



COVID-19: The Impact on Medicare Beneficiaries

PAN Foundation

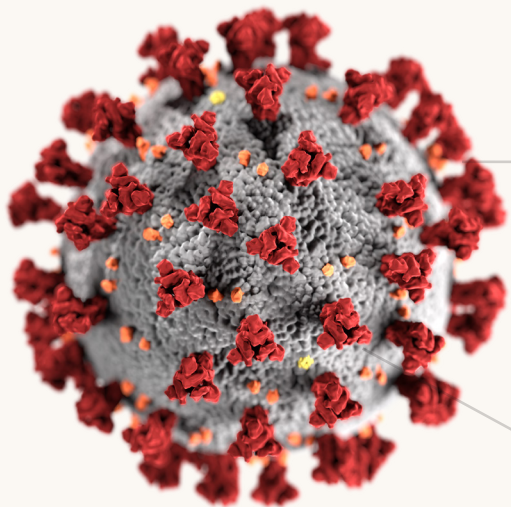
MAY 2020

Coronaviruses refer to a large family of viruses that commonly occur in people and animals.

A new coronavirus first appeared in China in December 2019, and since that time it has spread globally, leading to an international public health crisis. The new virus can cause severe respiratory illness, and this illness is referred to as COVID-19 (Coronavirus Disease). Since the first case of COVID-19 was reported in the United States in January 2020, more than one million Americans have been sickened by the new coronavirus. Not only has the COVID-19 pandemic resulted in significant mortality and personal disruption, but the pandemic will also have profound economic repercussions in the United States and globally.

SARS-CoV-2

The coronavirus that causes COVID-19 is particularly dangerous for older Americans



Novel virus

This virus is new. Unfortunately, with advancing age, our immune systems have fewer T-cells to combat new viruses.

Cytokine-barrage

In younger adults, our immune system is quick to hand off our initial immune response to our second-line of defense, but in older adults, this hand off is slower to respond. This creates inflammation with molecules called cytokines. This could lead to a higher incidence of respiratory distress in older individuals.¹

