

Understanding the Medicare System

Bill McKendree JD, MPA

William.McKendree@phbsp.org

412-266-8322



Part 2

Medicare Cost Sharing

Private Insurance Products as Part of Medicare Coverage



COST SHARING

Cost Sharing was intentionally built into Medicare system

Beneficiaries are expected to share the cost of coverage through payments of:

- **Deductibles**
- **Co-payments**
- **Co-insurance**



COST SHARING

AS A RESULT:

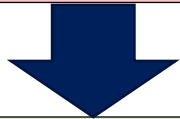
A key characteristic of the Medicare system is utilization of

PRIVATE INSURANCE

to help with the costs that “Basic” Medicare does not cover

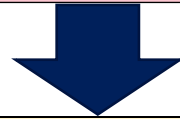
Medicare Coverage Options

**MEDICARE
PARTS A & B**



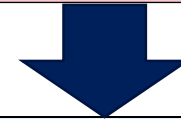
**EMPLOYER
BENEFITS**
through
private insurance
coverage

**MEDICARE
PARTS A & B**



**MEDICAID
BENEFITS**
through
private insurance
coverage

**MEDICARE
PARTS A & B**



**PRIVATE
INSURANCE**
directly obtained by
beneficiary

PRIVATE INSURANCE PARTS OF THE MEDICARE SYSTEM

SUPPLEMENTAL COVERAGE:

Secondary coverage for Medicare Parts A and B
(Medigaps / MedSupps)

PART C "ADVANTAGE" PLANS:

Managed-Care coverage that replaces Parts A and B
(HMOs / PPOs)

PART D PLANS

Prescription Drug Coverage

MEDIGAPS

Medigaps

- Policies sold by private companies
- Fill the gaps in Original Medicare -
 - Deductibles, Copayments, Coinsurance
- Plans are identified by alphabetical designation
 - (**A**, **B**, **C**, ...)
 - Each letter represents a different coverage level
- In Pennsylvania - Standardized Coverage
 - All plans with same letter have same coverage
 - Only the premiums may vary

Medigap Benefits	Medigap Plans									
	A	B	C	D	F*	G*	K**	L**	M	N***
Part A Coinsurance – Up to 365 Days	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Blood (First 3 Pints)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hospice Care Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Coinsurance			✓	✓	✓	✓	50%	75%	✓	✓
Part A Deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B Deductible			✓		✓					
Part B Excess Charges					✓	✓				
Foreign Travel Emergency (Up to Plan Limits)			✓	✓	✓	✓			✓	✓

*Plans F and G have a high-deductible version with \$2,490 deductible for 2022
** For 2022 Plan K has a \$6,620 out-of-pocket limit and Plan L has a \$3,310 out-of-pocket limit
***N also has co-pay for doctor visit and ER visit

Elimination of F and C Medigaps

- Effective: 1/1/2020
- **F** or **C** plans acquired before 1/1/2020 are grandfathered
- If eligible for Medicare before 1/1/2020 and delayed enrolling in Part B till after 12/31/2019 then ability to acquire F or C is grandfathered

Significance

- **F** and **C** are the only Medigaps that eliminate Part B Deductible

Purchasing a Medigap Policy

Medigap Open Enrollment Period (OEP)

- OEP begins when
 - beneficiary is 65 (or older)
 - *and* enrolled in Medicare Part B
- Apply up to **6** months after Part B enrollment
- Cannot be turned down
- All plans sold by company are available

Purchasing a Medigap Policy After OEP

- Can purchase a Medigap policy out of guaranteed enrollment – if insurance company chooses to sell you one (underwriting)
- Some states have more generous rules for accessing Medigaps outside the OEP

Other times purchase of Medigap is *guaranteed*

- Must have a **Triggering Event**
- Cannot be turned down
- Limit on plans that are guaranteed:
A, B, C, F, G, K and L
- And limited time frame to purchase: **63 Days**

Trigger Events Include:

- Loss of employer health insurance through no fault of your own
- Medigap company discontinues plan coverage
- Medicare Advantage plan discontinued
- Beneficiary moves out of plan's service area
- Enrolled in Medicare Advantage plan when first eligible for Medicare
 - First 12 months of enrollment in Advantage plan
- Dropped Medigap for a Medicare Advantage product
 - First 12 months of enrollment in Advantage plan

Medigap Pricing

- Companies set their own prices, which are approved by PA Department of Insurance
- Companies have 3 possible ways of setting prices:
 - **Community Rated** – All enrollees pay same rate no matter what age
 - **Issue Age** – Premium is based on the age at which they enrolled
 - **Attained Age** – Premium is based on current attained age
- Prices for all policies can also increase due to increasing health care costs and inflation

Medigap Pricing

- Cost (monthly premium) depends on
 - Your age (in some states)
 - Where you live (e.g., urban, rural, or ZIP Code)
 - Company selling the policy
 - Discounts (female, non-smokers, married couples)
 - Medical underwriting
- Premiums vary for same Medigap level from company to company

MEDICARE PART C ADVANTAGE PLANS

Medicare Part C

- Alternative to traditional Medicare coverage
- Part of the Medicare system but...
- Benefit Plan's are provided by private companies
- Plans are approved and regulated by Medicare
- Medicare subsidizes the plan companies
- **Managed Care Plans** with provider network

Medicare Part C

- Coverage offered by Plans must be **at least equal** to the coverage provided through Medicare Parts A & B
- Normally, Part C plans offer additional coverage beyond standard Medicare benefits
 - Dental Coverage
 - Vision Coverage
 - Hearing-Aid Coverage
 - Health Club Membership
 - Wellness Programs
 - Home Care Services
 - Transportation Services
 - Concierge Services
- Plans may include prescription drug coverage

Medicare Part C

- Benefits vary from one plan to another
and
- Benefits can vary from one year to the next
and
- Provider network can change each year

Enrolling in a MA plan

- During 7month *initial enrollment* period
- During *annual open enrollment* period
 - October 15 – December 7 each year
 - Coverage begins January 1
- During *special enrollment* situations

MEDICARE PART D PRESCRIPTION DRUG PLANS

Medicare Part D

- Available since January 1, 2006 to provide coverage for prescription drug cost
- Voluntary Prescription Drug Benefit
- Available for Medicare Beneficiaries enrolled in “Basic” Medicare (Part A **or** Part B)
- Plans are provided by private insurance companies
- Plans must be CMS approved and meet or exceed Medicare Guidelines

2 versions of plans:

- Stand-alone Prescription Drug Plans (PDP)
- Medicare Advantage plans with Rx benefit (MA-PD)

Enrolling in a Part D plan

- During 7month *initial enrollment* period
- During *annual open enrollment* period
 - October 15 – December 7 each year
 - Coverage begins January 1
- During *special enrollment* situations

