



MEDICARE OVERVIEW

Created in 1965, Medicare is the federal health insurance program for people living with disabilities or people who are 65 or older. There are different parts of Medicare, each covers specific services. Parts A and B provide direct government benefits. Parts C and D provide coverage through private plans approved by Medicare. Part E implements the Inflation Reduction Act (IRA) drug price controls.¹

Part A



Hospital Insurance

Part A covers inpatient hospital stays, nursing facility and hospice care, and home health care.²

Part B



Medical Insurance

Part B covers doctor visits, outpatient care, medical supplies, preventive services and some prescription drugs.²

Federally Administered Coverage

Part C



Medicare Advantage Plans

Private health plans contract with Medicare to provide all services in Parts A and B, as well as additional services such as eye, dental, and prescription coverage.²

Part D



Prescription Drug Coverage

Created in 2003, Part D covers outpatient prescription medications. These voluntary plans are offered by insurance companies and selected by seniors annually in an open marketplace.²

Privately Administered Coverage

Part D Saves Lives and Reduces Costs

Nearly 12 million people with Medicare saved more than **\$26B** on prescription drugs between 2010 and 2017³

Since Part D was created, enrollees have experienced an **8%** decrease in hospital admissions⁴

Part D costs in the program's first 10 years were **\$349B** lower than CBO's original 10-year estimates⁵

More than **9 in 10** seniors are satisfied with their Part D coverage before the IRA⁶





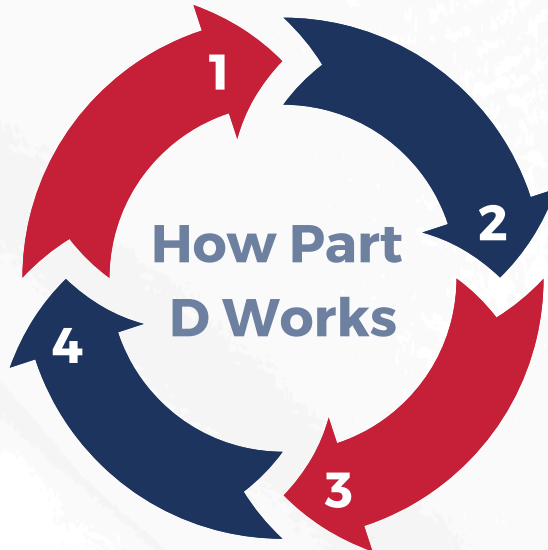
Drug manufacturers and insurers often negotiate substantial rebates to determine the lowest possible price for medications.⁷ Under the IRA, the government sets prices for selected Part D drugs.

Insurers develop Part D plans that provide insurance coverage for drugs.⁸ Seniors pay a premium for their coverage, which includes an upfront deductible and cost-sharing up to an annual limit,



Insurers utilize usage data to negotiate costs with manufacturers and alter plans to fit beneficiaries' needs.¹¹

By adhering to prescribed treatments and medications, seniors stay healthier and decrease overall Medicare spending.¹²



CMS reviews the submitted plans and approves those that meet the standard benefits requirements and formulary rules.⁹

A national average bid amount and premium are calculated. Based on the plan's bid relative to the national average bid, the individual plan premiums are determined.¹⁰



Medicare provides additional support and extra help for low income beneficiaries.⁹

During the annual open enrollment period, seniors compare plans based on premiums, coverage, networks, and quality, and sign up for a plan that best meets their needs.⁹



1. "CMS' Program History: Medicare and Medicaid" Centers for Medicare & Medicaid Services, September 2023. <https://www.cms.gov/about-cms/who-we-are/history>

2. "What's Medicare" Medicare.gov, June 2024. <https://www.medicare.gov/what-medicare-covers/your-medicare-coverage-choices/whats-medicare>

3. "Nearly 12 million people with Medicare have saved over \$26 billion on prescription drugs since 2010" Centers for Medicare & Medicaid Services, January 2017. <https://www.cms.gov/newsroom/press-releases/nearly-12-million-people-medicare-have-saved-over-26-billion-prescription-drugs-2010>

4. Kaestner et al. Effects of Prescription Drug Insurance on Hospitalization and Mortality: Evidence from Medicare Part D. NBER, Feb 2014.

5. "Updated Budget Projections: 2014-2024" Congressional Budget Office, April 2014. <https://www.cbo.gov/publication/45229>

6. "Over 90 Percent of American Seniors Satisfied with their Medicare Prescription Drug Coverage, New Survey Shows" Healthcare Leadership Council, August 2023. <https://www.hlc.org/news/over-90-percent-of-american-seniors-satisfied-with-their-medicare-prescription-drug-coverage-new-survey-shows/>

7. "Negotiation of Drug Prices in Medicare Part D" Congressional Research Services, May 2022. <https://crsreports.congress.gov/product/pdf/IF/IF11318>

8. "A primer on Medicare Part D prescription drug rebates: Insights into the possible impact of the Inflation Reduction Act." Milliman, September 2023. <https://www.milliman.com/en/insight/primer-on-medicare-part-d-prescription-drug-rebates-inflation-reduction-act>

9. "Medicare Part D Prescription Drug Benefit" Congressional Research Service, November 2023. <https://crsreports.congress.gov/product/pdf/R/R40611>

10. "Part D Premiums Increasing Despite Stabilization Program" Avalere, October 2023. <https://avalere.com/insights/part-d-premiums-increasing-despite-stabilization-program>

11. "Part D Payment System" MedPAC, October 2021. https://www.medpac.gov/wp-content/uploads/2021/11/medpac_payment_basics_21_partd_final_sec.pdf

12. 2021 National Impact Assessment of the Centers for Medicare & Medicaid Services Quality Measures Report, Centers for Medicare & Medicaid Services, June 2021. <https://www.cms.gov/files/document/2021-national-impact-assessment-report.pdf>

