

## Medicare v. Medicaid

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Many people use the terms "Medicare" and "Medicaid" interchangeably, and much confusion exists regarding these two programs. While these programs do have certain commonalities, they are more different than alike. Medicare and Medicaid are both government-funded health insurance plans. Funding for both programs flows through a federal agency called the Centers for Medicare and Medicaid Services ("CMS"), a division of the U.S. Department of Health and Human Services. But here the similarities between the two programs end.

Medicare is entirely a federal program in terms of funding and administration. The federal agency designated to administer the program is the Social Security Administration ("SSA"). The following are characteristics of this program:

- (1) Medicare is not means-tested, meaning that entitlement is not dependent upon one's financial situation.
- (2) Medicare is generally available to anyone age 65 or older, and to certain disabled persons under 65 who have been entitled to Social Security Disability Insurance ("SSDI") benefits for at least 24 months (with certain exceptions).
- (3) Medicare has four essential parts: Part A, Hospital Insurance; Part B, Medical Insurance; Part C, Medicare + Choice (now called "Medicare Advantage" or "MA"), and Part D, which is the new outpatient prescription drug benefit effective January 1, 2006.
- (4) The Medicare enrollee makes monthly premium payments. The Part A premium is \$343 per month (in 2004), but enrollees who receive Social Security benefits have free Part A coverage. The Part B premium is \$66.60 per month (in 2004), and this is deducted from one's monthly Social Security check. Medicare enrollees who do not receive Social Security benefits pay the Part B premium directly to CMS. The standard Part D benefit package is expected to have a monthly premium of about \$35.
- (5) Medicare payments may be made directly to medical providers, or to beneficiaries to reimburse them for paying providers.
- (6) Medicare is of little help in paying for nursing home costs. It pays only a small amount and for a very short period of time. For certain people coming from a three-day acute care hospital stay, Medicare pays all skilled nursing home charges for the first 20 days. From day 21 through day 100, Medicare may pay all charges except the co-insurance (\$109.50 per day in 2004), for which the resident is responsible. After day 100, Medicare pays nothing toward nursing home costs.

The characteristics of Medicaid are:

- (1) Medicaid operates as a joint federal-state program. It uses both federal and state funds, but each state administers its own Medicaid program within broad federal guidelines.

- (2) Each state must designate a state agency to administer its Medicaid program. In New York, that agency is the Department of Health.
- (3) Medicaid is means-tested. Very specific (and often stringent) financial eligibility criteria must be met.
- (4) There is often a link between Medicaid and other financial assistance programs. In New York, for example, all persons who receive Supplemental Security Income ("SSI"), which also is a means-tested program, are automatically eligible for certain types of Medicaid.
- (5) Medicaid payments are made only to medical providers of services.
- (6) Because Medicare is of little help in financing nursing home costs, many people facing long-term care are forced to look to Medicaid for assistance.

Although Medicare and Medicaid are two separate programs, they are not mutually exclusive. Many people are designated as "dual eligibles", meaning that they are enrolled in both programs simultaneously. Many elderly nursing home residents qualify as "dual eligibles." But Medicaid is always the payor of last resort. It pays only after all other responsible entities, including private health insurers and Medicare, have paid their share.

Although Medicare and Medicaid are distinct programs, they often complement each other. We hope this will help clarify the distinction between these two important public benefit programs.