

Financing the Cost of Elder Health Care - Part 1

By Judith S. Parnes, L.C.S.W., C.M.C.

The most frequently identified concern of older adults and their families is the cost of elder health care. People over the age of 65 are living longer, are healthier and are more active than their parents were 20 - 30 years ago. We are all thankful that advances in medical science and technology have added years to life expectancy, but a dramatic side effect is the sky rocketing cost of health care.

Previously, I have written about Medicaid, a program designed for individuals who cannot afford the cost of long-term care or for those who have depleted their assets due to health care costs. In the next three columns I wish to deal with other programs and methods for financing the cost of elder health care.

In 1965, "Medicare" was introduced by Congress as a new health insurance program for people age 65 and over. This dramatically changed the United States health care delivery system, providing health insurance to a segment of the population who had historically found it difficult to obtain insurance. Today, Medicare alone is no longer sufficient insurance against elder health care costs. Over 90 million Americans receive Medicare benefits and are still vulnerable to the financial realities of Medicare cost sharing and long-term costs.

Most Americans age 65 and over are covered by Medicare. Medicare is comprised of separate programs: Part A, Part B, Part C and now Medicare D. The original Medicare plan includes Medicare A & B. Medicare Part A is hospital insurance that pays for inpatient services, and Medicare Part B covers professional services. Medicare C encompasses Medicare advantage Programs like HMOs and PPOs. This option combines Part A and Part B insurance. Generally, you need to see doctors in the specific plan. Most recently, Medicare D was introduced. Medicare D is the plan that provides access to prescription drug coverage regardless of income, prescription drug use or health status. Medicare pays for acute care, basing health coverage on skilled services rather than long-term care needs. Although letters are often part of the individual Medicare Identification Number, this does not indicate Part A or Part B. However, on the bottom of the Medicare card itself, the specific program(s) will be identified.

MEDICARE PART A: Hospital Insurance

This program covers inpatient hospitalization and skilled nursing or rehabilitative care. If you are eligible to receive social security and are at least 65 years old, Medicare Part A is free. It pays the entire hospital health care costs, less a deductible for the first day in the hospital. In 2007, the Part A deductible is \$992. Medicare covers skilled nursing home care, often called "Sub Acute Care," for a very limited time when skilled, around the clock nursing care is required. It does not cover nursing home care when custodial services are needed, resulting in out of pocket expenses for long-term care.

Long-term care, as the name implies, is the daily care needed for a condition or illness that is expected to last for an indefinite period of time. As one ages, the likelihood of needing long-term

services increases. However, Medicare is not designed to pay for long-term care unless specific conditions are met, detailed below.

When skilled nursing care is needed at home, Medicare covers limited home services, such as physical therapy and minimal home health aides.

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NURSING HOME CARE

Conditions for Medicare Coverage:

- **Require daily skilled nursing or rehabilitative services**
- **Administered by a registered nurse or licensed therapist**
- **Prescribed by a physician**
- **The skilled nursing facility must be Medicare approved**
- **Have a prior hospital stay of at least 3 days and be admitted to the nursing home within 30 days of discharge from the hospital**

ext week – Medicare Part B.

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Financing the Cost of Elder Health Care Part 2

By Judith S. Parnes, L.C.S.W., C.M.C.

In my previous column, I explained that Medicare primarily consists of two separate programs: Part A, a hospital insurance that pays for inpatient services and Medicare Part B that covers professional services. This week I will review Medicare Part B.

Part B: Medical Insurance

This program covers partial payment of physicians' fees and other professional medical services, outpatient care and some home health services. Individuals may enroll and purchase Medicare Part B, with the monthly premium in 2007 of \$93.50. This amount is automatically deducted from the monthly social security check. In addition, there is a \$131 per year deductible that must be met before Medicare Part B begins to pay for any health care benefits.

Medicare sets certain "allowable" amounts for services rendered. Medicare Part B will then pay 80% of the reasonable and customary charges (referred to as their "allowable amount") for the specific services. Physicians and suppliers who "accept assignment" have signed an agreement to become Medicare participating providers and agree to accept the Medicare allowable amount as payment in full for services rendered. (That is, the 80% and the 20% not covered by Medicare equal the 100% allowable amount). For example, a physician may charge \$100 for the service rendered; Medicare may have set \$50 as the allowable amount and will then pay 80% of the allowable amount, or \$40 for the service rendered. If the physician accepts assignment, the doctor will accept the \$50 as payment in full, resulting in your co-payment of \$10 (or 20%.) If the physician is "nonparticipating", he/she would accept \$100 as payment, although reimbursement from Medicare is still only \$40.

EXAMPLE OF MEDICARE PART B COPAYMENT

Doctor Fee	Allowable Amount	Medicare Pays	You Pay
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Accepts assignment	\$100	\$50	\$40 (80%) \$10 (20% co-pay)
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Next Week - Medicare Part D

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