

## The Basics on Medicare, Medicaid and Commercial Insurance

Unlike payment for many other professional services in the U.S. where a client pays the professional directly, health care services are paid by a third-party payer. These third parties determine what is paid for (covered) as well as how and how much. The predominant payers are commercial insurance (sponsored by employers), Medicaid, and Medicare.

### Health Insurance in the U.S.

	# of Covered Lives	% of Total	Comments
Employer-sponsored	175.6 MM	51%	60% self-funded (see Lines of Business)
Medicaid	72.6 MM	21%	48% children
Medicare	57.2 MM	16%	85% are over age 65
<i>Dual Eligible</i>	<i>12 MM</i>		<i>21% of Medicare beneficiaries</i>
Individual Insurance	(included in above)	8%	17% of Medicaid beneficiaries
Other Payers	28.9 MM	4%	60% self-funded (see Lines of Business)

Source: CMS Office of the Actuary

### Government Health Insurance: Medicare and Medicaid

Many providers commonly work with patients whose care is traditionally covered through government-funded payers: Medicare, Medicaid, or both.

A person who is entitled to such coverage is called a beneficiary. Medicare coverage is restricted by current law to cover only medical services that address a skilled need, but most Medicaid programs cover long-term services and supports as well as medical care.

### Medicare vs. Medicaid

Medicare	Medicaid
Federal program	State-led program (in partnership with federal government)
Eligibility	Eligibility
→ Age 65+; or	→ 100-138% of federal poverty level (depending on state)
→ End-stage renal disease; or	
→ Disability income for more than 2 years	

Medicare coverage is broken into four parts:

- **Part A:** Inpatient stays in hospitals, hospice care, eligible skilled days in a skilled nursing facility, or Medicare-certified home health care
- **Part B:** Clinician and outpatient services, medical supplies and equipment, and some therapy services; the beneficiary must pay a premium to obtain Part B coverage, and not all beneficiaries do so
- **Part C:** For those beneficiaries who elect private coverage (see below), the federal government pays the premiums to a Medicare Advantage Plan under Part C
- **Part D:** Prescription drug costs (which can also be covered by a Medicare Advantage Plan or a stand-alone prescription benefit plan)

## Health Insurance Lines of Business

Increasingly, Medicare beneficiaries are choosing to receive their Medicare benefits through privately-owned and -operated Medicare Advantage plans, while states are encouraging or mandating enrollment in Medicaid Managed Care plans for Medicaid beneficiaries. As a result, many private plans now run multiple **lines of business** and each line has a different decision maker on what is covered. Common insurance lines of business are:

- **Fully-insured commercial**, for employers who ask the insurer to bear the financial risk of their population. In this line, the insurer often defines what's covered (what benefits are available).
- **Administrative services organization (ASO)**, for employers who self-fund the risk. In this line, the employer defines what benefits are available, although they can be guided by the plan.
- **Government programs**, for Medicare Advantage (MA) and/or Medicaid Managed Care. In this case, Medicare (for MA) or the state (for Medicaid) defines the benefits, although MA plans can include supplemental benefits (see below).
- **Retail**, for individual coverage. For coverage bought on the marketplaces, the state or the federal government defines the benefits.

## Medicare Advantage (MA)

Plans receive a monthly payment from Medicare (called premiums in health insurance), and in return are responsible for covering all of the Part A and Part B benefits. MA premiums are paid based on each individual covered beneficiary using the **HCC (hierarchical condition category) risk-scoring** methodology. HCC scores take into account the types, numbers, and severity of illness. HCC scores—and their resultant premium amounts—depend critically on how accurately clinicians document patient conditions, diagnoses, and the care plan for each in the medical record.

### Medicare Advantage vs. Medigap

**Medicare Advantage** requires giving up Original Medicare to receive Medicare Advantage from a private insurer, which will cover all health care.

**Medigap** is an added layer of health insurance purchased by Medicare beneficiaries, on top of original Medicare as the primary coverage. Medigap covers costs not covered by original Medicare such as co-payments and deductibles.

## MA Supplemental Benefits

MA plans have the flexibility to offer supplemental benefits, such as dental and hearing aid coverage, and recent changes to MA policy now allow these plans to cover “**special supplemental benefits for the chronically ill**,” enabling MA to target services such as meals, caregiver supports, and home-based palliative care services to a defined subset of their members.

## Implications for Hospital at Home

Medicare and Medicaid privatization creates new opportunities for Hospital at Home providers to partner with private payers to address the needs of high-cost, high-need populations as well as the costs of hospitalization for plan members.

Palliative care providers seeking payment contracts from health insurers need to understand the distinct lines of business in order to appreciate where a plan can and cannot make modifications. For example, a Medicaid Managed Care plan may not be able to pay for Hospital at Home if the state has not added those benefits to the Medicaid plan.

Providers should also understand the MA premium risk-adjustment process, and how comprehensive assessment may contribute to improved revenue for the plan. This can create an additional value-proposition for Hospital at Home. For example, the focused care offered during a home-based admission can allow providers to accurately explore and document all aspects of a patient's chronic conditions well; this is of value to an MA plan. Keep in mind that all providers should work with a billing and coding specialist to ensure accuracy and completeness of documentation.

## Additional Resources

- [Summary Structure – Medicare Part A and Part B](#), a diagram of which services are billed through Part A vs. Part B
- To understand the new supplemental benefits flexibility in Medicare Advantage, check out [Change is Coming to a Medicare Advantage Plan Near You](#)
- Kaiser Family Foundation State Health Facts – [Medicare Data by State](#)
- Kaiser Family Foundation State Health Facts – [Medicaid Managed Care Market Tracker](#)