
Program Memorandum Intermediaries/Carriers

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal AB-02-159

Date: NOVEMBER 8, 2002

CHANGE REQUEST 2451

SUBJECT: Medicare Deductible and Premium Rates for Calendar Year 2003

Health Insurance (HI) beneficiaries who use covered services may be subject to deductible and coinsurance requirements. A beneficiary is responsible for an inpatient hospital deductible amount, which is deducted from the amount payable by the HI program to the hospital, for inpatient hospital services furnished in a spell of illness. When a beneficiary receives such services for more than 60 days during a spell of illness, he or she is responsible for a coinsurance amount equal to one-fourth of the inpatient hospital deductible, for 61-90 days spent in the hospital. After 90 days in a spell of illness, the individual has 60 lifetime reserve days of coverage. The coinsurance amount for these days is equal to one-half of the inpatient hospital deductible. A beneficiary is responsible for a coinsurance amount equal to one-eighth of the inpatient hospital deductible for each 21-100 days of skilled nursing facility services furnished during a spell of illness.

Most individuals age 65 and older, and many disabled individuals under age 65, are insured for HI benefits without a premium payment. The Social Security Act provides that certain aged and disabled persons who are not insured may voluntarily enroll, but are subject to the payment of a monthly premium. Since 1994, voluntary enrollees may qualify for a reduced premium if they have 30-39 quarters of covered employment. When voluntary enrollment takes place more than 12 months after a person's initial enrollment period for HI benefits, the monthly premium increases by 10 percent.

Under Supplementary Medical Insurance (SMI), all enrollees are subject to a monthly premium. Most SMI services are subject to an annual deductible and coinsurance (percent of costs that the enrollee must pay) which are set by statute. The coinsurance percentage has remained at 20 percent since its inception. When SMI enrollment takes place more than 12 months after a person's initial enrollment period, the monthly premium increases by 10 percent for each full 12-month period during which the individual could have been enrolled, but was not.

All contractors, shared system maintainers, and common working file maintainer should make all necessary changes to update these amounts.

Year 2003 HI Deductible, Coinsurance, & Premium Amounts:

Deductible \$840 per benefit period

Coinsurance \$210 a day for days 61-90 in each period

\$420 a day for days 91-150 for each "Lifetime Reserve" day used

\$105 a day in a Skilled Nursing Facility for days 21-100 in each benefit period

Premium \$316 per month for those who must pay a premium

\$347.60 per month for those who must pay both a premium and a 10 percent increase

\$174 per month for those who have 30-39 quarters of coverage

\$191.40 per month for those who have 30-39 quarters of coverage and must pay a 10 percent increase

Year 2003 SMI Deductible, Coinsurance, & Premium Amounts:

Deductible \$100 per year

Coinsurance 20 percent

Premium \$58.70 per month

The *effective date* for this Program Memorandum (PM) is January 1, 2003.

The *implementation date* for this PM is January 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2004.

If you have any questions, contact Barbara Strickland at (410) 786-0508.