MEDICARE: The US Government's Most Popular Social Program

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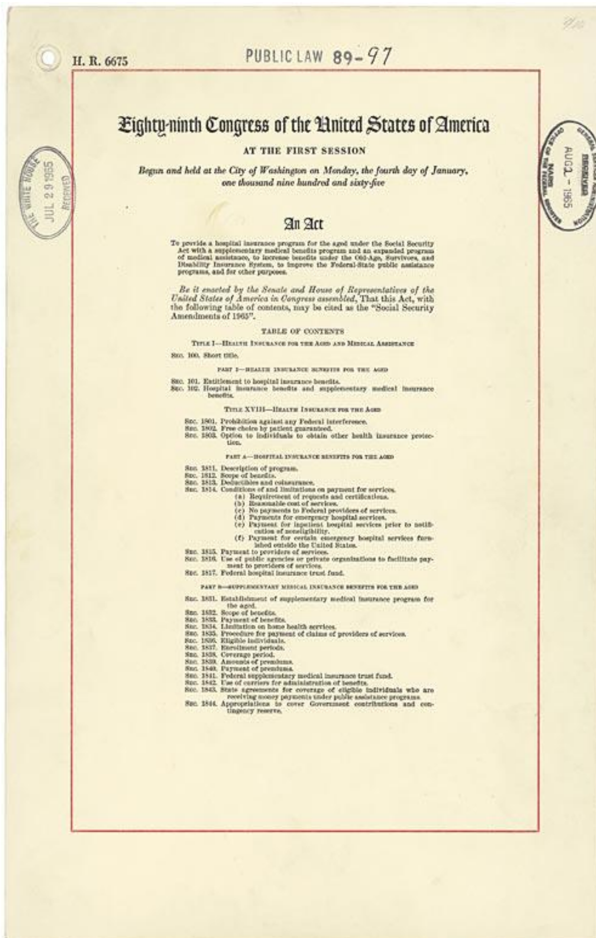

H. R. 6675

PUBLIC LAW 89-97

Eighty-ninth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Monday, the fourth day of January, one thousand nine hundred and sixty-five

An Act

To provide a hospital insurance program for the aged under the Social Security Act with a supplementary medical benefits program and an expanded program of medical assistance, to increase benefits under the Old-Age, Survivors, and Disability Insurance System, to improve the Federal-State public assistance programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1965".

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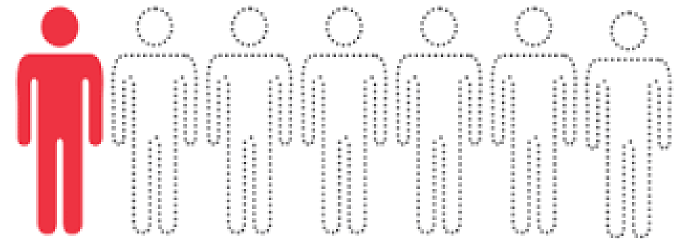
The Social Security Act of 1965 established Medicare (& Medicaid)

