

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-01 Medicare General Information, Eligibility, and Entitlement	Centers for Medicare & Medicaid Services (CMS)
Transmittal 41	Date: OCTOBER 27, 2006
	Change Request 5345

SUBJECT: Update to Medicare Deductible, Coinsurance and Premium Rates for 2007

I. SUMMARY OF CHANGES: This CR announces the 2007 Medicare rates and instructs contractors to make necessary updates to claims processing systems.

NEW / REVISED MATERIAL

EFFECTIVE DATE:*January 1, 2007

IMPLEMENTATION DATE: January 2, 2007

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
R	3/10.3/Basis for Determining the Part A Coinsurance Amounts
R	3/20.2/Part B Annual Deductible
N	3/20.6/Part B Premium

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2007 operating budgets.

IV. ATTACHMENTS:

**Recurring Notification
Manual Instruction**

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Recurring Update Notification

Pub. 100-01	Transmittal: 41	Date: October 27, 2006	Change Request: 5345
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SUBJECT: Update to Medicare Deductible, Coinsurance and Premium Rates for 2007

Effective Date: January 1, 2007

Implementation Date: January 2, 2007

I. GENERAL INFORMATION

A. Background: Beneficiaries who use covered Part A 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 Medicare 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 per-day for the 61st-90th day spent in the hospital. An individual has 60 lifetime reserve days of coverage, which they may elect to use after the 90th day in a spell of illness. 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 per day for the 21st through the 100th day of Skilled Nursing Facility (SNF) services furnished during a spell of illness.

Most individuals age 65 and older, and many disabled individuals under age 65, are insured for Health Insurance (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, a 10 percent penalty is assessed for 2 years for every year they could have enrolled and failed to enroll in Part A.

Under Part B of the Supplementary Medical Insurance (SMI) program, 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. When Part B enrollment takes place more than 12 months after a person's initial enrollment period, there is a permanent 10 percent increase in the premium for each year the beneficiary could have enrolled and failed to enroll.

B. Policy: For Calendar Year (CY) 2007, the following Medicare rates are applicable:

2007 Medicare Part A Deductible, Coinsurance, & Premium Amounts:

Deductible \$992.00 per benefit period

Coinsurance \$248.00 a day for days 61-90 in each period

 \$496.00 a day for days 91-150 for each "Lifetime Reserve" day used

 \$124.00 a day in a SNF for days 21-100 in each benefit period

Premium \$410.00 per month for those who must pay a premium
 \$451.00 per month for those who must pay both a premium and a 10 % increase
 \$226.00 per month for those who have 30-39 quarters of coverage
 \$248.60 per month for those who have 30-39 quarters of coverage and must pay a 10 % increase

2007 Medicare Part B Deductible, Coinsurance, & Premium Amounts:

Deductible \$131.00 per year

Coinsurance 20 percent

2007 Medicare Part B Premium Table

Premium/month	Income Parameters for Determining Part B Premium	
	Individual Income	Combined Income (Married)
\$ 93.50	\$ 80,000.00 or less	\$160,000.00 or less
\$105.80	\$ 80,000.01 - \$100,000.00	\$160,000.01 - \$200,000.00
\$124.40	\$100,000.01 - \$150,000.00	\$200,000.01 - \$300,000.00
\$142.90	\$150,000.01 - \$200,000.00	\$300,000.01 - \$400,000.00
\$161.40	\$200,000.01 or more	\$400,000.01 or more

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A / B M A C	D M E M A C	F I M A C	C A R R I E R	D M R R C	R E H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F		
5345.1	Contractors shall update the 2007 Medicare Part A inpatient deductible rate to \$992.00 per benefit period.	X		X				X	X			X
5345.1.1	The CMS shall update the hospital inpatient limit to \$992.00 in the Outpatient Prospective Payment System (OPPS) Pricer. (This is used as a threshold amount for which the national coinsurance may not exceed).											OPPS Pricer
5345.2	Contractors shall update the 2007 Medicare Part A coinsurance rate to \$248.00 a day for days 61-90 in each period.	X		X				X	X			X
5345.3	Contractors shall update the 2007	X		X				X	X			X

									F I S S	M C S	V M S	C W F	
5345.11	A provider education article related to this instruction will be available at www.cms.hhs.gov/MLNMattersArticles shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X	X	X	X	X	X	X					

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

B. For all other recommendations and supporting information, use the space below:

V. CONTACTS

Pre-Implementation Contact(s): Joe Bryson at joseph.bryson@cms.hhs.gov or 410-786-2986

Post-Implementation Contact(s): Regional Office

VI. FUNDING

A. For TITLE XVIII Contractors:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.

B. *For Medicare Administrative Contractors (MAC):*

The contractor is hereby advised that this constitutes technical direction as defined in your contract. We do not construe this as a change to the Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts specified in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

Medicare General Information, Eligibility, and Entitlement

Chapter 3 - Deductibles, Coinsurance Amounts, and Payment Limitations

(Rev. 41, 10-27-06)

20.6 – Part B Premium

10.3 - Basis for Determining the Part A Coinsurance Amounts

(Rev. 41, Issued: 10-27-06; Effective: 01-01-07; Implementation: 01-02-07)

The applicable inpatient deductible is the one in effect during the calendar year in which the patient's benefit period begins (i.e., in most cases, the year in which the first inpatient hospital services are furnished in the benefit period). Except for 1989, the coinsurance amount is based on the deductible applicable for the calendar year in which the coinsurance days occur.

