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# CMS Manual System

## Pub. 100-01 Medicare General Information, Eligibility, and Entitlement

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

Transmittal 3

Date: MARCH 12, 2004

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CHANGE REQUEST 3121

**I. SUMMARY OF CHANGES:** This instruction updates the new Part B deductible starting CY 2005.

**NEW/REVISED MATERIAL - EFFECTIVE DATE: January 1, 2005**

**\*IMPLEMENTATION DATE: January 3, 2005**

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

**II. CHANGES IN MANUAL INSTRUCTIONS:  
(R = REVISED, N = NEW, D = DELETED)**

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

**\*III. FUNDING:**

These instructions shall be implemented within your current operating budget.

**IV. ATTACHMENTS:**

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

**\*Medicare contractors only**

## Attachment - Business Requirements

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**SUBJECT: New Part B Annual Deductible**

### I. GENERAL INFORMATION

**A. Background:** For years 1991 through 2004, the Part B annual deductible is \$100.

**B. Policy:** This transmittal manualizes the new Part B annual deductible based on Section 629 of The Medicare Prescription Drug, Improvement, and Modernization Act. Beginning 2005, the Medicare Part B deductible will be \$110.

**C. Provider Education:**

A provider education article related to this instruction will be available at [www.cms.hhs.gov/medlearn/matters](http://www.cms.hhs.gov/medlearn/matters) shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article to their Web site, and include it in a listserv message if applicable, within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin

### II. BUSINESS REQUIREMENTS

*"Shall" denotes a mandatory requirement*

*"Should" denotes an optional requirement*

Requirement #	Requirements	Responsibility
3121.1	Medicare contractors shall update the Year 2005 Medicare Part B deductible rate to \$110.	FIs, Carriers, SSs, CWF

### III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

**A. Other Instructions:** N/A

X-Ref Requirement #	Instructions

**B. Design Considerations:** N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

**C. Interfaces:** N/A

**D. Contractor Financial Reporting /Workload Impact:** N/A

**E. Dependencies:** N/A

**F. Testing Considerations:** N/A

**IV. SCHEDULE, CONTACTS, AND FUNDING**

<p><b>Effective Date: January 1, 2005</b></p> <p><b>Implementation Date: January 3, 2005</b></p> <p><b>Pre-Implementation Contact(s): Joe Bryson at jbryson2@cms.hhs.gov</b></p> <p><b>Post-Implementation Contact(s): Appropriate Regional Office</b></p>	<p><b>These instructions shall be implemented within your current operating budget.</b></p>
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### 10.3 - Basis for Determining the Part A Coinsurance Amounts

*(Rev. 3, 03-12-04)*

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 b. Respite Care	* a. 5 percent of the cost determined by the drug copayment schedule (may not exceed \$5 per prescription) b. 5 percent of the payment for a respite care day

\*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
<i>2003</i>	<i>840</i>	<i>210</i>	<i>420</i>	<i>105</i>
<i>2004</i>	<i>876</i>	<i>219</i>	<i>438</i>	<i>109.50</i>

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. 3, 03-12-04)*

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 2005, and until further notice, 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 *that* are not subject to the deductible cannot be used to satisfy the deductible.