Medicare Revolutionized US Health Care

- **Only 56% of elderly had hospital insurance in 1965, just 54 yrs ago**

- **Remainder got only sporadic care**

> 1 out of 7 Americans is now covered by Medicare

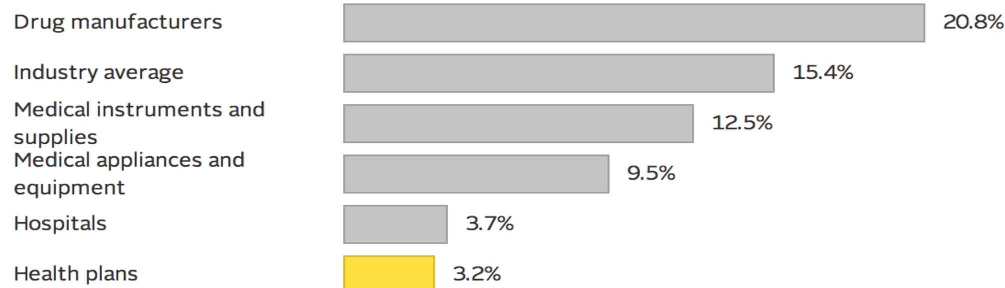


The Medicare Revolution

- Medicare (& Medicaid) pumped big $$ into health care demand

- Demand spurred new investment in health care technology & capacity

- Health sector took off as a "big business" environment



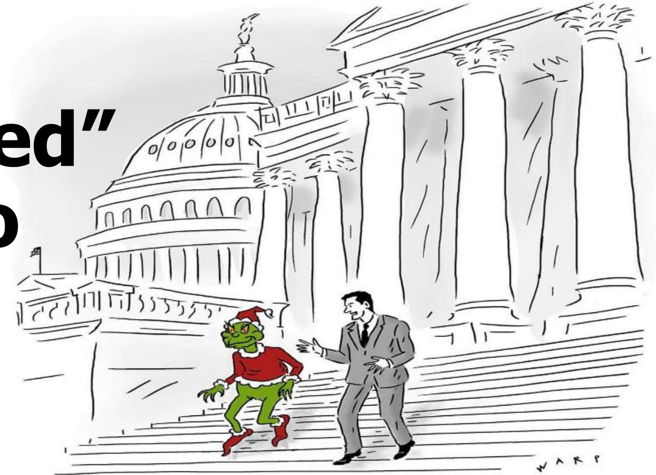
The Medicare Revolution

- **US spent $3.7+ *trillion* on health care in 2018**
  - **Medicare (& other govt. programs) finance about half of that now**

- **Health care = 17.9 % of GDP**
  - **More than we spend on food (10%), or housing (15%), or education (7.3%), or defense (3.5%)**

Why Is Medicare So Popular?

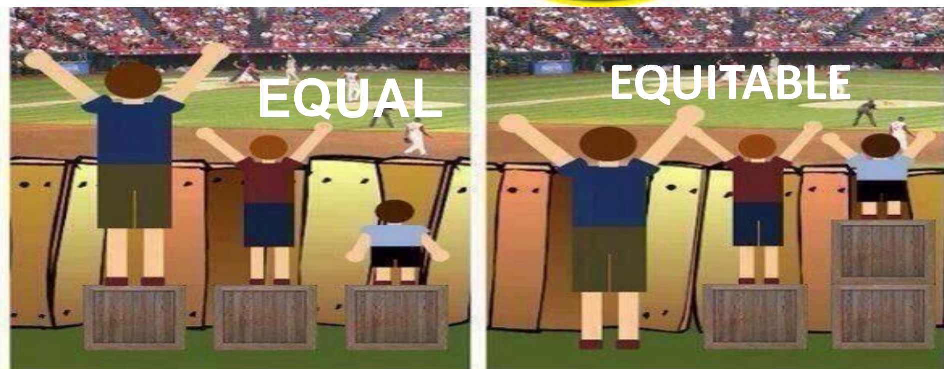
- **Benefits perceived as "earned" thru payroll contributions to M/C trust fund (i.e. *it's not welfare*)**



"Remember, wait until after Christmas to steal their Social Security and Medicare."

- **Benefits available to elderly (mainly) regardless of means**

- **Range of benefits perceived as fair & equitable**



Will Medicare Run Out of Money?

- **Bottom line: NO!**
  (notwithstanding big boomer influx)

- **Even tho costs dramatically up, program is far too popular to fail**

- **THE ELDERLY VOTE!**

Virtually <u>all</u> eligible seniors sign up for Medicare

They will never find cheaper health insurance

MEDICARE HEALTH INSURANCE

1-800-MEDICARE (1-[illegible]-633-4227)

