

Important Things to Know about Medicare: Chapter Six--“Medigap” Policies¹

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Important Things to Know about Medicare is a series of 10 publications that will cover the most common Medicare concerns. The series will provide general information about Medicare, including the four major plans, supplemental policies, interactions with different types of insurance, and assistance programs. This section explains Medicare supplement insurance. Medicare supplement insurance, sometimes called a “Medigap” Policy, is a private health insurance that you can purchase to supplement Medicare Part A and Part B (**Original Medicare**). This coverage can help you pay some of your out-of-pocket costs associated with original Medicare, such as your deductible, coinsurance, and copayments (Centers for Medicare and Medicaid Services [CMS] 2012).

In order to make things a little easier to understand, Medigap policies must be clearly labeled as “Medicare Supplemental Insurance” according to Federal regulations. Also, in most states, Medigap policies are standardized policies identified by the letters A through N. The policies must offer the same benefits, but often at different costs. For example, the Medigap Policy A must provide the same benefits in Company 1 and in Company 2, but Company 1 may have a lower premium (CMS 2012).

- If an insurance company wants to sell Medigap policies, they must offer Medigap Plan A.

- If they offer more than just Medigap Plan A, they must offer at least either Medigap Plan C or Plan F.
- Medigap Plans E, H, I, and J are no longer for sale, but you can keep any of the plans if you already have it (CMS 2012).

There is also a different kind of Medicare Supplement Insurance or Medicare SELECT. Medicare SELECT is only offered in some states and requires you to only use hospitals and providers within their network, unless it is an emergency, to be eligible for full coverage. They are usually offered at a lower cost, but may offer fewer provider choices. If your doctor or hospital is not in the network, you may be responsible for some or all of what your original Medicare (Part A and Part B) does not cover. This option can be offered for any Medigap standardized plan (CMS 2012).

If you are considering purchasing a Medigap policy, the first thing you need to do is to become aware of what types of Medigap plans there are (Plan A through Plan N). You can then compare different companies that offer the plan you feel is best for you. Compare the costs of each and choose the one you feel will be most beneficial for you and your family. Use Handout # 7 – Compare Medigap Policies to help you compare different insurance providers (CMS 2012).

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1. This document is FCS2342, one of a series of the Family Youth and Community Sciences Department, UF/IFAS Extension. Original publication date September 2013. Visit the EDIS website at <http://edis.ifas.ufl.edu>.
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When Coverage Begins

The Medigap **open enrollment period** is a 6-month period that begins the first day of the month in which you are 65 or above *and* enrolled in Medicare Part B. In Florida, insurance companies are required to offer at least one form of Medigap policy for individuals under the age of 65 who have Medicare. So keep in mind if you do not enroll for Medicare Part B until you are 66 years old, the Medigap open enrollment period begins the first day of the month in which you enroll in Medicare Part B and lasts for 6 months. This is the best time to enroll in a Medigap policy because otherwise some insurance companies may deny you coverage based on certain health problems. Keep in mind that this is the best time to switch to a different Medigap plan as well, if you wish to do so (CMS 2012).

If you enroll during this enrollment period, the insurance company cannot deny you any of the plans they offer or charge you more for a plan because of your health status. However, they may be able to postpone the coverage of services related to a pre-existing condition for up to 6 months. For example, if you have diabetes and enroll during the enrollment period, you may have access to all of the services of the Medigap policies except for diabetes-related services for several months. However, your Medicare Part A and Part B (and Part D if you have it) will still be in effect. An exception to this waiting period would be if you had creditable coverage for the last 6 months (without a break of more than 63 days), in which you will have a shortened or even avoid the waiting time period completely (CMS 2012).

An insurance company cannot refuse to sell you a Medigap policy, cover your pre-existing health conditions, or charge you more for a policy due to health problems if you have a **guaranteed issue right**.

- You may be eligible if you are in a Medicare Advantage Plan and they drop the plan or the area, or if you move out of the service area of your plan. The same is true if you have the same situation for a Medicare SELECT plan.
- You may also be eligible if you have another type of coverage that supplements original Medicare (such as an employer group health plan, a retiree health plan,

or COBRA) and that is ending. You must apply for a Medigap policy no later than 63 calendar days after the day your coverage ends or the day you become aware that your coverage is going to end.

- A “trial right” allows you an opportunity to try a plan and provides an opportunity to switch if you change your mind. For example, you have a “trial right” if you joined a Medicare Advantage Plan when you were first eligible at 65 years old, but within one year you decided to switch to original Medicare. You must apply for a Medigap plan from 60 calendar days before your coverage will end until 63 calendar days after your coverage ends.
- You also have a trial right if you originally had a Medigap plan but switched to a Medicare Advantage Plan or Medicare SELECT plan for the first time and want to switch back within the first year. Again you must apply for a Medigap plan from 60 calendar days before your coverage will end until 63 calendar days after your coverage ends.
- You may also be eligible for a guaranteed issue right if you lose your Medigap insurance coverage through no fault of your own (for instance, if the plan ends, goes bankrupt, misleads you or does not follow its guidelines). It is important to keep any paperwork that may be necessary to prove your case for a guaranteed issue right, such as documentation stating your loss of coverage, the date, and the reason why.
- This is best described in Handout # 8 – Medigap Guaranteed Issue Right (CMS 2012).

If you already have a Medigap policy and are thinking about switching to a different one, you may only be allowed to do so during your 6-month **open enrollment period** or if you are eligible for a **guaranteed issue right**. Keep in mind that the new policies may offer benefits that differ from your original policy, so make sure to shop around and choose the plan that is best for your needs. Don't cancel your original policy until you have accepted the new Medigap policy; you will be required to cancel your original policy within 30 days of accepting your new policy. If you have an older policy, they may not be offering it anymore so you may not be able to buy it back. You have a 30-day “look period” in which you can test out your new Medigap policy before you decide to keep it. Keep in mind, however, that you will be required to pay both premiums for the one month that your policies overlap (CMS 2012).

