

# ELDER LAW UPDATE

Vouga Elder Law, LLC  
Veteran & Senior Asset Protection



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2997 Clarkson Road, Suite 120 · Chesterfield, Missouri 63017 · 636-591-0089 · 1-866-625-9675

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## **Medicare, Medicaid, and Medigap: What is the Difference?**

Most Americans are confused about the difference between Medicare, Medicaid and Medigap. Medicare and Medicaid programs are government programs created as part of the Social Security Act of 1965. Medigap is an insurance policy offered by private insurance companies to fill the gaps in coverage for original Medicare. Here is a brief summary of the three programs.

### **Medicaid**

Medicaid is a health insurance program financed and run jointly by the federal and state governments for low-income people of all ages who do not have the money or insurance to pay for health care. The goal of the program is to provide medical and other health care services to eligible individuals so that they are able to remain as self-sufficient as possible. Medicaid is a state administered program. Each state sets its own guidelines, subject to federal rules and guidelines. Certain services must be covered by the states in order to receive federal funds.

### **Medicare**

Medicare is a federally funded and administered program that provides health insurance for older Americans and those who are disabled. Individuals contribute to Medicare during their working years, just as they do to Social Security. Since Medicare is a federal program, eligibility guidelines and services are much the same all over the country. People eligible for the program include most persons over the age of 65, persons with disability status, or persons with irreversible kidney failure. Medicare does not cover all health care services, nor does it pay the entire cost of all the services that it does cover. There are a number of Medicare plan choices. Two of the most widely available plans are original Medicare and Medicare Advantage.

### **Original Medicare Plan**

The original Medicare plan is available nationwide and is a pay-per-visit health plan. You can go to any health care provider who accepts Medicare and is accepting new Medicare patients. There are usually coverage "gaps" or costs that you must pay, such as deductibles, co-payments and coinsurance. Some people buy a Medigap policy to cover these gaps in coverage (see below).

The original Medicare plan has two parts. Part A provides hospital insurance and Part B, which is optional, provides medical insurance. If someone chooses Part B, a monthly premium is deducted from his or her Social Security benefits. Insurance coverage for prescription drugs (Part D) is a new benefit added on January 1, 2006. Insurance companies and other private companies work with Medicare to offer the drug benefit. Costs vary depending on which plan is selected by the individual.

### **Medicare Advantage Plan**

Medicare Advantage Plans are available in some parts of the country. These are managed care Medicare plans. Medicare pays a set amount of money for your care every month to these private health plans whether or not you use services. In most of these plans, generally there are extra benefits and lower co-payments than in the original Medicare plan. However, you may have to see doctors that belong to the plan or go to certain hospitals to get services. If you enroll in a Medicare Advantage Plan, you probably won't need a Medigap policy because Medicare Advantage Plans usually provide a wider range of services.

## **Medigap**

Medigap insurance is also known as Medicare Supplement Insurance. A Medigap policy provides reimbursement for the out-of-pocket costs that are not covered by the original Medicare plan. Gaps in the original Medicare plan consist of deductibles, coinsurance and co-payments that the individual is responsible for paying. Medigap policies are sold by private health insurance companies. There are 12 standardized policies, called Plans "A" through "L." Each plan has a different set of benefits. Not all companies sell all 12 policies. When purchasing Medigap insurance, shop around. Policies offering the same benefits can vary greatly in price. Since the plans are standardized they are easy to compare across companies. In addition, you want a policy that truly supplements Medicare — one that will cover that portion of the bill not covered by Medicare, as well as covering some additional health services not provided by Medicare. Also consider your own situation; not everyone needs a Medigap policy. For example, you might not need a Medigap policy if you have a Medicare Advantage Plan or a supplemental health insurance plan through your former employer.

While much has remained constant in Medicare and Medicaid since these programs were created over 40 years ago, both programs have also changed a great deal. Faced with an aging population, rising health care costs and decreasing availability of employer-sponsored health insurance, governments are debating how to maintain these programs and control costs. In spite of these concerns, Medicaid and Medicare play a major role in providing health care coverage for people of all ages. Medigap policies can further reduce health care costs for individuals who have original Medicare. For more information about Medicare, Medicaid, and Medigap visit the Centers' Web site <http://www.cms.hhs.gov/> Source: <http://www.cms.hhs.gov/>

**The following table is a summary comparing Medicare and Medicaid**

<i>Medicare</i>	<i>Medicaid</i>
<ul style="list-style-type: none"> <li>· Health insurance for seniors</li> <li>· Pays for <b>no more than 100</b> days of nursing home care</li> <li>· Does NOT pay for medications</li> <li>· Must have contributed to Medicare system to be eligible</li> <li>· Pays for primary hospital care and related medically necessary services</li> <li>· General, individual must be over 65 to be eligible</li> <li>· May have a co-pay provision depending on the services received</li> <li>· Federally controlled, uniform application across the country</li> </ul>	<ul style="list-style-type: none"> <li>· Needs-based health program</li> <li>· <b>Pays for long-term care</b></li> <li>· Pays for medications</li> <li>· Individual must meet income and asset limits to be eligible</li> <li>· In general, individuals must be over 65, disabled, or blind and meet income and asset limitations</li> <li>· Has a very small co-pay</li> <li>· Individual state-by-state differences create a different program in each state. (Generally similar, but may be different in specific application)</li> </ul>

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