for them.
- You or your spouse had Medicare-covered government employment.

If you are under 65, you can get Part A without having to pay premiums if you have:

- Received Social Security or Railroad Retirement Board disability benefits for 24 months.
- End-Stage Renal Disease and meet certain requirements.

**Dual-eligible** means they qualify for both Medicare and Medicaid.

In 2007 Medicare provided health care coverage for 43 million Americans, enrollment is expected to reach 77 million by 2031, when the baby boom generation is fully enrolled.

Generally you are eligible for Medicare coverage if you have Medicare Parts A & B.

If you have questions about your eligibility for Medicare Part A or Part B, or if you want to apply for Medicare, please call Social Security at 1-800-772-1213 or visit or call your local Social Security office. TTY users should call 1-800-325-0778. You can also get information about buying Part A as well as Part B if you don't qualify for premium-free Part A.

## **THE ABC'S OF MEDICARE**



**Part A** – Covers costs associated with hospital care.

### **Overview of Part A**

- Covers inpatient stay (at least overnight), semiprivate room, food, test.
- Covers brief stays in skilled nursing facility if certain conditions met:
  - Preceding hospital stay MUST be at Least 3 days, 3 Midnights, not counting discharge date.
  - The nursing home stay must be for something diagnosed during the hospital stay or for the main cause of the hospital stay
- Medicare A does NOT pay for custodial, non-skilled, or long term care activities, including activities of daily living (ADL) such as personal hygiene, cooking, cleaning, etc.

**Part B** - Covers costs associated with doctor and outpatient care

### **Overview of Part B**

**Part B helps cover *medically-necessary services*** like doctors' services, outpatient care, home health services, and other medical services. Part B also covers some preventive services. Medicine administered under part B is only covered if administered during the doctor's office visit.

If you get benefits from Social Security or the Railroad Retirement Board (RRB), in most cases, you will automatically get Part B starting the first day of the month you turn age 65. If your birthday is on the first day of the month, your Part B will start the first day of the prior month. If you are under age 65 and disabled, you will automatically get Part B after you get disability benefits from Social Security or certain disability benefits from the RRB for 24 months. You will get your Medicare card in the mail about 3 months before your 65th birthday or your 25th month of disability.

Also covers durable medical equipment (DME) including canes, walkers, wheelchairs, mobility scooters for those with mobility impairments, prosthetic devices following mastectomy 1 pair of eye glasses following cataract surgery and oxygen.

**Part D** – Helps to assist with costs of prescription drugs.

### **Overview of Part D**



Put into effect 1/1/06, available to anyone with Parts A&B that are eligible. These plans are approved and regulated by the Medicare program, CMS, but are actually designed and administered by private health insurance companies. Unlike Original Medicare (Part A and B), Part D coverage is not standardized. Plans choose which drugs (or even classes of drugs) they wish to cover, at what level (or tier) they wish to cover it, and are free to choose not to cover some drugs at all.

It should be noted again for beneficiaries who are dual-eligible (Medicare and Medicaid eligible) Medicaid may pay for drugs **not covered by part D** of Medicare, such as benzodiazepines, and other restricted controlled substances.

Part D has a drug coverage monetary amount that the government allows each year – currently for 2010-2011 this amount is set at \$2,840.00. If a consumer uses enough medications this will through them into the “Coverage Gap” or what is sometimes referred to as the “Doughnut Hole”. During this period the consumer will pay the full costs of the drugs until they reach the amount of \$4,550.00 which is the maximum out of pocket set by the government. Once this amount is reached the consumer will be out of the coverage gap and the Part D drug plan will pick up again and cover the bulk of the costs of the drugs leaving the consumer to pay a minimal amount usually about 5% coinsurance.

## **Part C – Often called – Medicare Advantage Programs**

### **Overview of Part C- Medicare Advantage**

Health coverage offered by independent insurance agencies that wrap in all the above services.

For example, these policies provided by private insurers will provide coverage for hospital, doctor, RX coverage, outpatient care, rehabilitation services as well as nursing service, in home health care, etc. These policies will often also wrap in an “advantage” or additional benefits such as gym memberships to aid with preventative care or some limited vision and hearing services.