FRANCES H MILLER

018-30-7357-T FEMALE

HOSPITAL (PART A) 12-01-2003

MEDICAL (PART B) 01-01-2004

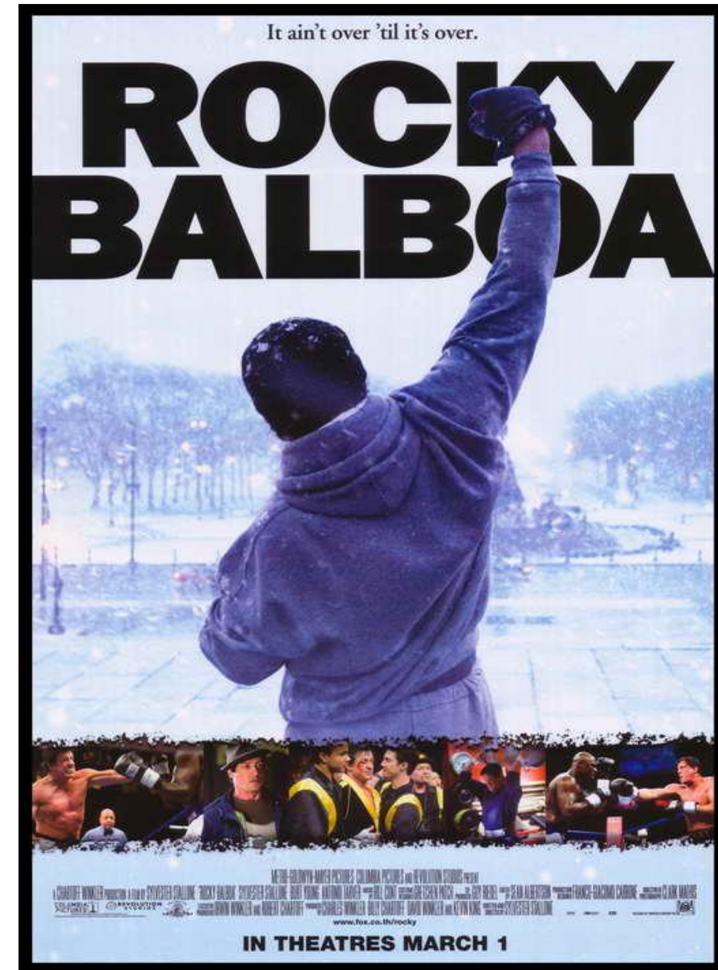
Providers Love Medicare Too

- > 40% of hospital inpatient days = Medicare (Parts A & C)
- 25% of physician revenues come from Medicare

- Durable medical equipment, hospice & ambulance firms also highly dependent on Medicare payments

But *Will* Medicare Run Out of Money?

- **Beneficiary contributions may ↑**
- **Taxes may ↑**
- **Controls may increase**
- **Benefits may shift**



But Medicare will survive!

(Trust me)

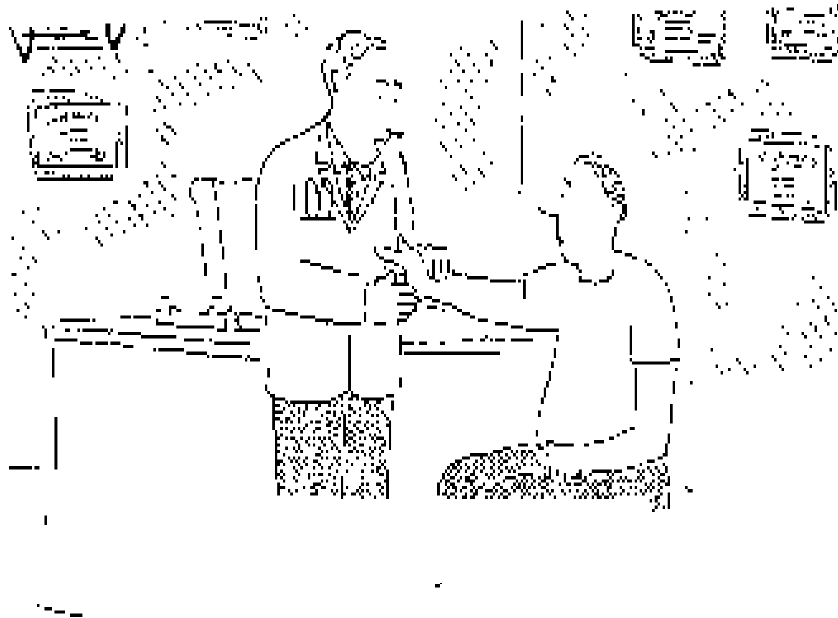
What *IS* Medicare?

- **Federally sponsored health insurance, linked to Social Security eligibility**

- **In 2015 Medicare covered:**
  - **> 55 million elderly & permanently & totally disabled Beneficiaries**

  - ***Plus* 500,164 beneficiaries with end-stage renal disease**

Q: are the elderly becoming the Worried Well now that “everyone” is insured?



“Well, Bob, it looks like a paper cut, but just to be sure, let’s do a lot of tests.”

