Medicare Basics

2019
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Agenda

• Medicare overview
• Medicare’s components
  • Original Medicare (Part A & B)
  • Medicare Advantage (Part C)
  • Medicare Prescription Drug Coverage (Part D)
  • Medicare Supplemental Insurance Plans (Medigap)
• Factors affecting coverage, payment, and access
Medicare is One of the Major Payers in the US Healthcare System

Government/Public Payers

- Medicare (~60 MM elderly and disabled)
- Medicaid (~73 MM low income)
- VA/DoD

Private/Commercial Payers (~179 MM)

- Individually Purchased and Exchange Plans
- Indemnity
- Self-Insured Employer Plans
- HMOs/PPOs
Medicare Overview
Medicare is available to people:

- Age 65 and older
- Under 65 with qualifying permanent disabilities*
- With End-Stage Renal Disease (ESRD)
- With Amyotrophic Lateral Sclerosis (ALS)

*2-year waiting period

Medicare Components

Part A
Hospital Insurance

Covers
Hospital care
Skilled nursing facility
Hospice care
Home care

Part B
Medical Insurance

Covers
Doctor care
Outpatient care
Medical equipment
Home care

Part C
Medicare Advantage

Covers
Part A
Part B
(may include extra benefits and prescription drugs)

Part D
Prescription Drug Coverage

Covers
Prescription drugs

61 Million People Covered by Parts A, B, & C

- 66% of Medicare beneficiaries are covered by traditional Medicare
- 34% of beneficiaries are covered by a Medicare Advantage plan

## Costs of Medicare

<table>
<thead>
<tr>
<th></th>
<th>Premium</th>
<th>Deductible</th>
<th>Co-payments</th>
<th>Co-insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Part B</strong></td>
<td>❌</td>
<td>❌</td>
<td>❌</td>
<td>❌ (usually 20%)</td>
</tr>
<tr>
<td><strong>Part C</strong></td>
<td>❌ (varies by plan)</td>
<td>❌ (varies by plan)</td>
<td>❌</td>
<td>❌ (varies by plan)</td>
</tr>
<tr>
<td><strong>Part D</strong></td>
<td>❌ (varies by plan)</td>
<td>❌ (varies by plan)</td>
<td>❌</td>
<td>❌</td>
</tr>
</tbody>
</table>

Open Enrollment

• Beneficiaries may make changes to their enrollment choices during a period known as “open enrollment”
• For example:

<table>
<thead>
<tr>
<th>From:</th>
<th>To:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Medicare + drug coverage</td>
<td>Medicare Advantage + drug coverage</td>
</tr>
<tr>
<td>Medicare Prescription Drug Plan (Part D)</td>
<td>Another Medicare Prescription Drug Plan (Part D)</td>
</tr>
<tr>
<td>Medicare Advantage + drug coverage</td>
<td>Original Medicare + drug coverage</td>
</tr>
<tr>
<td>Medicare Advantage + drug coverage</td>
<td>Another Medicare Advantage + drug coverage</td>
</tr>
</tbody>
</table>

Original Medicare
Medicare Part A

- Helps cover inpatient hospital care
- Helps cover qualified stays in a skilled nursing facility (SNF)
- Helps cover some home healthcare and hospice services

Medicare Part B

Helps cover doctor and other healthcare provider services

Helps cover outpatient hospital care

Helps cover some physician-administered drugs

Medicare Advantage
Medicare Part C

Covers the same services as Medicare Part A
(Hospital Insurance)

Covers the same services as Medicare Part B
(Medical Insurance)

May cover vision, dental, hearing, and other services

Commonly includes a prescription drug plan (MA-PD)

