Financing of Health Care for the Elderly: Who has the Money?

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Who Needs to Know?

- The Doctor
  - Will your prescription be filled?
  - Can the patient afford the treatment?
    - 22% of income went to health care services and premiums (2003)
  - Why doesn’t the patient move to a handicap apartment?
  - Why doesn’t the patient go into a nursing home?
Many Things Your patients are Worried About

- Medicare
- Medicaid
- Medicines
- Money
- Many places to live
What is Medicare?
Medicare

- Federal Program of Health Care for the Elderly
- CMS (Center for Medicare and Medicaid Services)- formerly HCFA
- Started in 1965
- Not intended to be comprehensive
- Entitlement Program
Medicare

- **Part A**
  - From the Social Security Tax
  - Pays for
    - Acute hospital charges for up to 150 days
      - Pt pays $952 for first day
    - Inpatient Rehabilitation up to 100 days
      - Pt pays $119 per day after the first 19 days
    - Home Nursing (VNA)
    - Hospice
Medicare

- **Part B**
  - 75% from General Tax Revenues
  - 25% from premiums ($88.50 per month in 2006)
  - Pays for
    - Physician Services
    - Laboratory
    - Hospital outpatient
    - Outpatient PT/OT/ST
    - Ambulance
    - Vaccination: Pneumococcal, Influenza
  - $124 deductible per year
  - Medicare pays 80% of fee and pt pays 20%
Medicare

- **Part C**
  - Private Medicare Advantage plans, such as Medicare HMOs, SNPs, PPOs,
  - Provides Parts A and B
Medicare

- **Part D**
  - Drug Coverage started January 2006
  - Monthly premium ~$38.00
  - Maximum out of pocket expense for an individual
    - Pt pays first $250
    - Pt pays 25% of next $2250 in costs
    - Pt pays all of next $2850 in costs
    - Pt pays 5% of next costs, unlimited
Medicare Eligibility

- Age 65 or over - 35.4 million in 2005
- Or on Social Security Disability for over 24 months - 6.3 million in 2005
- Patient or Spouse paid Social Security Taxes
Covered Medicare Services

- Acute Hospitalization on a DRG Basis
- 80% of Outpatient Services for sick care
- 100% of Laboratory Services
- Durable Medical Equipment (cap for benefit)
- Preventive Care generally accepted as of proven value
Physician can only bill pt 115% of Medicare Fee Schedule which is based on RVUs

In Massachusetts, no extra billing allowed as a condition of licensure
Covered Medicare Preventive Services

- Lipid Panel screen every 5 years
- Colon Cancer Screening
- Annual Mammograms
- PSA and DRE
- Bone Density Testing
- Glaucoma Screening
- Diabetes screening
- Vaccination: Hepatitis B, Influenza, Pneumococcal, Td post injury
- PAP every 3 years
- Welcome to Medicare Exam (within first 6 months)
Non-Covered Medicare Services

- What is not covered?
Noncovered Medicare Services

- Routine Well Adult Examinations
  - Except one initial exam age 65
- Outpatient Prescription Drugs
  - Unless the patient elected Part D coverage
- Hearing and Vision Services
- Dental Care
- Hospital Care over 210 days
- Nursing Home Care
- Maintenance Home Care
- Not: EKGs, PFTs, CXRs if “screening/baseline”
Medicare Supplements

- HMO
  - FCHP Senior Plan
  - Tufts Secure Horizons
  - Blue 65
  - HPHC First Seniority
- BC/BS Medex
- AARP
- Medicaid
- Indemnity: Cigna, Aetna
Medicare Supplements

- Cover 20% patient responsibility
- Cover deductibles
- May cover some medication expenses if you choose part D coverage and pay the premium
  - Tier co-payments
- May offer extras: eyeglasses, healthclub
HMOs
- Fallon $~0/month
- Tufts $~80-140/month
- HPHC $96/month
- Copayments cost ~$10-20 per visit

Medex $84-526+/month

Only 60% of patients have supplements
Other Help to pay for Medicare Supplements

- Veterans Administration (VA)
- Medicaid
  - For indigent/ low income
    - 13% of those age 65 and over in MA
  - Less than $4,000 in bank
Medicine Costs

- Self Pay
- Insurance with Co-Pays
- State Programs
- Medicare Part D benefit
- Indigent Drug Programs from Pharmaceutical Companies
- Generic vs. Brand Name
- Newer Drugs vs. Older Drugs
### Medicine Costs

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<th>Approximate Cost per month</th>
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HTN, Hyperlipidemia, GERD, DM2, Depression, Dementia, CAD
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Nursing Home Costs

- Considered Custodial Care, not Medical
- $7,000-$10,000 per month
- 50-70 % paid by Medicaid in MA
- 33% Self Pay
- 9% Medicare (Rehab)
- 3% VA
- 1% Private Insurance
- 4% Other
50% of all persons 65 and older will use a Nursing Home
½ of stays are for less than 6 months
9% stay more than 5 years accounting for 2/3rds of days and costs
Women have a threefold higher lifetime risk of admission (they live longer and are more often alone)
Who has Money?
Elderly Finances

- Income from
  - Social Security
  - Pension
  - Savings
    - Bank Accounts
    - Investments
  - Current Employment
  - Reverse Mortgage
Elderly Finances

- No mortgage
- Subsidized Rent in Elderly Housing
- Reduced Taxes as lower income
- Fewer Expenses: Clothing, Housing, Transportation, Taxes, School
- Higher Medical Costs
Follow the Money

Now you know a little about where the money comes from and where it goes!