

What Are Beneficiaries Really Pay



When Medicare beneficiaries use their Part B benefits, they pay the first \$100 each year of the charges approved by Medicare (the Part B deductible). After the deductible is met, Part B generally picks up 80% of the Medicare covered amount and the beneficiary pays the remaining 20% (known as the copayment). The general perception is that outpatient hospital charges follow the same established 80/20 formula.

However, individuals treated at hospital outpatient facilities pay 20% of whatever the hospital charges, not 20% of the amount covered by Medicare. In fact, the percentage is actually much higher. Beneficiaries paid an average of 47% of the actual hospital charge for outpatient hospital services in 1997.

Unfortunately, this is not a new problem. United American featured a two page article in the December 1992, *GLOBEtrouter* magazine about this disparity in the cost of hospital outpatient services. Back then Congress and the Bush Administration recommended changes to correct the copayment formula, but the changes were never implemented.


There is good news. As part of the Balanced Budget Act of 1997, Congress voted to change the payment methodology of Medicare covered outpatient services. The new law is designed to reduce Medicare beneficiaries' proportional share of the liability over a period of years. To date, execution of this new law has been postponed by the Health Care Financing Administration. However, senior advocates are pushing for quicker implementation.

In the meantime, public awareness of this problem is key to helping seniors understand that premiums must increase to cover these climbing outpatient copayments and other health care costs.

Sources: Report to the Congress: Medicare Payment Policy, Medicare Payment Advisory Commission, March 1999

Why For Outpatient Hospital Care?

The Medicare Explanation of Benefits Form (EOMB) was revised in October of 1996. The new format shown below (the Medicare Summary Notice) does not indicate how much Medicare actually paid for the services provided. For demonstration purposes, we have calculated what Medicare actually paid for these services and what the beneficiary owed; see the reality box below.



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Medicare Summary Notice

February 15, 1999

POLICYHOLDER NAME
POLICYHOLDER ADDRESS
 ANYTOWN USA 12345

CUSTOMER SERVICE INFORMATION
 Your Medicare Number: 0000000

If you have questions, write or call:
 Medicare
 P.O. Box 9242
 Des Moines, IA 50306-9242
 If you live in Maryland call:
 1-800-444-4606, otherwise call
 Local: (515) 246-0126

HELP STOP FRAUD: Be informed - Read your Medicare Summary Notice.

This is a summary of claims processed from 01/22/1999 through 02/03/1999.

PART B MEDICAL INSURANCE - OUTPATIENT FACILITY CLAIMS

Dates of Service	Services Provided	Amount Charged	Non-Covered Charges	Deductible and Coinsurance	You May Be Billed	See Notes Section
Claim number: 0000000						
Med Center Name						
Address						
Referred by: Doctor						
11/13/98-11/14/98	CAT scan of head or brain (70450)	\$309.35	\$0.00	\$101.87	\$101.87	
	Emergency dept. visit (99285)	96.10	0.00	19.22	19.22	
	Auditory evoked potential (92585)	176.00	0.00	35.20	35.20	
	Electroencephalogram (EEG) (95816)	284.00	0.00	56.80	56.80	
	Observation care (99219)	280.00	0.00	56.00	56.00	
	Claim Total	\$1,145.45	\$0.00	\$229.09	\$229.09	

THIS IS NOT A BILL - Keep this notice for your records.

Amount charged (Medicare's covered amount is actually \$487.33)

Amount beneficiary owes - UA paid

REALITY	\$1,145.45 Hospital outpatient charges*
	\$ 487.33 Medicare's <u>actual</u> covered amt.
	\$ 258.24 Medicare picked up 53% of the actual covered amt.
	\$ 229.09 Beneficiary's copayment was <i>not 20% of the actual covered amount but in reality 47% - indicating a much higher amount that UA paid!</i>

*Customer is not responsible for the \$658.12 which is the difference between the actual cost and what Medicare paid.

April 1999 9