

MEDICARE AND MEDICAID: A BASIC UNDERSTANDING

Medicare is a federal health insurance program for people 65 years of age or older, some disabled people under 65 and people with end stage renal disease. People already receiving Social Security benefits automatically are enrolled into Medicare beginning the first day of the month in which they turn 65. Those not receiving Social Security at age 65 are not automatically enrolled. These people may sign up for Medicare benefits at any Social Security office during the initial enrollment period which begins three months before they turn 65 and ends three months after their 65th birthday.

MEDICARE PART A: HOSPITAL INSURANCE

Medicare Part A benefits cover inpatient hospital visits, some skilled nursing facility care, home health and hospice care. People with Part A coverage pay a deductible before Medicare payments begin (currently \$992.00 per benefit period) and are also responsible for a co-payment amount.

MEDICARE PART B: SUPPLEMENTARY MEDICAL INSURANCE

Medicare Part B pays for doctor's services, outpatient hospital care and home health visits not covered by Part A. It also covers laboratory tests, such as x-rays and blood work; medical equipment; preventative services; cardiovascular disease and diabetes screenings; outpatient therapy; mental health care and ambulance services. Part B also covers one initial physical exam within six months of when a person first enrolls into Part B.

Part B has a monthly premium (\$93.50-\$161.40 in 2007), an annual deductible and a 20% co-pay obligation for most services. To enroll a person must be over 65 and

either entitled to Part A or a United States resident who is either a citizen or resident alien who has resided in the United States for the five year period before enrollment. A person has seven months after becoming eligible for Part A to register for Part B.

MEDICARE PART C: MEDICARE ADVANTAGE PLANS

There are several types of Medicare Advantage Plans, Medicare Health Maintenance Organizations (HMOs), Medicare Preferred Provider Organization Plans (PPOs), Medicare Advantage private fee-for-service plan (PFFS) and a Medicare Savings Account (MSA).

MEDICARE PART D: OUT PATIENT PRESCRIPTION DRUGS

Part D coverage applies to drugs, biological products and insulin, all of which may be dispensed only by prescription and would normally be covered by Medicaid. Excluded are drugs covered under Parts A or B, those excluded by Medicaid and nonprescription drugs. In order for the drug to be covered, it must be included in the formulary of the chosen plan.

Standard Part D coverage is the minimum all plans must provide. Those choosing the standard coverage must pay in 2007 a monthly premium which averages \$27.35 and a deductible of \$265. Once the deductible is paid the participant pays 25% of the total cost of covered drugs from \$265 to \$2,400.00. When that threshold is reached, the participant pays 100% of the next \$3,051.25 in total drug costs after which he or she pays 5% of the ensuing costs. Many Part D plans offer more coverage than the standard plan in exchange for higher monthly premiums.

MEDICAID

Medicaid is a joint federal and state program that provides medical assistance to

eligible persons. Medicaid is a means of paying for long-term care which is not covered by Medicare. However, unlike Medicare, one does not automatically qualify for Medicaid by turning 65, as Medicaid is a needs based program. In order to qualify for Medicaid benefits, an applicant must meet income and resource eligibility requirements.