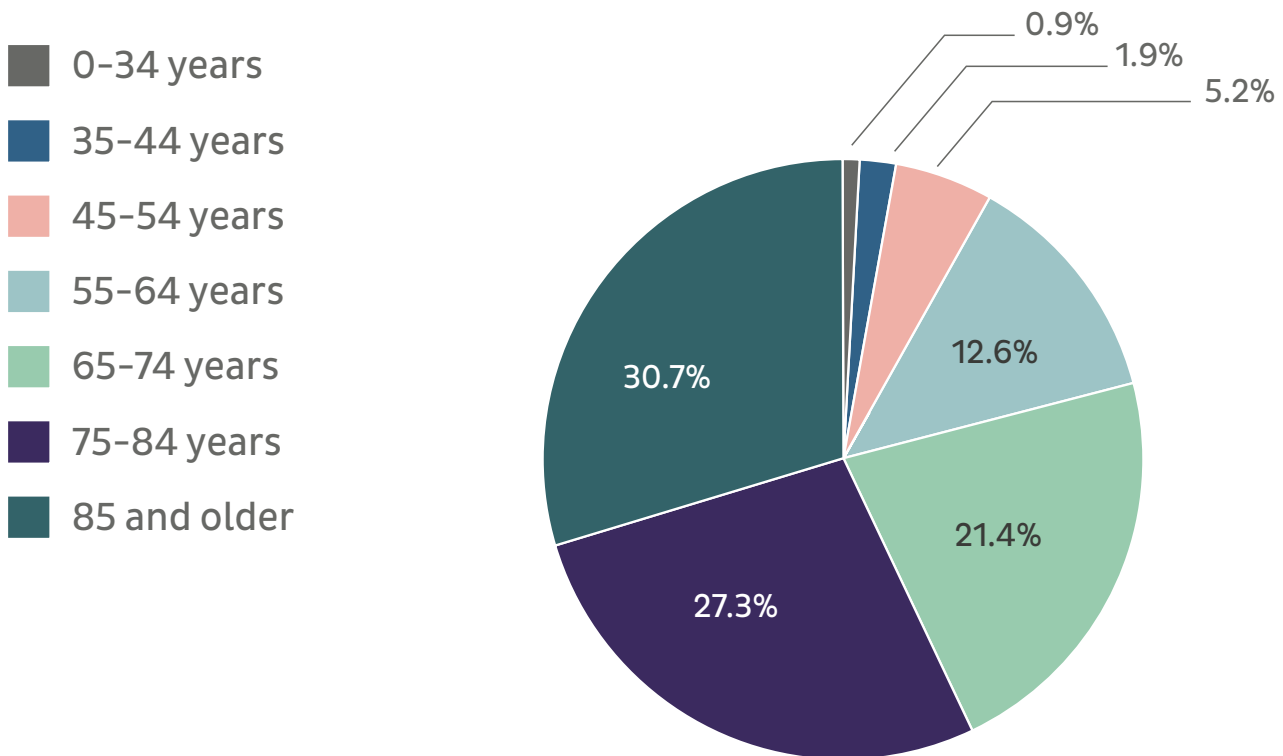
Spike protein

This binds to a cell surface protein, ACE2, which exists in our lungs and kidneys. Older patients may be more susceptible as they have less of these proteins than a younger individual.¹

COVID-19 has a disproportionate impact on older adults and minorities

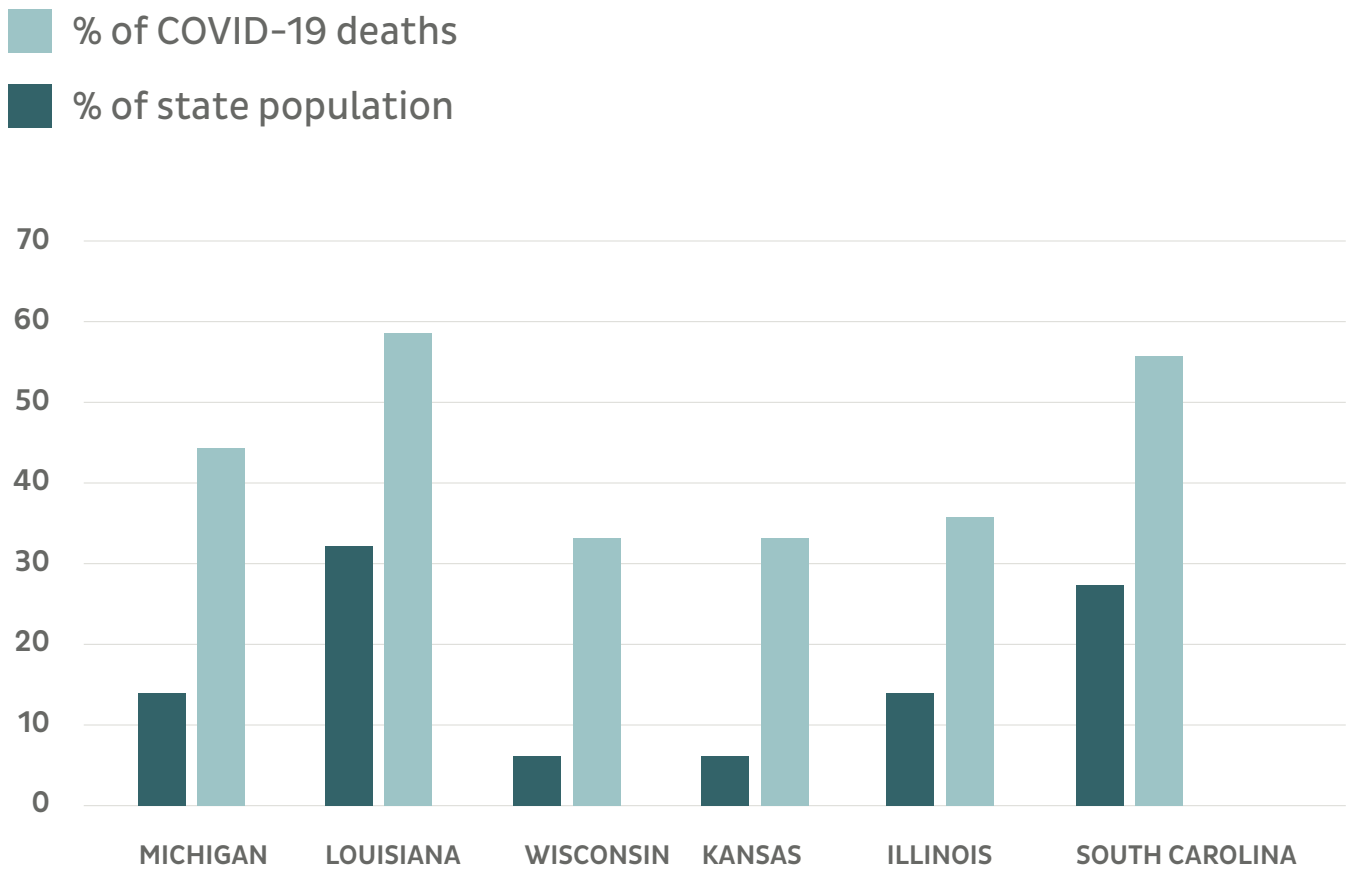
The COVID-19 pandemic has impacted the lives of all Americans, but the virus has hit older adults especially hard. As of April 30, 2020, 30.7% of all COVID-19 deaths in the United States were among people age 85 and older, and 92% were among people age 55 and older (Figure 1).²