These plans offered by private insurers are approved by Medicare who will pay a fixed fee to the plan carrier for your care – the plan will then pay for the approved services you receive. You must reside in the service area of the plan. Your ability to enroll may be limited to certain times of the year. For PPO and HMO-POS members, with the exception of emergency of urgent care or out-of-area renal dialysis, it may cost more to get care from out-of-network providers.

### **Part A & B Premiums:**

Most Medicare enrollees **do not pay a monthly Part A premium**, because they (or a spouse) have had 40 or more 3-month quarters in which they paid taxes.



You pay the Part B premium each month. Most people will pay the standard premium amount and it comes out of their Social Security check every month.

However, if your modified adjusted gross income as reported on your IRS tax return from 2 years ago is above a certain amount, you may pay more. If you don't sign up for Part B when you are first eligible, you may also have to pay a late enrollment penalty

**Part B premium for 2010 – 2011 is \$96.40 per month.**

### **Part D Premiums**

Part D premiums work like other insurance products, if you join, generally you will pay a monthly premium, which varies by plan, and a yearly deductible. You will also pay a part of the cost of your prescriptions, including a copayment or coinsurance. Costs will vary depending on which drug plan you choose. Some plans may offer more coverage and additional drugs for a higher monthly premium. If you have limited income and resources, and you qualify for extra help, you may not have to pay a premium or deductible. You can apply or get more information about the extra help by calling Social Security at 1-800-772-1213 (TTY 1-800-325-0778) or by visiting [www.socialsecurity.gov](http://www.socialsecurity.gov) on the web.

### **Part C Premiums**

Since these are plans offered by independent insurance and these plans “wrap” all of the above services and protection into one plan the cost varies by provider. Check with you local providers for more information on plan premiums.

Here is a Chart to help you understand the flow outlined above:

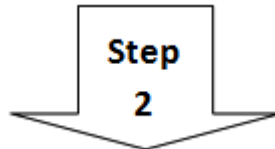
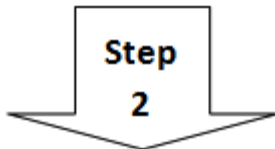
### **Coverage Choices**


**There are Two Main Choices for How You Get Your Medicare**

Follow These Steps to Help You Decide:



**Decide if You Want Original Medicare or a Medicare Advantage Plan**

<b>Original Medicare</b>	<b>Medicare Advantage Plan (like and HMO or PPO)</b>
Part A (Hospital Insurance) and Part B (Medical Insurance)	Part C – Includes BOTH Part A (Hospital Insurance) and Part B (Medical Insurance)
<ul style="list-style-type: none"> <li>• Medicare provides this coverage.</li> <li>• You have your choice of doctors, hospitals, and other providers.</li> <li>• Generally, you or your supplemental coverage pay deductibles and coinsurance.</li> <li>• You usually pay a monthly premium for Part B.</li> </ul> 	<ul style="list-style-type: none"> <li>• Private insurance companies approved by Medicare provide this coverage.</li> <li>• In most plans, you need to use plan doctors, hospitals, and other providers or you pay more or all of the costs.</li> <li>• You usually pay a monthly premium (in addition to your Part B premium) and a copayment or coinsurance for covered services.</li> <li>• Costs, extra coverage, and rules vary by plan.</li> </ul> 
<b>Decide If You Want Prescription Drug Coverage (Part D)</b>	<b>Decide If You Want Prescription Drug Coverage (Part D)</b>
<ul style="list-style-type: none"> <li>• If you want this coverage, you must choose and join a Medicare Prescription</li> </ul>	<ul style="list-style-type: none"> <li>• If you want prescription drug coverage, and it's offered by your plan, in most</li> </ul>

<p>Drug Plan.</p> <ul style="list-style-type: none"> <li>• These plans are run by private companies approved by Medicare.</li> </ul> 	<p>cases you must get it through your plan.</p> <ul style="list-style-type: none"> <li>• If your plan doesn't offer drug coverage, you can choose and join a Medicare Prescription Drug Plan.</li> </ul>
<p><b>Decide If You Want Supplemental Coverage</b></p>	<p><b>Continue Below</b></p>
<ul style="list-style-type: none"> <li>• You may want to get coverage that fills gaps in Original Medicare coverage. You can choose to buy a Medigap (Medicare Supplement Insurance) policy from a private company.</li> <li>• Costs vary by policy and company.</li> <li>• Employers/unions may offer similar coverage.</li> </ul>	<p><b>Note:</b> If you join a Medicare Advantage Plan, you don't need a Medigap policy. If you already have a Medigap policy, you can't use it to pay for out-of-pocket costs you have under the Medicare Advantage Plan. If you already have a Medicare Advantage Plan, you can't be sold a Medigap policy.</p>

- In addition to Original Medicare or a Medicare Advantage Plan, you may be able to join other types of Medicare health plans.
- You may be able to save money or have other choices if you have limited income and resources.
- You may also have other coverage, like employer or union, military, or Veterans' benefits.

