FGS: Chapter 21

History of Medicare and Medicaid
- US was late to implement social insurance programs
- Passage of Medicare and Medicaid in 1965.
- Enrollment in Medicare more than doubled from 1966 to 2003 (19.1 to 41.7 million)

Medicare Coverage

Coverage
- Several parts:
  o Part A: Hospital Insurance (HI)-
    ▪ Provided automatically.
    ▪ Insures against cost of hospital and other Medical care. Also, covers inpatient hospital care coverage. Skilled nursing facilities. Home health agency care and hospices.

  o Part B: Supplementary Medical Insurance (SMI)-
    ▪ Available to almost all resident citizens age 65 and over. Optional and requires payment of monthly premium.
    ▪ Covers physician and surgeons’ services. Chiropractors, podiatrists, etc. Services in an emergency room or outpatient clinic, including same day surgery, and ambulance services. Also, other services not covered by Part A.

  o Part C: Medicare Advantage Program-Medicare + Choice
    ▪ ‘Medicare+Choice’ offers expanded benefits for a fee through private health.

  o Part D: new prescription drug benefit –
    ▪ Voluntary, receive benefits upon payment of a premium for individuals entitled to Part A or enrolled in Part B. Covers most FDA approved prescription drugs.

Financing
- FICA tax
- Part B and Part D are covered by premium payments (25%) and from the general fund of the US Treasury.
Payment Liabilities
- Pay for charges not covered by Medicare and for cost-sharing features of the plan. Can be covered by Medigap, beneficiary or Medicaid.

Provider Payments
- Prospective Payment System.
- SMI (Part B) is charged as the lesser of submitted charges or amount determined by a fee schedule based on a relative value scale.

Medicaid

Eligibility
- Four public insurance programs in one: low income women and children families; medical expenditures not covered by Medicare for the low income elderly; medical expenses for low-income disabled; and nursing home expenditures.

Payment
- State has latitude in payment schemes.
- Federal Government cost sharing.

State Children’s Health Insurance Program
- Part of BBA (1997) to cover children whose families earn too much to be eligible for Medicaid but cannot afford private insurance.

Effects of Medicare and Medicaid
How well do these programs reach the targeted population?
- Stigma
- Cost of signing up.
- Take-up vs. Crowding out

Increase in Spending
- Increase in eligible population: aging of the population.
- Increase in insurance coverage increases demand for care.
- Insurance coverage induces technological advancement.
- Providers have less incentive to reduce costs.
Access
- Increase in health care use rates among the lower income groups and the elderly following the beginning of Medicare and Medicaid.

Health Status
- Mixed evidence on increased health coverage on mortality rates.

Recent Changes
- Balanced Budget Amendment

Criticisms
- A lot of things aren’t covered.
- High liabilities for beneficiaries.