FIGURE 1 COVID-19 Deaths, United States through April 30, 2020



Minority groups are also disproportionately impacted by COVID-19. Although not all states have released information on COVID-19 deaths according to race, data from 27 states demonstrate that African Americans are dying from COVID-19 at a rate 2.7 times higher than Whites, and more than twice their share of the total population. Although African Americans represent 13% of the population in states reporting by race, they have accounted for 28% of deaths in those states. Examples of these disparities are shown in Figure 2.³

FIGURE 2 African Americans, Percent of COVID-19 deaths and population through April 30, 2020



In New York City, where COVID-19 has hit especially hard, low income neighborhoods have had a disproportionate number of cases. Neighborhoods with the highest rates of COVID-19 cases have household incomes that are much lower than New York City as a whole, and these neighborhoods also have more residents living below the poverty level.⁴

Taken together, this data shows that COVID-19 is taking an especially high toll on older, low-income adults and that minority seniors may be among the hardest hit groups. Given the importance of accessing appropriate medical care in response to a COVID-19 infection, it is important to understand what services and supports are covered by Medicare.

Out-of-pocket costs for COVID-19: What's covered and what's not

The table below shows that in general, COVID-19 related services are covered by Original Medicare (sometimes called fee-for-service or traditional Medicare) and Medicare Advantage (sometimes called Medicare Part C).

COVID-19 SERVICE	IS THE SERVICE COVERED?	
	Original Medicare	Medicare Advantage
COVID-19 testing and testing-related services ^a	Yes	Yes
In-person office visits	Yes	Yes
Telehealth visits ^b	Yes	Yes
Emergency room visits	Yes	Yes
Inpatient hospitalization	Yes	Yes
COVID-19 vaccine	Yes, when it becomes available	Yes, when it becomes available

^a COVID-19 testing is covered by Medicare Part B if the test is ordered by a doctor or healthcare provider who accepts Medicare and if the test was ordered after February 4, 2020. Medicare Advantage plans are required to cover all Medicare Part A and Part B services, including COVID-19 testing.

^b Starting March 6, 2020.

Although both Original Medicare and Medicare Advantage cover the services that patients need if they are infected with COVID-19, in many cases, patients are still responsible for out-of-pocket costs for these services. However, these out-of-pocket expenses differ depending on the service a patient receives as well as their type of Medicare coverage.

The table below summarizes out-of-pocket costs for COVID-19-related services for the two types of Medicare coverage—Original Medicare and Medicare Advantage.

COVID-19 SERVICE	WHAT DO BENEFICIARIES PAY?	
COVID-19 testing and testing-related services ^a	Original Medicare	\$0
	Medicare Advantage	\$0
In-person office visits	Original Medicare	Part B deductible of \$198 in 2020 applies; after deductible is met, 20% coinsurance
	Medicare Advantage	Cost sharing varies by plan
Telehealth visits	Original Medicare	Part B deductible of \$198 in 2020 applies; after deductible is met, 20% coinsurance
	Medicare Advantage	Cost sharing varies by plan
Emergency room visits	Original Medicare	Part B deductible of \$198 in 2020 applies; after deductible is met, 20% coinsurance, copayment for emergency room visit, copayment for hospital services.
	Medicare Advantage	Cost sharing varies by plan
Inpatient hospitalization	Original Medicare	Medicare Part A deductible \$1,409 per hospital visit in 2020 applies. No coinsurance for days 1-60; coinsurance of \$352/day for days 61-90.
	Medicare Advantage	Cost sharing varies by plan.
COVID-19 vaccine (when available)	Original Medicare	\$0
	Medicare Advantage	\$0

Although COVID-19 testing and testing-related services will impose no cost sharing on Medicare beneficiaries, all the care that patients receive following a COVID-19 diagnosis is subject to existing cost sharing. This includes hospital admissions, as well as in-person and telehealth visits and nursing home care that patients may need because of COVID-19. However, when a vaccine is developed for COVID-19, it will be available to all Medicare beneficiaries with no cost sharing.