## Medicare Enrollment Periods – Disenrollment Periods

### INITIAL ENROLLMENT PERIOD



### ***SEVEN-MONTH WINDOW***

- 3 MONTHS BEFORE YOUR 65<sup>TH</sup> BIRTHDAY
- YOUR BIRTH MONTH
- 3 MONTHS AFTER YOUR 65<sup>TH</sup> BIRTHDAY

### **SEASONAL ENROLLMENT PERIOD**

- Oct-Nov 15 – Get informed – receive the upcoming years booklets outlining coverage
- Nov 15- December 30 – Open Enrollment Period
- January – Sept – Enrollment Closed

### **NEW SEASONAL DISENROLLMENT PERIOD**

- \*\*There is a NEW Annual Disenrollment Period – January 1 – March 31

\*During this disenrollment period you can disenroll from a Medicare Advantage Plan and return to Original Medicare and join a Prescription Drug Plan.

\*Other enrollment periods are available under special circumstances (such as if you qualify for extra help, move out of the plans service area, relocate into an institution, leave an employer group health plan).

### **Fall Annual Enrollment Period**

**Mark your calendar with these important dates!**



**October 2010**

Compare your coverage with other available options to see if there's a better choice for you.

**November 15, 2010– December 31, 2010**

You can change your Medicare health or prescription drug coverage for 2011.

**January 1, 2011**

New coverage begins if you switched or joined a plan. New costs and coverage changes also begin if you kept your existing coverage.

**Coming soon**—In the fall of 2011 the Annual Enrollment Period dates will change to give the consumer more time to choose and join a Medicare health or prescription drug plan. They will be able to switch their coverage between October 15, 2011—December 7, 2011. If they make a change during this period your new coverage will begin January 1, 2012.

***NEW IN 2011- THINGS TO KNOW***

**ANNUAL DISENROLLMENT PERIOD**



The new Annual Disenrollment Period will be from January 1 through February 15, 2011. The consumer during this window can elect disenrollment from a Medicare Advantage Plan and return to original Medicare and join a Prescription Drug Plan.

Other enrollment periods are available under special circumstances such as: if the consumer qualifies for extra help, the consumer moves out of the plan's service area, moved into an institution, leaves an employers group health plan, etc.

### **A PRIVATE INSURANCE PLAN MAY DECIDE TO LEAVE A SERVICE AREA**

Medicare health and prescription drug plans can decide not to participate in Medicare for the coming year. Plans that choose to leave the Medicare Program entirely or in certain areas are said to be "non-renewing." In these cases, the plan will send a letter about available options and then the consumer will have the right to join another Medicare plan.

If the consumer wants to continue with a Medicare prescription drug coverage plan (Part D) or a Medicare Advantage Plan (like an HMO or PPO), they will need to join a new plan for the upcoming year. The consumer should join a new Medicare health plan by December 31st to make sure they have coverage as of January 1. If they don't join a health plan by December 31st, then they will automatically continue to have Original Medicare coverage as of January 1.

Remember, if they don't join a new health plan then they will NOT have part D prescription drug coverage. If they return to Original Medicare then they have to elect to carry a standalone Part D policy for their prescription drugs or they will have no coverage *and* will incur a penalty if they decide to elect to carry this coverage at a later date.

To Your Success,

Brokers Choice of America

*\*As with any financial transaction make sure to consult your CPA or tax attorney as well as your Financial Advisor for the most appropriate information as it applies to you individually. This article is written only to provide a basic understanding of the above concept.*

*Disclaimer: BCA Universities are a trademarked marketing name of a course offered by BCA Marketing. BCA Universities are not accredited by any organization of higher education nor are any courses approved for C.E. (Continuing Educating) credits for any professional license. \* Some information taken from <http://www.medicare.gov> website 12/10.*