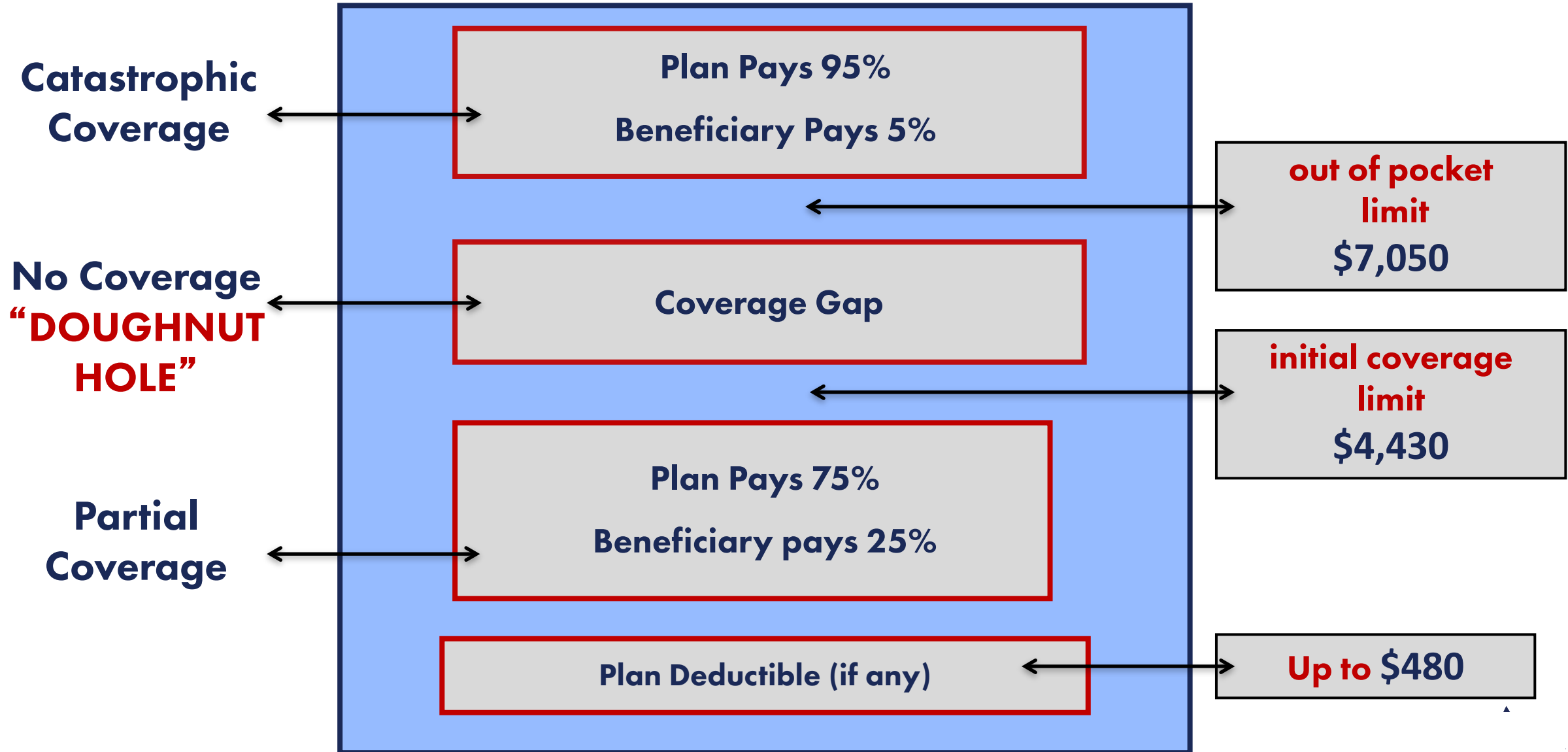
Part D Plan Formulary

the list of prescription drugs covered by the plan

Part D plans have “tiers” that have different sharing amounts
Example of Tiers (Plans can form tiers in different ways)

Tier	You Pay	Prescription Drugs Covered
1	Lowest copayment	Most generics
2	Medium copayment	Preferred, brand-name
3	Higher copayment	Non-preferred, brand-name
Specialty	Highest copayment or coinsurance	Unique, very high-cost

MEDICARE PRESCRIPTION DRUG PLAN (2022)



Coverage while in the Donut Hole

Part of 2010 Affordable Care Act

- **75% coverage** for plan covered **non-generic** drugs
- **75% coverage** for plan covered **generic** drugs
- Beneficiary pays **25%**
for plan covered generic and non-generic drugs



Plans “manage” access to drugs by:

- Formularies (list of covered drugs)
- Prior authorization (doctor contacts plan)
- Step therapy (type of prior authorization)
- Quantity limits (limits quantity for time period)

Making the Right Choice

It's a personal thing



Selecting the Best Coverage

■ **Prioritize Your Values**

- What are the things that you want the plan to do
and
- What is your order of priority
for those things that you want the plan to do
(from the most important to the least important)

Coverage Options Using Private Insurance Products

Option 1

Medicare Part A & B
as primary coverage

Supplement
(Medigap)

Part D
Drug Plan

Non-Medicare
Services

Option 2

Medicare Part C
(Managed Care Plan)
as primary coverage

Can include:
Part D coverage and
Non-Medicare Services

still requires enrollment in
Medicare Part A & B