Common Traits of Medicare Advantage Plans

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Health Maintenance Organization (HMO) Plan</th>
<th>Preferred Provider Organization (PPO) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice of any healthcare provider, or hospital</td>
<td>With few exceptions, must use the plan’s network of providers and hospitals or pay full cost</td>
<td>May use out-of-network providers and hospitals at higher cost than for in-network</td>
</tr>
<tr>
<td>Primary care gatekeeper required</td>
<td>Generally, yes</td>
<td>No</td>
</tr>
<tr>
<td>Referrals required for specialist care</td>
<td>In most cases, yes</td>
<td>In most cases, no</td>
</tr>
<tr>
<td>Prescription drug coverage</td>
<td>In most cases, yes</td>
<td>Depends on the plan</td>
</tr>
<tr>
<td>Out-of-pocket costs</td>
<td>Generally less than PPO</td>
<td>Generally more than HMO</td>
</tr>
</tbody>
</table>

Medicare Prescription Drug Coverage
Medicare Part D

Helps cover costs of prescription drugs that are usually self-administered

Helps pay for both brand name and generic drugs

May help pay for some physician-administered drugs; infusion drugs are usually covered under Part B

Medication Coverage

• Similar to commercial insurance, Medicare covers prescription medicine under 2 benefits

Self-administered drugs are covered under a **retail pharmacy benefit**, and patients go to their local pharmacy to pick them up or have them delivered via mail order.

Part D

A small subset of drugs are administered by a physician or other healthcare professional. These drugs generally are covered under a **medical benefit**.

Part B

Types of Medicare Part D Plans

- Many plan sponsors have both PDP and MA-PD plans

**Stand-Alone Prescription Drug Plan (PDP)**

- Prescription coverage only
- Administered by private insurance companies
- For those who obtain medical coverage through Parts A & B

**Medicare Advantage + Prescription Drug (MA-PD)**

- Prescription coverage in addition to medical coverage (Parts A & B)
- Administered by private insurance companies
- For those who obtain medical coverage through Part C (MA)
- May have more benefits than Parts A & B

Beneficiary Payment for Part D Drugs

Monthly Premium
Fixed fee that varies by plan

Annual Deductible
Paid before plan begins contributing (many plans waive deductible)

Co-payments or Co-insurance
Remaining costs after the plan pays its share of drug costs

Total Patient Cost

Basic Part D Benefit Package in 2019

- Four different coverage phases

**Catastrophic Coverage Threshold** = $8,140 in Estimated Total Drug Costs ($5,100 TrOOP* Threshold)

**“Coverage Gap”**

- Greater of:
  - 5% co-pay
  - $3.40 for generics,
  - $8.50 for brands

- Deductible
  - $415

- 80% paid by Medicare, 15% paid by plans

- 95% coverage (80% paid by Medicare, 15% paid by plans)

- 75% plan coverage
  - $416 - $3,820

- 70% manufacturer discount
  - 5% paid by plans

Brands and Biosimilars

- 25% co-insurance (35% in 2018)
- Generics
  - 37% co-insurance (44% in 2018)

Generics

- 63% paid by plans

Brands and Biosimilars

- 25% co-pay

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*TrOOP (true out-of-pocket spending) includes patient out-of-pocket costs and manufacturer contribution.

Basic Part D Benefit Package in 2019

- Changes from 2018 to 2019 benefit packages:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deductible</strong></td>
<td>$405</td>
<td>$415</td>
</tr>
<tr>
<td><strong>Initial Coverage Limit</strong></td>
<td>$3,750</td>
<td>$3,820</td>
</tr>
<tr>
<td><strong>Out-of-Pocket Threshold</strong></td>
<td>$5,000</td>
<td>$5,100</td>
</tr>
</tbody>
</table>

Part D Coverage and Management Varies

- Each Part D plan establishes formularies that determine the drugs covered and their respective costs
  - Formularies must abide by CMS guidelines
  - All drugs in protected classes must be covered
  - Plans place drugs into different “tiers” on formularies
  - Lower tiers generally cost less than higher tiers
  - eg, specialty tier for drugs >$600 per month

- Part D plans frequently employ other utilization controls
  - Quantity limits
  - Prior authorization
  - Step therapy
  - Generic substitution