Medicare Part A – Hospital Insurance

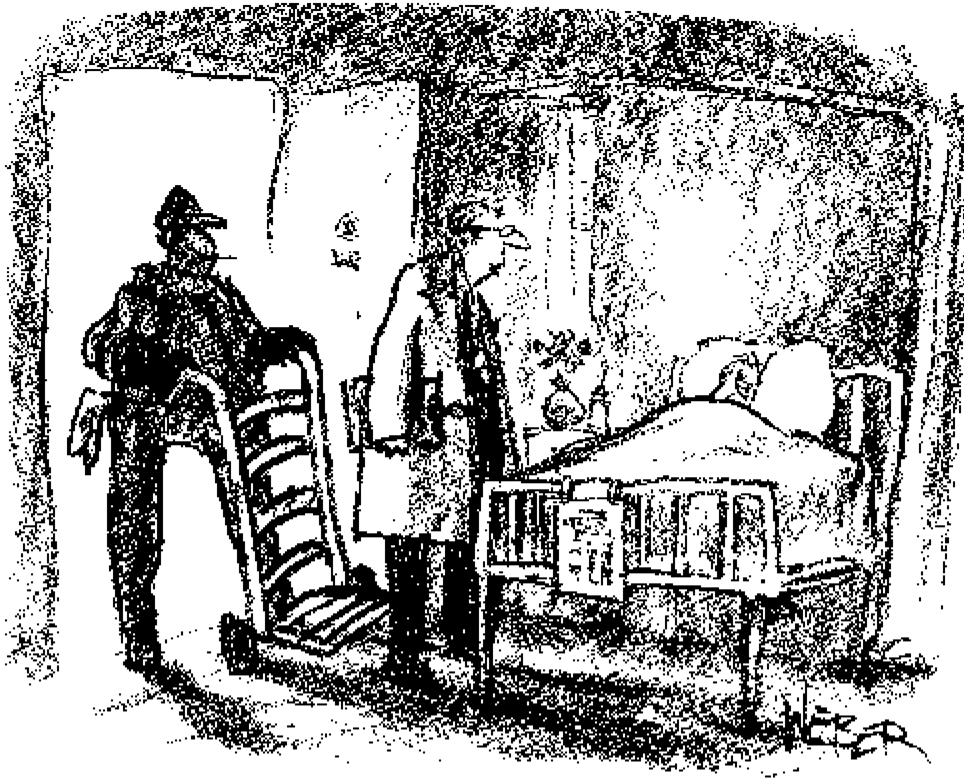
Also hospice, home health care & (limited) nursing home services

Automatic coverage for social-security-eligible beneficiaries – NO PREMIUM!

SUBJECT TO:

- **Annual deductible ($1,364 in 2019) +**
- **$341 daily co-payment after 60th day of hosp. care, $682/day from day 61-90, plus lifetime reserve of up to 60 more days.**

DRGs – Hospitals get paid flat sum (per diagnosis) for each Medicare hospitalization



"We'll have you out of here in no time."

Medicare Part B – Physician Insurance

Also covers durable medical equipment, physical & occu-pational therapy, outpatient hospital, & ambulance services

PREMIUM BASED - Coverage: a) not automatic, & b) means-tested), but govt subsidy = approx. 75% of cost

Subject to:

- **Annual deductible ($185 in 2019) +**
- **20% coinsurance requirement**

Part C – Medicare Advantage

Medicare Advantage PPO

The Medicare private preferred provider plan option, chosen by 34% of Medicare beneficiaries

Plans provide benefits = to fee-for-service Medicare

but can vary-cost-sharing

- & usually waive deductibles
- plus provide additional benefits

Premium costs vary by plan

Enrollees usually limited to plan providers

Part D – Prescription Drug Coverage

All Medicare Beneficiaries eligible to enroll (voluntary, but most enroll)

Premium = 26% of benefit costs (stiff penalty for “late” enrollment)

Government subsidizes rest thru tax revenues

Benefits provided by private Rx Drug Plans (PDPs)

