Medicare and Medicaid Myths and Realities

1. **Myth:** Medicare and Medicaid are the same program and they cover most of seniors’ health care costs. Older adults have little to pay out-of-pocket, and therefore have little incentive to restrict their use of the health care system.

   **Reality:** While Medicare does provide essential coverage for physician, drug and hospital bills, and short-term post-acute coverage of home health care, hospice care, and rehabilitation services, beneficiaries pay a substantial amount out of pocket.

   More importantly, and contrary to the belief of most Americans, most nursing home stays do **not** qualify for Medicare coverage. The average cost of a stay in a nursing home is $74,000 annually, but can be far higher in many areas. **Medicaid is the primary payer for long-term services and supports.** In 2009, the Medicaid program paid 62 percent, or $125 billion, of all spending for long-term services and supports in the United States.

   The CLASS program, if successfully implemented, will allow consumers to purchase non-medical services that they need in order to remain in their own homes and communities. Therefore, the more individuals who sign up for the CLASS program, the greater the savings will be to the Medicaid program.

   While Medicare does cover many services for older adults, there can be significant out of pocket costs. For example, Medicare premiums for medical insurance (Part B) are $1,380 per person per year for most beneficiaries and are higher for those with incomes above $80,000.

   If beneficiaries are hospitalized, they pay a $1,132 deductible. If their stay lasts longer than 60 days, they are billed $283 per day for days 61 through 90.

   Beneficiaries pay 20% of the Medicare-approved amount for any visits to their doctor.

   The Part D National Base Beneficiary Premium for prescription drug coverage is $388 per person per year. A beneficiary’s actual costs depend on the plan to which she belongs.

   For seniors, one of the most significant gaps in Medicare coverage is the cost of “custodial care”, help with activities of daily living like bathing, dressing, eating, getting into or out of a chair, or using the bathroom. Contrary to what many people believe, Medicare does not cover this kind of care, either in a nursing home or in the beneficiary’s own home. Funding for this type of care is generally covered by Medicaid waiver programs and Older Americans Act funds.

   Individuals and their families cover 52% of long-term care costs out of pocket. The cost of paid long-term care is only the tip of the iceberg; approximately 75% of long-term services and supports are provided by family members on an unpaid basis, often at a heavy physical and financial cost, including lost opportunities for employment, health insurance, and retirement savings.

2. **Myth:** Medicaid is a state program, Medicare is a federal program, and the two programs are not connected in any way.
**Reality:** Medicare and Medicaid programs are intertwined in many ways. According to the Kaiser Family Foundation, more than 9 million individuals are both Medicare and Medicaid recipients, commonly referred to as “dual eligibles.” Many dual eligibles often have a higher number of chronic conditions, thus leading to higher costs for providing their care. Kaiser estimates that in 2005, $200 billion was spent in Medicare and Medicaid funds to provide care for this population.

Given the large amount of money spent by both Medicare and Medicaid, the Affordable Care Act created various initiatives to better align and integrate care which would lead to savings in both programs. The CMS Innovation Center and the Federal Coordinated Health Care Office provide tremendous opportunities for states to streamline healthcare services for this costly population, while also providing more efficient and better quality care.

Other initiatives such as the Program of All-Inclusive Care for the Elderly (PACE) program, the SOURCE program, and various affordable housing with services models show how pooling funds from Medicare, Medicaid and other sources can give seniors the services they need, when they need them, in whatever place they call home, and in a cost-efficient manner.

3. **Myth:** Medicaid is a welfare program that primarily serves low-income families.

   **Reality:** While the majority of people enrolled in Medicaid are children and families, most Medicaid spending goes for services provided to people aged 65 and over and people with disabilities.

   According to the Congressional Budget Office, in the 2010 fiscal year, 77 percent of people enrolled in Medicaid were children and families, while 23 percent were elderly or disabled. But 64 percent of Medicaid spending was for older Americans and people with disabilities, while 36 percent went to children and families.

   Also, Medicaid is an invaluable program for direct care workers in the long term services and supports field. Many of these front-line employees are often low-income and are not provided health insurance. Until the provisions of the Affordable Care Act are fully implemented, these hard-working employees rely on Medicaid in order to receive health care for themselves and for their families.

4. **Myth:** Cuts in Medicaid spending will help reduce the federal deficit.

   **Reality:** The costs of essential care and services do not disappear; they merely are shifted to other programs and other payers. A cut in Medicaid and Older Americans Act spending will likely lead to an increase in Medicare costs and an increase in the overall health care costs for the general population.

   If seniors’ health and long-term services and supports needs are not met, their condition ultimately can deteriorate to the point where they need to be hospitalized or admitted to a skilled nursing facility.

   Hospitalizations and re-hospitalizations are a significant expense for the Medicare program. A major theme of health care reform was the prevention of hospitalizations by providing more
supportive care at home, care that is generally covered by the Medicaid programs, Older Americans Act programs, and ultimately the CLASS program.

Medicare and Medicaid are integral programs that provide quality health care for older adults across the country. Further cuts to these programs will affect the livelihood of many individuals. Given our current economic state, increased spending in these programs is not feasible, nor sustainable. Our only chance to continue to help older adults live healthier and happier lives is to create innovations in Medicare and Medicaid that result in savings to both programs and increased efficiency and quality in the care that these programs provide.