Understanding Medigap: What You & Your Clients Need to Know

Ann Kayrish
Brandy Bauer
Agenda

- Medigap basics: Filling the gaps in coverage
- Medigap vs. Medicare Advantage
- Who chooses Medigap?
- Types of plans
- Medigap pricing & premium variations
- When to enroll & guaranteed issue rights
- Switching policies
- Suspending Medigap
- Changes to Medigap in 2020
Medicare Costs and Coverage Gaps

• Medicare enrollees have numerous costs:
  o Part A benefit period deductible, coinsurance (and premium for those without work credits)
  o Part B premium, annual deductible, 20% coinsurance

• Medicare does not cover:
  o Routine dental care
  o Routine vision care and eyeglasses (except after cataract surgery)
  o Hearing aids and exams
  o Medical care outside of the U.S.
Medicare Choices

- Several permutations of choice:
  - Standalone Original Medicare
  - Medicare Advantage (Part C): Includes Original Medicare, plus prescriptions, in most plans
  - Original Medicare + a Part D (prescription drug) plan
  - Original Medicare + Part D + Medigap
  - Original Medicare + Medigap
What’s Medigap?

• Medigap is private health insurance designed to pay the benefit gaps under original Medicare
  o Helps pay out of pocket costs under Medicare Parts A & B including deductibles, coinsurance, copayments
  o Part D benefits not covered
  o Sold by different companies and costs vary
  o Generally follows Medicare coverage guidelines*

Common Gaps Filled by Medigap Plans

- **PART A Hospital Deductible (days 1-60)**: $1,364 PER BENEFIT PERIOD
- **PART B Annual Deductible**: $185 PER YEAR
- **Most Outpatient Services and Medical Supplies**: 20% of the total amount Medicare approves
- **PART A Hospitalization (days 61-90)**: $341 ** PER DAY
- **The cost of the First 3 Pints of blood if you require a transfusion**
- **PART A Hospitalization (days 91-150)**: $682 PER DAY
- **Skilled Nursing Facility Care (days 21-100)**: $170.50 PER DAY
- **Skilled Nursing Facility Care (after 100 days)**: 100%
Medicare Advantage vs Medigap

MA and Medigap do not work together

- It is illegal for someone to sell a client a Medigap policy if they know the person is enrolled in Medicare Advantage

- Technically, someone who has Original Medicare + Medigap can enroll in Medicare Advantage, but Medigap won’t fill any cost gaps

- Anyone enrolling in MA is advised to drop their Medigap policy
## Comparison of Medigap vs Medicare Advantage

<table>
<thead>
<tr>
<th>Relationship to Medicare Parts A &amp; B</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private supplemental coverage that pays most Part A &amp; B out-of-pocket costs.</td>
<td>Private health plan that provides Part A &amp; B benefits directly in place of Original Medicare.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Premium</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of about $150 to $350/month. Vary by age, health history, or both.</td>
<td>$0 to more than $100/month depending on plan. All plan enrollees pay the same regardless of age or health history.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Out-of-pocket costs</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low to none (not counting premium)</td>
<td>In-network medical deductibles and copays of up to $3,400 to $6,700 a year, depending on the plan.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Choice of doctors and hospitals</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any that participate in Medicare.</td>
<td>HMOs: Plan providers only. PPOs: Any provider, but out-of-network providers cost more.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extra benefits/service</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typically no. Some plans may have a limited foreign travel benefit</td>
<td>Maybe. Some plans may offer benefits that original Medicare does not cover, i.e., vision, dental, hearing, transportation, meal delivery</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>When you can buy</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>First six months after you sign up for Part B and are at least 65 years old. Pre-existing conditions apply.</td>
<td>When you first enroll in both Medicare A and B and annually thereafter during Open Enrollment (Oct. 15-Dec. 7).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part D (drug) coverage</th>
<th>Medigap</th>
<th>Medicare Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not included. You must buy a separate Part D plan for this.</td>
<td>Most plans include Part D coverage.</td>
<td></td>
</tr>
</tbody>
</table>
Medicare Choices

- 1 in 4 people with traditional Medicare have Medigap

Share of Traditional Medicare Beneficiaries by Type of Supplemental Coverage

2015 Total = 39 million traditional Medicare beneficiaries*

NOTE: * Roughly one-third of the Medicare population is enrolled in a Medicare Advantage Plan and is excluded from this analysis. Coverage is assigned in the following hierarchical order: Medicaid, Employer-Sponsored, Medigap, other coverage, no supplemental coverage. Medicaid groupings reflect enrollment in March 2015. SOURCE: KFF analysis of the Centers for Medicare & Medicaid Services Medicare Current Beneficiary Survey, 2015.

Take-Up Rates in Your Region

Figure 3
In 20 states, at least 25 percent of Medicare beneficiaries have Medigap—often highest in Midwest and plains states, 2016

NOTE: Analysis excludes California, as the majority of health insurers do not report their data to the NAIC. Analysis includes standardization plans A-H, policies existing prior to federal standardization (Pre-Standardization), and plans in Massachusetts, Minnesota, and Wisconsin that are not part of the federal standardization program; excludes plans that identified as Medicare Select, excludes plans with less than 20 covered lives.
Types of Medigap Plans

• 10 Standardized Medigap plans (A-N)
  o MA, MN, WI have different standard options
  o Each standardized policy must offer same basic benefits

• Medicare Select Policies
  o A type of Medigap policy with a hospital and provider network
  o Not available in all states

• Finding Medigap cost information:
  o Find policies offered in your area through National Association of Insurance Commissioners or www.medicare.gov
Comparing Plans

- Cost is usually the only difference between Medigap policies with the same letter sold by different insurance companies.

https://www.mymedicarematters.org/coverage/medigap/?SID=5ba264da2ca73152
## Comparing Medigap Rates

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Acme Co. Plan D</th>
<th>Sunshine Co. Plan D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Premium</td>
<td>$169.00 ($2,028 annual)</td>
<td>$140.00 ($1,680 annual)</td>
</tr>
<tr>
<td>Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Medicare Part B coinsurance or copayment</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Blood (first 3 pints)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Part A hospice care coinsurance or copayment</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Skilled nursing facility care coinsurance</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Part A deductible</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Part B deductible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B excess charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign travel emergency (up to plan limits)</td>
<td>80%</td>
<td>80%</td>
</tr>
</tbody>
</table>
### Medigap Pricing

- Each company sets its own rates can be based on age, gender, zip code (premium change with address change), tobacco use
- Three different cost structures

<table>
<thead>
<tr>
<th>Type of Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No age-rated (also known as community rated)</td>
<td>• Everyone pays same rate regardless of age if 65+</td>
</tr>
<tr>
<td></td>
<td>• Generally least expensive over lifetime</td>
</tr>
<tr>
<td>Issue age-rated</td>
<td>• Based on age when purchased</td>
</tr>
<tr>
<td></td>
<td>• Doesn’t go up automatically as you get older</td>
</tr>
<tr>
<td>Attained age-rated</td>
<td>• Premium based on current age</td>
</tr>
<tr>
<td></td>
<td>• Costs less at age 65</td>
</tr>
<tr>
<td></td>
<td>• Cost goes up each year as you get older</td>
</tr>
</tbody>
</table>

Source: [https://www.medicare.gov/find-a-plan/staticpages/learn/how-insurance-companies-price-policies.aspx](https://www.medicare.gov/find-a-plan/staticpages/learn/how-insurance-companies-price-policies.aspx)
Medigap Premium Variation

Address change does not alter Medigap benefits but often alters Medigap premium

• Health risk pools
• Prevalence of MA/MA-PD plans
• State regulatory environment
  • Rating methods utilized/allowed by state
  • Expanded Medigap protections
Poll Question: Snowbirds

Where can Snowbirds or other dual residents purchase a Medigap plan?

• In any of the states where you have a home
• In the state you live for 6 months or more
• In the state you file federal and state taxes
• It is best if you talk with an insurance broker or tax advisor
Counseling Considerations

- Truthfully answer all the questions on the Medigap application
- Plans may rescind coverage or adjust premium if inaccuracies are identified
- No federal law defining primary residence for Medigap
  - Federal/state taxes filings
  - Address on file with Social Security Administration
  - Identify how primary residency is determined in your state
When to Enroll

• Everyone at age 65+ gets one 6-month Open Enrollment Period (OEP) to enroll in Medigap

• Corresponds to when a person first enrolls in Part B:
  o Example: John turns 65 and signs up for Original Medicare (Parts A & B) to begin during his birthday month (June). John has a 6-month window beginning in June to enroll in Medigap.
  o Example: Paula has employer-sponsored health coverage and continues to work past age 65. She delays Part B until she stops working at age 67. Paula enrolls in Part B during her Special Enrollment Period following the end of her active employment, and also gets a 6-month window to enroll in Medigap once she signs up for Part B.
Medigap OEP

• During the Medigap Open Enrollment Period, a person can buy any Medigap plan offered in their state

• Plans may require medical underwriting, but no one (65+, unless your state rules say otherwise) can be denied a Medigap policy based on medical underwriting during OEP

• Plans must charge the best available rate as offered to anyone else meeting client’s criteria (age/gender/place of residence)
Other Chances to Enroll: Guaranteed Issue

• Other specific circumstances allow people to purchase a Medigap plan regardless of medical underwriting ("guaranteed issue rights")
• During these times, people have a 63-day window to exercise these rights and enroll in most Medigap plans without coverage denial/rate increases
• Most states apply these rights only to those 65 and older
• No pre-existing condition waiting period
• May not be able to enroll in every Medigap plan
  o In 2019, guaranteed issue plans are A, B, C, F, K, L
  o Plans D and G will added in 2020
Examples of Guaranteed Issue Periods

• Individual loses group coverage (retiree plan or COBRA) that pays secondary to Medicare

• Medicare Advantage (12 month) trial rights period ends

• Medicare Advantage or Select plan commits fraud, goes bankrupt, or leaves Medicare

• Individual moves out of plan service area
Pre-existing Conditions and Medigap

- Health problem that was treated or first diagnosed in the 6 months prior to when Medigap policy starts
- Most people who’ve had continuous “creditable” coverage prior to enrolling in Medigap are not subject to pre-existing condition waiting period
  - Medigap companies can impose a waiting period for pre-existing conditions if there was a break in coverage longer than 63 days in the 6 months before the Medigap application
    - Waiting period corresponds to # of months without coverage
    - Can refuse to cover out-of-pocket costs for excluded condition for up to but no longer than 6 months (“look-back period”)
Federal Consumer Protections Under Medigap

- Standardization of (10) Medigap plans (A-N) for easier comparison
  - Except for MA, MN, WI
- Renewable if premium is paid
- Limits on agent commissions
- Rules prevent selling Medigap policies to applicants with duplicate coverage
- “Free look” period: 30-day trial to cancel policy and get a refund
Some States Have Expanded Medigap Protections

• States have added qualifying events. Examples include:
  o Change in retiree plan benefit change (28 states)
  o Loss of Medicaid is a qualifying event (9 states)
  o Continuous or annual Medigap open enrollment opportunities are available in only 4 states: CT, ME, MA, NY

• Some states prevent Medigap plans from charging higher premiums based on age or health status
Medigap for People With a Disability/ESRD

- People with a disability or end stage renal disease (ESRD) may not be able to buy a policy until they turn 65
- Companies may voluntarily sell Medigap policies
  - May cost more than policies sold to people over 65
  - Can use medical underwriting
- Can purchase a Medigap when turning 65
- Some states do have an OEP for those under 65: https://www.medicare.gov/supplements-other-insurance/when-can-i-buy-medigap
Switching Medigap Policies

• Unlike Medicare Advantage and Part D plans, your client with Medigap has no set enrollment period to switch plans.

• Can apply to change policies at any time BUT plans can:
  o Subject the client to medical underwriting (unless your state laws say otherwise)
  o Refuse coverage outside of OEP and guaranteed issue periods

• There is always an opportunity to apply for a different plan/cancel the plan during the 30-day “free look” period after first enrolling in a new plan.
Trial Rights

- Trial rights apply during the first 12 months someone has Medicare coverage and in the following scenarios:
  - A person joins a Medicare Advantage plan when first enrolling in Medicare and then decides she would rather leave that plan to take Original Medicare + Medigap
  - A person dropped a Medigap policy to enroll in Medicare Advantage or a Medicare SELECT plan, but now wants to leave that plan and reenroll in Medigap (only applies first time)
    - Right to buy same policy as before if still offered by company
    - If that policy is not available, can buy any Plan A, B, C, F, K or L
- Client can apply 60 days before coverage ends, but no later than 63 days after coverage ends
Suspending Medigap

When a beneficiary with Original Medicare and Medigap is deemed eligible for Medicaid or Qualified Medicare Beneficiary Program (QMB):

• Putting a Medigap policy on hold
• Notify the Medigap plan within 90 days of getting Medicaid
• Suspension can last up to 2 years
• No premium payment equals no coverage
• Restart the Medigap policy if QMB/Medicaid coverage ends

Caution! Before suspending a Medigap plan ensure that payment of a regular monthly premium is not a determining factor in qualifying for Medicaid

CMS Guidance on Suspending Medigap due to Medicaid enrollment
Why Suspend (vs. Cancel) a Medigap Plan

• Federal law does not provide guaranteed issue protection for Medigap due to loss of Medicaid/QMB
• Only 9 states recognize loss of Medicaid as a qualifying event and ensure guarantee issue opportunities
Poll: Suspending Medigap

• Have you ever helped a client with Medigap who qualifies for QMB/Medicaid:
  o Suspend their Medigap policy?
  o Cancel their Medigap policy?
  o Both?
  o Not applicable (Never had a client with Medigap qualify for benefits)
Changes to Medigap in 2020

- After January 1, 2020 no standardized Medigap policy can cover the Part B deductible for newly eligible Medicare beneficiaries.
- Insurers are prohibited from selling standardized Plans C and F to newly eligible Medicare beneficiaries:
  - Turning 65 as of 1/1/2020 or later
  - Getting free Part A as of 1/1/2020 or later
- Anyone eligible for Medicare prior to this January 1, 2020 may still purchase Plan C or Plan F (including high deductible F) after this date:
  - Elimination of Plans C and F will remain viable for those beneficiaries already who already have them
  - Plans C and F are guaranteed renewable as long as premiums are paid
  - No federal guarantee issue right to transfer from Plan C or F to another plan type
Resources

• Questions to Ask Before Purchasing a Medigap Policy: https://www.ncoa.org/resources/purchasing-medigap-policy/
• Medigap Open Enrollment Period: https://www.ncoa.org/resources/medigap-open-enrollment-period/
• Find your State Insurance Commission (to look up special state protections related to Medigap)
• NAIC FAQ on Medigap Plans D and G
Contact Us

- brandy.bauer@ncoa.org
  ann.kayrish@ncoa.org

- Visit ncoa.org and sign up for news

- Follow @NCOAging on social media

- Share NCOA’s free, trusted tools with older adults
  - BenefitsCheckUp.org
  - MyMedicareMatters.org