When Deductible and/or Coinsurance Are Applicable for Part A

Inpatient Hospital- First 60 Days	Deductible applicable equal to national average cost per day
Inpatient Hospital- 61st thru 90th Day	Coinsurance per day always equal to 1/4 of inpatient hospital deductible
Inpatient Hospital- 60 Lifetime Reserve Days (nonrenewable) - 91st thru 150th day	Coinsurance always equal to 1/2 of inpatient hospital deductible
Skilled Nursing Facility 21st thru 100th Day	Coinsurance always equal to 1/8 of inpatient hospital deductible
Home Health Agency	No Deductible No Coinsurance (except for 20 percent coinsurance for DME and prosthetics/orthotics)
Blood	1st 3 pints (or equivalent units of packed red blood cells) in a calendar year - combined Part A and B
Hospice * a. Drugs and Biologicals	a. 5 percent of the cost determined by the drug copayment schedule (may not exceed \$5 per

b. Respite Care	prescription) b. 5 percent of the payment for a respite care day
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*Hospices may charge coinsurance for two services only, drugs and biologicals, and respite care. The amount of coinsurance for each prescription may not exceed \$5.00. The amount for respite care may not exceed the inpatient deductible for the year in which the hospital coinsurance period began.

Deductible and Coinsurance Amounts

Year	Inpatient Hospital Deductible, 1st 60 Days	Inpatient Hospital Coinsurance, 61st-90th Days	60 Lifetime Reserve Days Coinsurance	SNF Coinsurance
1986	\$492	123	246	61.50
1987	520	130	260	65.00
1988	540	135	270	67.50
1989	560	0 (1)	0 (1)	0(2)
1990	592	148	296	74.00
1991	628	157	314	78.50
1992	652	163	326	81.50
1993	676	169	338	84.50
1994	696	174	348	87.00
1995	716	179	358	89.50
1996	736	184	368	92.00
1997	760	190	380	92.00
1998	764	191	382	95.50
1999	768	192	384	96.00
2000	776	194	388	97.00

2001	792	198	396	99.00
2002	812	203	406	101.50
2003	840	210	420	105
2004	876	219	438	109.50
2005	912	228	456	114
2006	952	238	476	119
2007	992	248	496	124

1. Coinsurance was not charged for inpatient hospital care in CY 1989 due to Catastrophic Coverage. The deductible was applied.

2. Under Catastrophic Coverage, a coinsurance payment of \$25.50 was due for days 1-8 of SNF care. No SNF coinsurance was due after day 8 in 1989.

20.2 - Part B Annual Deductible

(Rev. 41, Issued: 10-27-06; Effective: 01-01-07; Implementation: 01-02-07)

In each calendar year, a cash deductible must be satisfied before payment can be made under SMI. (See 20.4 of this chapter for exceptions.)

- *For 2007, and until further notice, the deductible is \$131.*
- For 2006, and until further notice, the deductible is \$124.
- For 2005, the deductible is \$110.
- From 1991 through 2004, the deductible is \$100.
- From 1982 through 1990, the deductible was \$75.
- From 1973 through 1981, the deductible was \$60.
- From 1966 through 1972, the deductible was \$50.

Expenses count toward the deductible on the basis of incurred, rather than paid expenses, and are based on Medicare allowed amounts. Non-covered expenses do not count toward the deductible. Even though an individual is not entitled to Part B benefits for the entire calendar year (i.e., insurance coverage begins after the first month of a year or the individual dies before the last month of the year), he or she is still subject to the full deductible for that year. Medical expenses incurred in the portion of the year preceding entitlement to medical insurance are not credited toward the deductible.

The date of service generally determines when expenses were incurred, but expenses are allocated to the deductible in the order in which the bills are received. Services not subject to the deductible cannot be used to satisfy the deductible.

20.6 – Part B Premium

(Rev. 41, Issued: 10-27-06; Effective: 01-01-07; Implementation: 01-02-07)

The Centers for Medicare and Medicaid Services (CMS) updates the Part B premium each year. These adjustments are made according to formulas set by statute. By law, the monthly Part B premium must be sufficient to cover 25 percent of the program’s costs, including the costs of maintaining a reserve against unexpected spending increases. The federal government pays the remaining 75 percent.

Below are the annual Part B premium amounts from Calendar Year (CY) 1996 to 2006. For these years, and years prior to 1996, the Part B premium is a single established rate for all beneficiaries.

Year	Part B Premium
1996	\$42.50
1997	\$43.80
1998	\$43.80
1999	\$45.50
2000	\$45.50
2001	\$50.00
2002	\$54.00
2003	\$58.70
2004	\$66.60
2005	\$78.20
2006	\$88.50

Beginning on January 1, 2007, the Part B premium will be based on the income of the beneficiary. Below are the CY 2007 Part B premium amounts based on beneficiary income parameters.

Premium/month	Income Parameters for Determining Part B Premium	
	Individual Income	Combined Income (Married)
\$ 93.50	\$ 80,000.00 or less	\$160,000.00 or less
\$105.80	\$ 80,000.01 - \$100,000.00	\$160,000.01 - \$200,000.00
\$124.40	\$100,000.01 - \$150,000.00	\$200,000.01 - \$300,000.00
\$142.90	\$150,000.01 - \$200,000.00	\$300,000.01 - \$400,000.00
\$161.40	\$200,000.01 or more	\$400,000.01 or more