Premiums vary by plan coverage

Medex or Medigap

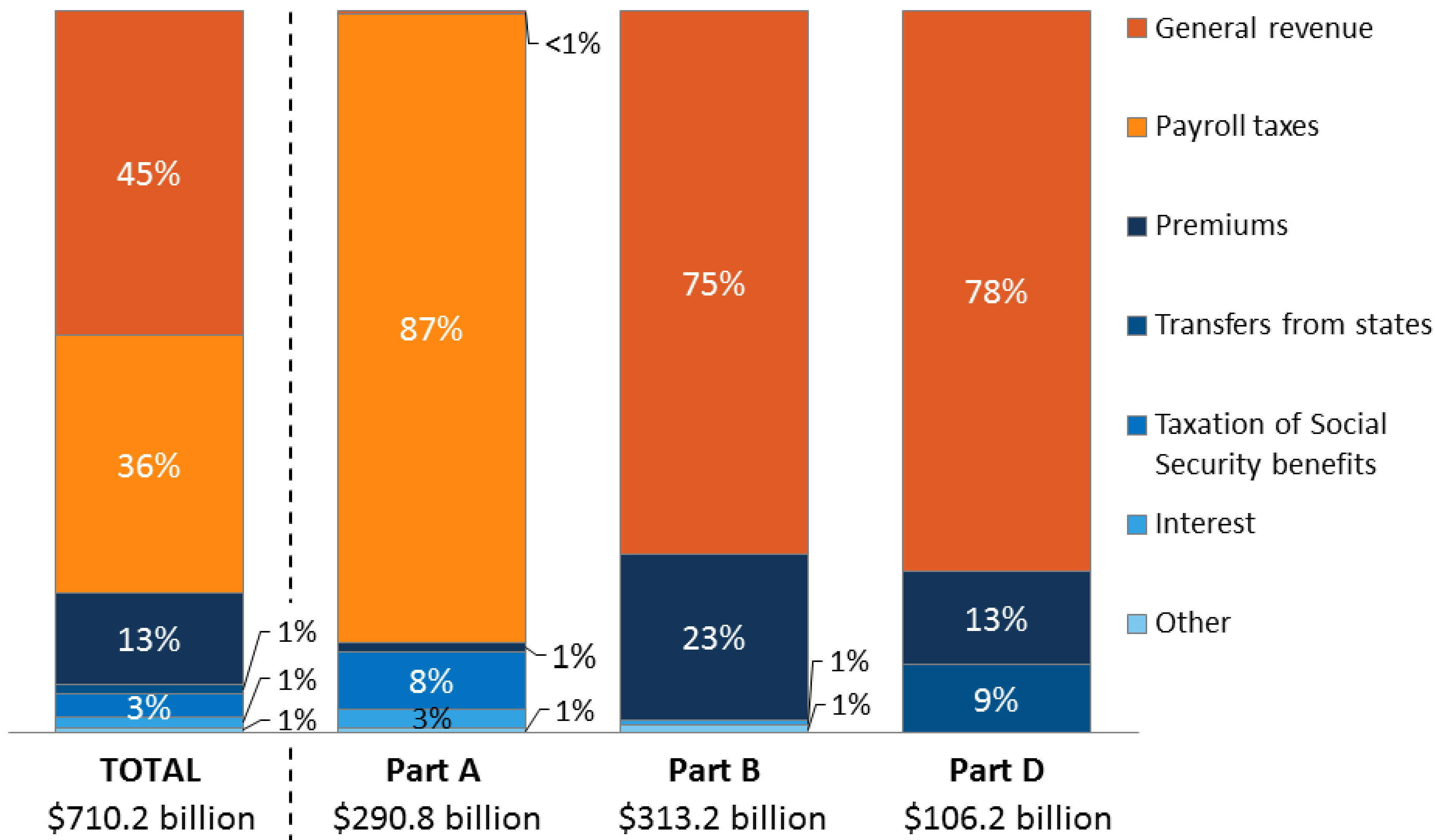
= voluntary wrap-around “medicare extension” insurance

Supplementary premium-based insurance plans to cover varying:

- Coinsurance,
- Deductibles, &
- Additional Benefits (sometimes)
- Premiums vary by plan