Tier Examples

Tier 5: Specialty drugs
25%–33% co-insurance

Tier 4: Nonpreferred brands
$65–$95 co-pay

Tier 3: Preferred brands
$35–$45 co-pay

Tier 2: Nonpreferred generics
$5–$10 co-pay
(may be as high as preferred brands)

Tier 1: Preferred generics
$0–$3 co-pay
Low-Income Subsidy (LIS) or Extra Help

LIS provides extra help with drug costs. LIS:
- Is available to Medicare beneficiaries with limited resources
- Helps with Part D premiums, deductibles, and co-payments
- Is automatic for some; others need to apply

<table>
<thead>
<tr>
<th>Automatic Eligibility</th>
<th>Eligible, But Must Apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dual-eligible/full Medicaid benefits; or</td>
<td>Does not meet any automatic eligibility criteria; and</td>
</tr>
<tr>
<td>Enrolled in Medicare Savings Programs; or</td>
<td>Does meet low-income and asset requirements</td>
</tr>
<tr>
<td>Receiving Supplemental Security Income (SSI)</td>
<td>Must annually submit application and meet updated eligibility criteria</td>
</tr>
</tbody>
</table>

Eligibility continues unless CMS notifies beneficiary otherwise

### 2019 Medicare Part D Benefit Levels for LIS

<table>
<thead>
<tr>
<th>LIS Level</th>
<th>Eligibility</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Low-Income Subsidy</td>
<td>• Medicare + Medicaid, Medicare Savings Program, or SSI; or&lt;br&gt;• Income levels at or below 135% of the Federal Poverty Level (FPL)* and resources that do not exceed the SSA limitations for full LIS</td>
<td>• Premium: 100% coverage&lt;br&gt;• Deductible: $0&lt;br&gt;• Co-payment for generic drugs: as low as $0&lt;br&gt;• Co-payment for brand name drugs: as low as $0</td>
</tr>
<tr>
<td>Partial Low-Income Subsidy</td>
<td>• Income level below 150% of the FPL; and&lt;br&gt;• Resources that do not exceed the SSA limitations for partial LIS</td>
<td>• Premium: 25%–100% coverage&lt;br&gt;• Deductible: $85.00&lt;br&gt;• Co-insurance: 15% up to Out-of-Pocket Threshold</td>
</tr>
</tbody>
</table>

Medicare Supplement Insurance Plans (Medigap)
Medigap

Helps pay Part A deductible, co-insurance/co-payments, and additional hospital days

Helps pay Part B deductible, co-insurance/co-payments

Covers some services not covered by Original Medicare (eg, medical care during travel outside of the USA)

# Medigap Plans

<table>
<thead>
<tr>
<th>Benefits</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>F*</th>
<th>G</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare Part A co-insurance and hospital costs (up to 365 days after Medicare benefits are used)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Medicare Part B co-insurance or co-payment</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Blood (first 3 pints)</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Part A hospice care co-insurance or co-payment</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Skilled Nursing Facility (SNF) care co-insurance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Medicare Part A deductible</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Medicare Part B deductible</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>50%</td>
<td>75%</td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Medicare Part B excess charges</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Foreign travel emergency (up to plan limits)</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
</tbody>
</table>

*Plan F also offers a high-deductible plan. If you choose this option, you must pay for Medicare-covered costs up to the deductible amount, which is $2,300 in 2019, before your Medigap plan pays anything. Plan F, as well as Plan C, will no longer be available beginning in 2020.

†Plan N pays 100% of the Part B co-insurance, except co-payment of up to $20 for some office visits and up to a $50 co-payment for ED visits not resulting in an inpatient admission.

Factors Affecting Coverage, Payment, and Access
Cost-Sharing for Drug Coverage

- Over 43 million Medicare beneficiaries have Part D coverage
  - 13 million Part D enrollees are currently receiving the Low Income Subsidy
- About 1.5 million other beneficiaries have drug coverage through employer-sponsored retiree plans
- Several million have other sources of drug coverage:
  - TRICARE
  - Veterans Administration
  - Employer plans for active workers
- 12% of Medicare beneficiaries lack creditable drug coverage

Thank You