

Medicare and the Affordable Care Act

Medicare is the federal health insurance program for older adults (age 65 and older) and individuals with permanent disabilities. Over 48 million people have coverage through Medicare, including 1 million Missourians. The federal health reform law passed in 2010, the Patient Protection and Affordable Care Act (often referred to as the Affordable Care Act or ACA), makes changes to Medicare. These changes are discussed below.

Medicare is a complex program providing access to a variety of health services. It has a number of different components or parts that cover different health benefits (see table).

Medicare Component	Benefits
Part A: Hospital Insurance	Covers: <ul style="list-style-type: none"> • Inpatient hospital care (including tests, x-rays, and prescription drugs received during a hospitalization), • Hospice care, and • Skilled nursing facility and home health care following a hospitalization.
Part B: Supplemental Medical Insurance	Helps pay for: <ul style="list-style-type: none"> • Provider services (e.g., doctor visits), • Medical equipment used at home, and • Other services not covered under Part A (e.g., emergency room services, outpatient care, and physical therapy).
Part C: Medicare Advantage	Plans provided by private insurers which: <ul style="list-style-type: none"> • Must cover at least the services that Parts A and B pay for, and • May provide additional benefits, such as vision or dental.
Part D: Prescription Drug Plans	Outpatient prescription drug coverage through private drug plans or Medicare Advantage plans.

The majority of people enrolled in Medicare have Part A and Part B coverage. Most Part A enrollees do not have a monthly premium, as they have contributed to Medicare taxes while working. There is a monthly premium for Part B coverage (in 2012 the standard rate was \$99.90). There are cost-sharing requirements (co-pays, coinsurance, and deductibles) that may be required for services covered under Parts A and B. The Affordable Care Act (ACA) removes cost-sharing requirements for certain preventive care services, including a comprehensive wellness exam.

About one in six individuals with Medicare (17%) buy additional coverage to help pay cost-sharing requirements in Parts A and B. This type of coverage is called supplemental insurance and is purchased from a private company (often called a Medigap policy). Medigap premiums may vary by plan and by company. One third of Medicare enrollees have coverage through an employer-sponsored health plan which also offsets cost-sharing for Medicare Parts A and B.

About a quarter of Medicare participants (27%) choose to enroll in a Medicare Advantage plan (MA plan). MA plans are popular because they cover additional services. Private companies operate these plans and may charge different premiums based on region, services covered, and type of plan. They also receive a fixed amount of money from Medicare, to cover the cost of care. The ACA adjusts the formula used to calculate payments to insurers offering MA plans. The ACA also requires that MA plans do not have higher cost-sharing requirements for certain benefits compared to traditional Medicare (Parts A and B).

Part D coverage is the newest component of Medicare. Private companies (including MA plans) offer a number of prescription drug coverage plans to Medicare enrollees. Covered medications can differ by plan and there is wide variation in monthly premiums and cost-sharing requirements. There is a standard benefit design for Part D plans which has a coverage gap (or donut hole), where the plan does not cover medication costs until the enrollee has spent a certain amount out-of-pocket. The ACA reduces how much an enrollee has to spend out-of-pocket in the coverage gap with discounts on brand name and generic drugs. Additional adjustments from the ACA will gradually be made to eliminate the coverage gap by 2020.

Medicare is the largest health insurance program in the United States, covering a large and growing group of elderly and disabled Americans who might not otherwise have any health coverage. Medicare helps pay for essential services such as inpatient hospital stays, physician services, and prescription drugs. The Affordable Care Act tries to address some of Medicare's shortcomings by closing coverage gaps, improving the quality of care, reducing costs, and extending the financial security of Medicare.

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