It is important to emphasize that in addition to development of a vaccine to protect people from a COVID-19 infection, many other treatments are currently being tested for people who already have COVID-19. These include anti-viral medications and treatments for pneumonia and other respiratory problems that occur among people with the virus. Under current policies, Medicare beneficiaries will shoulder the out-of-pocket costs for these non-vaccine COVID-19 treatments when they are approved.

What about supplemental insurance?

Although most people with Original Medicare have supplemental insurance such as Medigap, Medicaid or employer-sponsored insurance that covers some of the cost sharing for COVID-19 related treatment under Medicare Parts A and B, more than 6 million beneficiaries lack this type of coverage.

A large share—37%—of Medicare beneficiaries without supplemental insurance—those who would be hit especially hard by COVID-19 related out-of-pocket healthcare costs—have incomes of less than \$20,000 per year.⁵ This means that large numbers of older adults—the group that has the highest risk of serious complications from COVID-19—does not have the resources to cover the additional out-of-pocket costs that COVID-19 treatment requires.



Will Medicare change in the future in response to COVID-19?

A report from Peterson Kaiser Family Foundation Health System Tracker indicated that the disproportionate impact of COVID-19 on older adults will likely put financial pressure on Medicare in the near future.

This pressure will come from increased hospitalizations for COVID-19, beneficiaries who need ventilators and other intensive care because of the virus, patients who need nursing home care and home health care following a COVID-19 hospitalization, as well as the cost of medications that are used to manage the symptoms and complications of the virus.



In addition to these increased costs, the Medicare trust fund—the fund that finances health services for Medicare beneficiaries—will also be unfavorably impacted by COVID-19. The Center for Budget and Policy Priorities points out that the widespread unemployment caused by COVID-19 will reduce payroll taxes, a main source of income for the Medicare trust fund.⁶

Because Medicare did not anticipate increased costs and decreased income, the Kaiser Family Foundation report suggests that in the future, there may be “spillover effects” for Medicare beneficiaries that will take the form of higher premiums and deductibles. If these increases in out-of-pocket costs occur, they will apply to all Medicare beneficiaries—not just those who developed COVID-19.⁷

Although much remains uncertain about COVID-19, the Kaiser Family Foundation and Center for Budget and Policy Priorities reports indicate that (1) the virus will result in short-term increases in out-of-pocket spending among older adults who are sickened by COVID-19, potentially in the thousands of dollars and (2) Medicare’s increased costs and decreased income are likely to result in increased out-of-pocket spending for all Medicare beneficiaries in the future in the form of increased cost-sharing requirements.

Can Medicare beneficiaries afford increased cost sharing due to COVID-19?

No. More than 15 million older and disabled adults live on incomes below 200% of the federal poverty level and 4.7 million live below the poverty level. For economically vulnerable Medicare beneficiaries, the impact of increased out-of-pocket costs due to COVID-19 now and in the future will present added burdens on top of their existing struggles to afford needed healthcare.

Even before COVID-19, low-income seniors had a heavier chronic disease burden, and they spent a greater portion of their incomes on healthcare compared to older adults with more financial resources.⁹ The social isolation that characterizes the COVID-19 crisis will only exacerbate these trends because seniors are no longer able to benefit from the well-recognized mental health and other benefits of social, religious, and community engagement.^{10, 11, 12} These challenges will become more pronounced as low-income seniors continue to bear the brunt of COVID-19 because of the vulnerability of their health status.

Implement a cap and distribute out-of-pocket costs more evenly throughout the year

Now is the time to recognize that COVID-19 will impose added out-of-pocket cost burdens on economically vulnerable seniors who were already struggling with healthcare costs. The PAN Foundation believes more than ever that Medicare beneficiaries' out-of-pocket prescription drug costs should be capped and distributed more evenly over the course of the benefit year, and that these costs should not prevent beneficiaries from accessing needed treatments.¹³ It is critically important that policies that are developed and implemented in response to the COVID-19 crisis should not impose additional out-of-pocket cost burdens on economically vulnerable Medicare beneficiaries.





The PAN Foundation is an independent, national 501 (c)(3) organization dedicated to helping underinsured people with life-threatening, chronic and rare diseases get the medications and treatments they need by assisting with their out-of-pocket costs and advocating for improved access and affordability.

For more information, contact Amy Niles, Executive Vice President, at: aniles@panfoundation.org.

Supporting Literature

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¹³ PAN Foundation. Position Statements: Improving Patient Access to Healthcare. Available at: <https://www.panfoundation.org/position-statements/>. Accessed April 22, 2020.