

MEDICARE OVERVIEW

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There are common misconceptions, among others, that Medicare pays for long-term care in a nursing home and that Medicaid helps pay for assisted living. It is important to understand the differences between the two medical expense reimbursement programs.

Medicare is a medical insurance-type program developed to pay medical costs for retired or disabled persons who have paid into the Social Security system. The Medicare law is found in Title XVIII of the Social Security Act. Medicare Part A pays for hospitalization costs and Part B pays for doctor visits, outpatient therapies, medical equipment, home health care, etc. Any recipient of Social Security Retirement or railroad retirement benefits is eligible for Medicare Part A coverage beginning at age 65. The beneficiary should apply for Medicare and will elect either original Medicare or Part C (also called Medicare Advantage, formerly known as Medicare+Choice). Medicare Part C allows eligible individuals to elect coverage from approved Medicare Advantage plans through private companies (HMOs, PPOs, etc.) as an alternative to traditional fee-for-service Medicare. (There are three such plans listed on the Medicare website for central Mississippi.) A person who continues working past age 65 is still eligible for Medicare benefits provided a Medicare application has been filed. A person who does not apply for Social Security or Medicare Part A benefits until after age 65 is entitled to Part A (hospital) benefits retroactive for 6 months prior to the month of application.

Medicare coverage is not dependent upon the income or assets of the recipient. Medicare Part B is a voluntary program for individuals who are eligible for Part A and who enroll in the program and pay the monthly premiums. The Part B premium is \$88.50 per month in 2006, and it is deducted from the monthly Social Security or railroad retirement payment. Enrollment occurs either by written application or automatically by establishing entitlement to Social Security benefits or Part A coverage. Notice of automatic enrollment is sent to eligible individuals and may be declined by sending a signed statement to the local SSA office stating that they do not wish such insurance. A person may voluntarily enroll during the “initial enrollment period”, which begins three months prior to the month when all the eligibility requirements are first met (typically the

65th birthday) and extends seven months thereafter. Since the beginning date of coverage depends on the date of application, it is important to file early to avoid the gap in insurance coverage that could occur when private medical insurance expires at age 65 without immediate continuing coverage under Medicare. Those who fail to enroll during the initial enrollment period may do so only during a “general enrollment period”, which is the first quarter of each calendar year.

Also, persons under age 65 who are receiving or are entitled to receive Social Security *disability* or railroad retirement *disability* benefits for not less than 24 months become eligible for Medicare Part A benefits in the 25th month of disability.

Contrary to popular belief, Medicare only pays part of the first 100 days of nursing home care for qualified nursing home residents, and only the first 20 days in full. The nursing home resident must pay a daily co-payment (\$124.00 in 2007) for days 21 – 100 with Medicare paying the balance. (Medicare Supplement Insurance often pays the co-payment amount.) There is no more Medicare coverage for nursing home care after the 100 days. Such Medicare coverage requires that the individual be admitted to a nursing home within thirty (30) days after a hospital stay of at least three (3) days.

There are premiums, deductibles and co-payments for Medicare coverage. These premiums, deductibles and co-payments may be paid by Medicaid for individuals whose income and assets are below poverty level limits (known as “Qualified Medicare Beneficiaries” or “QMBs”), or by private Medicare Supplement (“Medigap”) insurance policies.

The **Medicare Prescription Drug, Improvement and Modernization Act of 2003** implemented a new Medicare benefit – the Medicare Part D Prescription Drug Benefit. Medicare recipients may voluntarily join a drug plan run by a private company. Those who do not sign up for a plan between November 15 and December 31 (the “open enrollment period”) or within 6 months after becoming Medicare-eligible will have to pay a higher premium for late enrollment (1% increased for each month delayed). Each participant must pay a monthly premium for the plan (approximately \$37, set by each company). The participant must then pay the first \$250 in prescription drugs costs (the “deductible”) during the year. After this deductible is paid, Medicare will pay 75% of the next \$2,000 (up to \$1,500 total) in drug costs, and the participant will pay 25% (up to

\$500). After total drug costs of \$2,250 (\$1,500 by Medicare and \$750 by the participant), the participant must pay 100% of drug costs between \$2,250 and \$5,100 per year (the “coverage gap” or “doughnut hole”). After the participant has paid \$3,600 in total out-of-pocket drugs costs (not including premiums), Medicare will then pay up to 95% of drug costs (the “catastrophic benefit”), and the participant must pay the greater of 5% of cost or a \$2 generic/\$5 brand-name co-pay for each drug. Contact Medicare (800-633-4227), Mississippi Medicaid (800-421-2408), AARP (601-206-1848), or go to their websites (www.medicare.gov or www.aarp.org/prescriptiondrugs) for assistance to determine the best plan for you and to learn how to request an application form from the selected plan company.

Persons with Medicare and Medicaid coverage are entitled to “extra help” from Medicare, with reduced or no premium, no deductible, no coverage gap, and lower co-pays, and no co-pay if in a nursing home, and no co-pay over the catastrophic limit (\$3,600 out of pocket).

For assistance with Medicare and Medicare Prescription Drug Plan questions, contact the Elder Law Section of Frascogna Courtney, PLLC at 1-866-ELDERLAW (353-3752).