



THE HOSPITAL & HEALTHSYSTEM ASSOCIATION OF PENNSYLVANIA

ISSUE BRIEF: Medicare

Medicare is a federal health insurance program that covers 45 million Americans (including 2.2 million Pennsylvanians). Medicare has covered the elderly without regard to income or medical history since 1965, and added coverage for people under 65 with disabilities in 1972. Medicare is a source of health care coverage for one in seven Americans.

Medicare is a federal health insurance program established by the US Congress in 1965 as Title 18 of the Social Security Act. Coverage began in July of 1966. Medicare is designed to assist individuals aged 65 and older, some disabled individuals under the age of 65, as well as patients with end-stage renal (kidney) disease (ESRD). Medicare coverage is tied to eligibility for Social Security or Railroad Retirement benefits. However, persons receiving early retirement benefits from Social Security are not eligible for Medicare until they turn 65. Medicare enrollment is handled by the Social Security Administration. Unlike Medical Assistance, Medicare is not based on income or assets. About 35 million senior citizens and about 4 million disabled persons are enrolled nationwide.

Who Does Medicare Help?

- Pennsylvania is one of the oldest states in the union, with 15 percent of the state's population over the age of 65, as compared to the U.S. at 12 percent.
- Pennsylvania ranks third in Medicare beneficiaries as a percent of state population, at 18 percent. Nationally, Medicare beneficiaries comprise 15 percent of the population.
- Pennsylvania has the third highest number of Medicare Advantage (Medicare managed care) enrollees in the nation at 772,000, behind Florida and California; the percentage of the Pennsylvania Medicare population enrolled in managed care (35%) is significantly higher than nationally (21%).
- In Pennsylvania, 85 percent of Medicare beneficiaries are aged, while the remaining 15 percent are persons with disabilities.

Medicare Expenditures and Financing:

- Medicare benefit payments accounted for 22 percent of total spending for personal health services in the U.S. during 2006, and 13 percent of the federal budget.
- Medicare financed 29 percent of the nation's hospital services and 21 percent of physician and clinical services during 2006.
- In 2007, Medicare accounted for 37 percent of Pennsylvania's hospitals' payments.
- More than 60 percent of Pennsylvania's hospitals had a negative Medicare margin during fiscal year 2008, and the number of hospitals with negative Medicare margins is expected to increase in Pennsylvania to nearly 70 percent by 2012.

Medicare Patients Depend on Hospitals and Physicians:

Pennsylvania hospitals and health systems are a vital part of their communities—and yet, there is a critical and worsening imbalance between the demands being placed upon the hospital system and the resources available to meet those demands. The ability of hospitals to provide services to Medicare patients is threatened by continued federal payment decreases. The Medicare program now pays at less than the cost for patient care. Given the economic pressures faced by hospitals that serve as the nation's health care safety net, and given that Medicare and Medicaid pay hospitals less than the cost of providing services, HAP is concerned about reducing federal payments and additional policies that affect the work hospitals do for their communities, especially during this economic downturn.

Medicare payments to physicians also are problematic. The formula for how Medicare pays for physician care calls for a reduction in physician fees by as much as 21 percent. If this would be allowed to happen, access by elderly patient to much needed physician services could be jeopardized. A long-term, financially sustainable solution to Medicare payments to physicians must be achieved.

What Needs to Be Done?

HAP's 2011 advocacy agenda focuses on ensuring hospitals have the resources they need to provide high-quality care and meet the needs of their communities, particularly under health reform. That means:

- Advocating for adequate Medicare payments for hospitals and physicians;
- Implementing federal health care reform in a manner that improves care coordination and promotes efficiency;
- Working to extend expiring Medicare provisions;
- Protecting the Promise of Care to Senior Citizens;
- Encouraging Congress to shore up payments for hospitals that train the physicians of the future; and
- Reining in unfair Medicare claims denials by Recovery Audit Contractors (RACs) and similar activities of fiscal intermediaries and Medicare Administrative Contractors.

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