Figure 7

Sources of Medicare Revenue, 2016



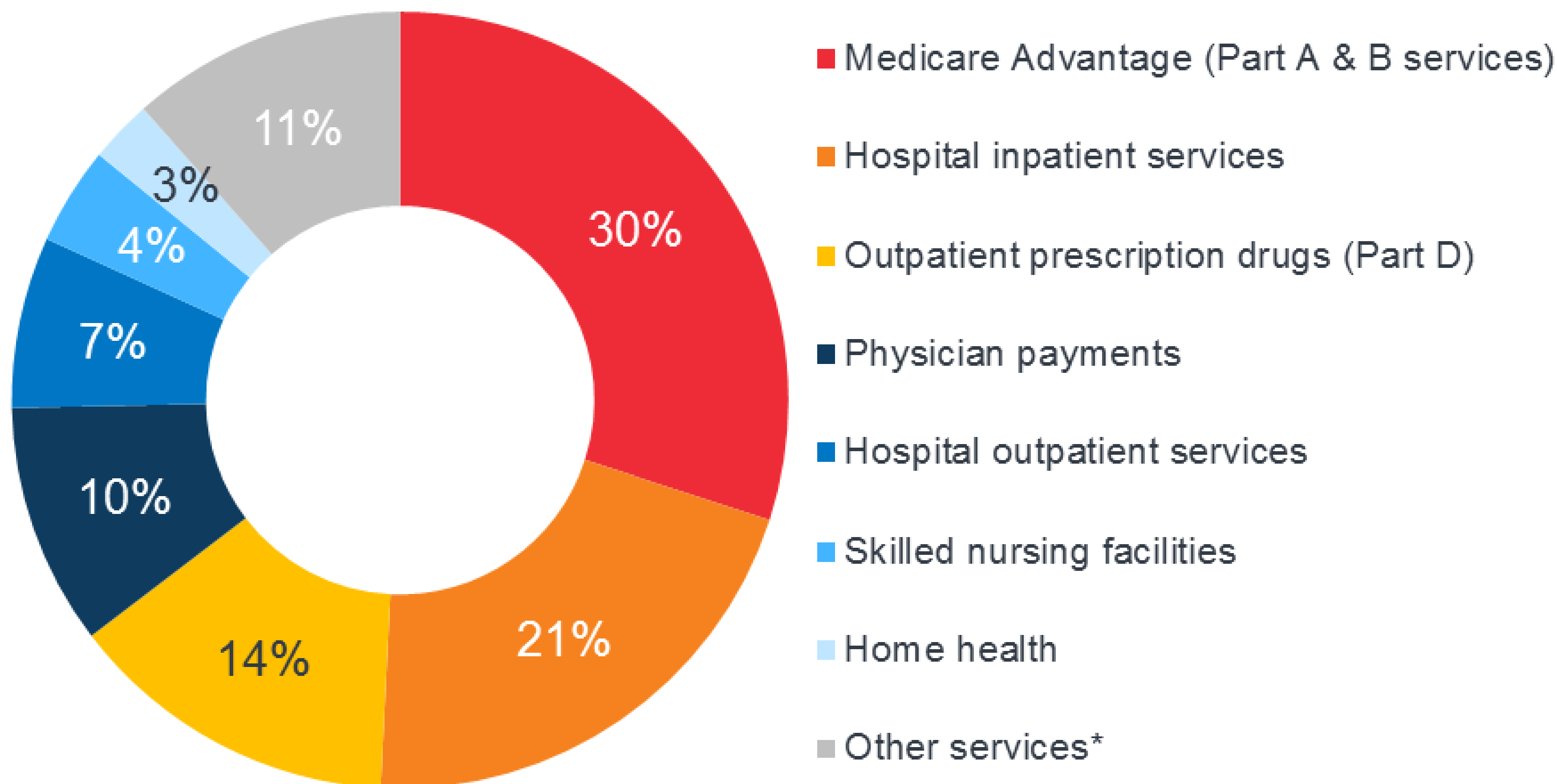
NOTE: Data are for the calendar year.

SOURCE: 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, Table II.B1.

THE HENRY J. KAISER FAMILY FOUNDATION

Figure 2

Medicare Benefit Payments by Type of Service in 2017



Total Medicare Benefit Payments, 2017: $688 billion

NOTE: *Includes Medicare benefit spending on hospice, durable medical equipment, Part B drugs, outpatient dialysis, outpatient therapy, ambulance, lab, community mental health center, rural health clinic, federally qualified health center, and other Part B services.

SOURCE: KFF analysis of Congressional Budget Office, April 2018 Medicare Baseline.

KFF
HENRY J KAISER FAMILY FOUNDATION

“ You don’t know how lucky you are! A quarter of an inch either way, and it would have been outside the area of reimbursable coverage.”

The #1 Reason for Medicare dis-enrollment: