Legal Basics: Medicare Parts A, B, and C

NATIONAL CENTER ON LAW & ELDER RIGHTS

CHAPTER SUMMARY • JANUARY 2017

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Justice in Aging

Justice in Aging is a national organization that uses the power of law to fight senior poverty by securing access to affordable health care, economic security, and the courts for older adults with limited resources. Since 1972 we have focused our efforts on populations that have traditionally lacked legal protection such as women, people of color, LGBT individuals, and people with limited English proficiency.

Key Lessons

1. Basics: Medicare is a federal health insurance program and the primary source of coverage for adults 65 and over.
2. Medicare Parts: Medicare has four parts, A, B, C, & D, which provide coverage for hospital care, outpatient services, and prescription drugs.
3. Paying for Medicare: Generally, individuals with a qualifying work history and who are 65 and older, or who have been receiving Social Security disability for two years will be eligible for Medicare Part A without a premium, though exceptions do apply. Medicare Part B requires a premium payment.
4. Low-Income Assistance: Medicare Savings Programs known as QMB, SLMB, and QI can help low-income individuals pay for Medicare Part A premiums (QMB) and Part B premiums (QMB, SLMB, and QI).
5. Enrollment: Potential Medicare beneficiaries should pay attention to enrollment timelines to avoid penalties for late enrollment.

Section 1: What is Medicare

Medicare is a federal health insurance program that is a primary source of coverage for adults 65 and over as well as certain individuals with disabilities. Eligibility is usually based on the work history of an individual or the individual's spouse. (Some individuals may qualify even without a work history: if they are low income, they may get premium assistance, and if not, they may pay privately). Individuals MUST be either U.S. citizens or have been continuous legal permanent residents for five years to qualify for Medicare.

Medicare does not cover all medical needs, and most beneficiaries have additional insurance (Medicaid, a private supplement, etc.). There are four "Parts" to Medicare: A, B, C & D.

Section 2: Medicare Parts A, B, C, & D

There are four "Parts" to Medicare. Part A and Part B are referred to as "Medicare fee-for-service," while Part C is a private version of Medicare called "Medicare Advantage plans." Part D is prescription drug coverage. Part D will only be covered briefly in this Chapter Summary.

Low-income individuals may qualify for special programs to assist with Parts A/B/C, and/or for the Low-Income Subsidy for Part D.

Medicare Part A

Medicare Part A is commonly known as "hospital insurance." Under certain conditions, Medicare Part A pays for a stay in a hospital or nursing home, or pays for certain expenses of home health care. In addition, Medicare Part A pays for certain expenses of hospice care provided to a terminally ill person.[1]

Medicare Part B

Medicare Part B is commonly known as "medical insurance." Medicare Part B pays for certain expenses of physician services, therapies, tests, x-rays, medically necessary transportation, and medical equipment. Under some circumstances, Medicare Part B will pay for particular services provided in a nursing home or for home health care.[2]

Medicare Part C

Medicare Part C is Medicare Advantage, an alternative to fee-for-service Medicare. With Medicare Part C, Medicare pays a private plan to manage a beneficiary's health care. Medicare Part C coverage can include health maintenance organizations (HMOs); preferred provider organizations (PPOs); private fee-for-service plans (PFFs); special needs plans (SNPs); and medical savings accounts (MSAs).[3]

Medicare Part D

Medicare Part D is the Medicare Prescription Drug program, which began in 2006. Each year, prescription drug plans participating in the program are announced for the following year. The benefit is offered either through a stand-alone prescription drug plan (PDP) or as part of the benefit package of a Medicare Advantage plan. Enrollment runs from October 15 to December 7 each year. A low-income subsidy is available for those who qualify, and applications are processed by the Social Security Administration.[4]

Section 3: Eligibility

Most individuals qualify for Medicare coverage based on a work history. However, some individuals may get coverage without this history.

Part A eligibility without a premium

In general, eligibility for free Medicare Part A is based on the work history of an individual or that of a spouse. In the most common type of eligibility, someone is at least 65 years old, and either the individual or spouse has a work history that creates an entitlement to Social Security retirement benefits (usually 40 quarters, or the equivalent of 10 years of work history).[5]

Part A eligibility is also available to persons who have been qualified to receive Social Security disability benefits or railroad retirement disability benefits for at least 24 months.[6] For people with end-stage renal disease (kidney failure) or ALS ("Lou Gehrig's Disease"),[7] the 24-month waiting period is waived.[8]

Part A eligibility with a premium

If, due to an insufficient work history, an individual is not eligible for free Part A coverage, that person nonetheless may be able to purchase Part A coverage. To purchase Part A coverage, the individual must be:

1. At least 65 years old;
2. Either a U.S. citizen, or a permanent resident who has lived continuously in the United States for the previous five years; and

3. Enrolled in Medicare Part B (by paying a further premium).[9]

The 2017 premium for Medicare Part A is either $227 or $413 monthly, depending on work history.[10] Low-income individuals may be eligible for premium assistance and will not have to pay these premiums.

Note: An individual in a same-sex marriage can qualify for Medicare Part A coverage based on a spouse's work history. Eligibility does not extend to those in civil unions or domestic partnerships.

Those who do not qualify for automatic Part A eligibility may choose to purchase only Part B coverage. However, an individual can only purchase Part A coverage if the individual also purchases Part B coverage.

Part A deductible and coinsurance

Under Part A, an individual is responsible for a hospital inpatient deductible and co-insurance. For 2017, the deductible is $1,316 and the co-insurance is $0 for days 1-60, $329 per day for days 61-90, and $658 for days 91 and beyond.[11] Low-income individuals may be eligible for cost-sharing assistance and will not have to pay these amounts.

Part B eligibility

Medicare Part B coverage is available to anyone who is eligible for Part A benefits, and/or is at least 65 years old and either a U.S. citizen or a permanent resident alien who has resided in the United States for the five years prior to enrollment for Part B.[12]

Those receiving Medicare Part B coverage must pay a monthly premium—the Part B premium for 2017 is $134/month, but many people pay less.[13] The average premium for people enrolled before 2017 is $109/month.

The Part B premium is higher for those with annual income in excess of $85,000 for an individual ($170,000 for a married couple filing a joint tax return). The premium is deducted from an individual's Social Security, Railroad Retirement or Civil Service retirement or disability payment. If an individual does not receive any of these retirement benefits, Medicare will bill for the Part B premium every three months. Low-income individuals may be eligible for premium assistance and will not have to pay these premiums.

People who do not qualify for automatic Part A eligibility may choose to purchase only Part B coverage. However, as explained in the discussion of "Part A Eligibility with Premium," an individual can purchase Part A coverage only if that person also purchases Part B coverage.

Part B deductible

An individual is responsible for a yearly deductible of $183 in 2017.[14] Low-income individuals may be eligible for cost-sharing assistance and will not have to pay the deductible.

Part B co-payment: 20 percent

Medicare Part B payments can be made either to the beneficiary or the health care provider (physician, hospital, etc.). In general, if a provider accepts the Medicare-approved amount as payment in full, Medicare will pay 80% of the cost to the provider, and the beneficiary is responsible for the other 20%.[15] Low-income individuals may be eligible for cost-sharing assistance and will not have to pay the 20%.

If the provider does not limit the costs of the services to the Medicare approved amount, Medicare will pay the claim to the beneficiary and the beneficiary will be responsible for the full payment to the provider, unless a limiting charge applies. Limiting charges apply only to certain Medicare-covered services, including physician and therapist services, but do not apply to some supplies and durable medical equipment.

Section 4: Programs to Help Low-Income Beneficiaries With Medicare Costs

Twenty-five percent of Medicare beneficiaries have annual incomes below $14,400. Medicare is a lifeline for people in poverty because safety net programs, like Medicaid, plug coverage gaps to make the Medicare benefit more affordable and offer benefits not covered by Medicare, like long-term services and supports. In addition, low-income beneficiaries may be eligible for one of the following Medicare Savings Programs (MSP) that make Medicare more affordable: QMB, SLMB, or QI.[16] State Medicaid offices are responsible for determining eligibility for the MSPs.

For Part D, the Social Security Administration is responsible for processing eligibility for the Low-Income Subsidy (LIS) or "extra help." The LIS will not be reviewed in this issue brief.

Qualified Medicare Beneficiary (QMB)

The QMB program is for individuals with low incomes but with resources up to $7,280 for individuals, and $10,930 for couples. The QMB income limit for a single person is $1,010 per month and $1,355 per month for a couple (these include a $20 disregard that applies to all income). These figures change early each calendar year when the annual income poverty guidelines are issued. Some states have higher limits.

The QMB program will pay the Medicare Part A premium (if not free already), the Medicare Part B premium, and Medicare cost-sharing (deductibles and co-payments), and also automatically entitles the individual to the Medicare Part D Low-Income Subsidy.[17]

Providers may not bill any QMB beneficiary for Medicare co-pays and co-insurance.

Specified Low-Income Beneficiary (SLMB)

SLMB is a program similar to QMB for individuals with monthly incomes too high for QMB, but no more than $1,208 for an individual, or $1,622 for a couple (these include a $20 disregard that applies to all income). These figures change early each calendar year when the annual income poverty guidelines are issued.

The resource requirements are the same as for QMB ($7,280 for individuals, and $10,930 for couples). Some states have higher limits.

The SLMB program pays the Medicare Part B premium only.[18]

Qualified Individual (QI)

Again (as is the case for QMB and SLMB), the resource limit is $7,280 for an individual, or $10,930 for a couple. The monthly income limit is higher: up to $1,357 monthly for an individual, and $1,823 monthly for a couple. These figures change early each calendar year when the annual income poverty guidelines are issued. Some states have higher limits.

Like SLMB, the QI program only pays the Medicare Part B premium.[19]

Section 5: Enrollment in Medicare

Part A enrollment

Enrollment is automatic for individuals who at age 65 have started receiving benefits from either Social Security or the Railroad Retirement Board. For people who became disabled prior to age 65, enrollment in Medicare is effective two years after the start of disability benefit eligibility, although the two-year waiting period is waived if the disability resulted from kidney failure or ALS.[20]

Individuals who do not begin receiving retirement benefits until after age 65 must apply for Medicare benefits when turning 65. They may apply during the seven-month "initial enrollment" period, which begins three months before the month of their 65th birthday and ends three months after the 65th birthday month.

Part B enrollment

There are three enrollment periods for Medicare Part B. Individuals who do not enroll in Medicare Part B when becoming eligible will be accessed a late enrollment penalty (see below).

Initial enrollment period

Individuals who are turning 65 and have not yet applied for Social Security or Railroad Retirement benefits, or Medicare Part A, can enroll in Part B during the seven-month initial enrollment period, which begins three months before the month of their 65th birthday and ends three months after that month.[21]

Individuals who are enrolled in a Federal marketplace or a state exchange plan will lose their health plan subsidies when they become Medicare eligible, and therefore, should promptly enroll in Medicare when they become eligible.

General enrollment period

If the Initial Enrollment Period has passed, an individual may sign up during the General Enrollment Period. The General Enrollment Period runs from January 1 to March 31 each year. Coverage starts on July 1 of the year enrolled.[22]

Special enrollment period

This period is available to individuals who waited to enroll in Part B because they and/or their spouse was working and had group health plan coverage through an employer or union. The individual can sign up any time while still covered by the group health plan, or during the eight months following the date that the group health plan coverage ends, or employment is terminated, whichever comes first.[23] Persons who qualify for a special enrollment period are not assessed a penalty for late Medicare enrollment.

Penalty for late enrollment

The cost of the premium will rise by 10 percent for each 12-month period in which someone who was eligible for Part B coverage did not enroll, except in special cases. This increase will apply as long as the individual receives Part B coverage.[24]

Note that there is also a penalty if an individual does not enroll in Medicare Part D during the initial enrollment period. People who must pay a premium to qualify for Medicare Part A also are subject to a Part A late enrollment penalty if they do not enroll when first eligible.

Conclusion

Fifty-five million older adults and people with disabilities rely on Medicare for their health care. By understanding Medicare's eligibility and enrollment rules, professionals in the aging and disability network can better inform the millions of Americans who rely on Medicare for necessary health care coverage. This issue brief provided a basic foundation on those rules. For more information on Medicare Parts A, B, and C, please see the webinar that accompanies this Chapter Summary, available at ncler.acl.gov.

Additional Resources

- Georgia Burke, gburke@justiceinaging.org
- Amber Christ, achrist@justiceinaging.org
- Medicare Statute: Title 18 of the Social Security Act, 42 U.S.C. 1395 et seq.
- Medicare Enrollment Regulations: 42 C.F.R. Parts 406.1-408.210.
- Medicare.gov Forms, Help and Resources, medicare.gov/forms-help-and-resources/index.html
- Center for Medicare Advocacy Self Help Materials, medicareadvocacy.org/take-action/self-help-packets-for-medicare-appeals
- Medicare Rights Center, medicarerights.org and National Helpline: 1-800-333-4114
- National Council on Aging, Benefits Check Up, benefitscheckup.org
- Justice in Aging Medicare Resources, justiceinaging.org/our-work/healthcare/medicare

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

This Chapter Summary was supported by a contract with the National Center on Law and Elder Rights, contract number HHSP233201650076A, from the U.S. Administration on Community Living, Department of Health and Human Services, Washington, D.C. 20201.

Endnotes

1 42 U.S.C. § 1395d; 42 C.F.R. §§ 409.1 et seq.
2 42 U.S.C. § 1395k; 42 C.F.R. §§ 410.1 et seq.
3 42 U.S.C. § 195w-21; 42 C.F.R. §§ 422.1 et seq.
4 42 U.S.C. § 1395w-101; 42 C.F.R. §§ 423.1 et seq.
5 42 U.S.C. § 1395c; 42 C.F.R. § 406.10.
6 42 U.S.C. § 1395c; 42 C.F.R. § 406.12.
7 42 U.S.C. 1395p(j)
8 42 U.S.C. § 1395c; 42. C.F.R. § 406.13.
9 42 U.S.C. § 1395i-2; 42 C.F.R. §406.20.
10 See "Part A Costs," available at medicare.gov/your-medicare-costs/part-a-costs/part-a-costs.html.
11 42 U.S.C. § 1395e; 42 C.F.R. §§ 409.80 et. seq. ; See "Medicare 2017 costs at a glance," available at medicare.gov/your-medicare-costs/costs-at-a-glance/costs-at-glance.html.
12 42 U.S.C. § 1395o; 42 C.F.R. § 407.10.
13 See "Part B Costs," available at medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html.
14 42 U.S.C. 1395l(b); 42 C.F.R. § 410.160; See "Part B Costs," available at medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html.
15 42 U.S.C. §1395l(a); 42 C.F.R. § 410.152.
16 42 C.F.R. § 430.0.
17 42 U.S.C. § 1396d(p)(1).
18 42 U.S.C. § 1396a(a)(10)(E)(iii).
19 42 U.S.C. § 1396a(a)(10)(E)(iv).
20 42 C.F.R. §§ 406.6; 406.13
21 42 U.S.C. § 1395p(d); 42 C.F.R. § 407.14.
22 42 U.S.C. § 1395p(e); 42 C.F.R. § 407.15.
23 42 U.S.C. § 1395p(i); 42 C.F.R. § 407.20.
24 42 U.S.C. § 1395r(b); 42 C.F.R. § 408.22.