What it Covers

Keep in mind that Medigap policies are designed to help you pay the costs associated with **Original Medicare** (Medicare Part A and Part B). Because they are

standardized, all Medigap Plans of the same letter (i.e. all Medigap Plan A) must have the same benefits.

- Keep in mind that Medigap policies don't cover long-term care, vision or dental care, hearing aids, eyeglasses, or private-duty nursing.
- Medigap policies sold after January 1, 2006 are not allowed to sell prescription drug coverage (you would need Part D). If you have prescription coverage through a Medigap policy that you purchased before January 1, 2006 but would like more prescription coverage, you can still join a Medicare Prescription Drug Plan (Part D) during the **open enrollment period**, but your current Medigap policy will need to remove their prescription drug coverage.
- See Handout # 9 – Medigap Plans Benefits to see what each Medigap Plan covers (Klees, Wolfe, and Curtis 2011).
- It is also important to note that Medigap policies only cover one individual, meaning they cannot cover your spouse or other dependents. This may be an important element when deciding your insurance coverage if you currently have dependents on an employment-based coverage plan. This also means that your spouse will be purchasing their own Medigap policy (CMS 2012).

All standardized Medigap policies are guaranteed renewable, meaning that so long as you continue to pay your premium, your insurance policy can't cancel your coverage even if you have health problems (CMS 2012).

What it Costs You

Since Medigap policies are private insurance companies, you will be required to pay a monthly premium. Remember that you must be enrolled in Medicare Part B to be able to purchase a Medigap policy. This means that you will be paying both a premium for Medicare Part B and for your Medigap policy (CMS 2012).

There are three ways that Medigap policy prices are set: (1) community-rated or no-age rated (2) issue-age rated or entry-age rated or (3) attained-age rated. It is important to understand the differences to see how your age affects the price of a Medigap plan.

1. In **community-rated**, everyone is generally charged the same premium rate regardless of age and your premium will never go up because of your age (it may go up for other reasons, however). For example, a 70-year-old man and an 85-year-old man would have generally the same monthly premium.

2. In **issue-age rated**, if you are younger when you enroll in a Medigap Policy, you will have a lower rate and your rate will not go up because of your age (it may go up for other reasons). If you are older when you enroll, your premiums will be higher. For example, if you enrolled when you were 66 your premiums will be lower than if you enrolled when you were 75.

3. In **attained-age rated**, the premium is based on the age you enroll in the policy as well, but it gets more expensive as you get older. For example, if you enroll you are 66 at a low rate, when you are 75 it will be higher. If someone else enrolls when they are 75, they will pay the same price as you when you were 75.

- This is best described in Handout # 10 – How Insurance Companies Set Prices for Medigap Policies (CMS 2012).

Other factors that may influence your individual cost of a Medigap plan include if the company offers discounts for special populations (married, non-smokers) or other discounts (for multiple policy holders or for paying premiums electronically), if you enroll during the open enrollment period, if you choose the “high deductible” option for Medigap Plan F (as seen in the chart above), or if you choose the Medigap SELECT version of a plan. Keep in mind that all standardized plans offer the same benefits regardless of insurance company. All Medigap Plan Bs offer the same coverage regardless of the insurance company, but may cost differently due to the monthly premium, your age, and when you enroll in the plan (CMS 2012).

How it Interacts With Other Coverage

If you have a Medicare Advantage Plan (Part C), you can only apply for a Medigap policy if you are going to drop your Medicare Advantage Plan and return to Original Medicare (Medicare Part A and Part B). You can only apply for a Medigap plan 60 calendar days before your coverage will end until 63 calendar days after your coverage ends. Medigap coverage won't take effect until your Medicare Advantage Plan coverage ends (CMS 2012).

If you purchased a Medigap policy before January 1, 2006, and it has prescription drug coverage, you may still be able to join a Medicare Prescription Drug Plan (Part D), but only during the **general enrollment period**. You may be charged a late penalty fee. This is sometimes a better choice for individuals who have a higher need for prescription drug coverage. Remember that you cannot have a Medigap policy that has prescription drug coverage in addition

to a Medicare Prescription Drug Plan (Part D). Contact your state health insurance assistance program if you have questions about this (CMS 2012).

References

Centers for Medicare & Medicaid Services. 2012. *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare* (CMS Product No. 02110). Washington, DC: Government Printing Office.

Klees, B.S., C. J. Wolfe, and C. A. Curtis. 2011. Brief Summaries of Medicare and Medicaid. *Office of the Actuary, Centers for Medicare and Medicaid Services*. Retrieved from: <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/downloads/MedicareMedicaidSummaries2011.pdf>.

Compare Medigap Policies

Before you call any insurance companies, figure out if you're in your Medigap open enrollment period or if you have a guaranteed issue right. If you have questions, call your State Health Insurance Assistance Program. The chart below can help you keep track of the information you get. **Call the Insurance Companies that sell the Medigap policies you're Interested in and Compare Costs.**

Ask each insurance company...	Company 1	Company 2
<p>"Are you licensed in Florida?"</p> <ul style="list-style-type: none"> If the answer is no, stop right here, and try another company. 		
<p>"Do you sell Medigap Plan ____?" (Say the letter of the Medigap Plan you're interested in.)</p> <ul style="list-style-type: none"> Insurance companies usually offer some, but not all, Medigap policies. Make sure the company sells the plan you want. Also, if you're interested in a Medicare SELECT or high-deductible Medigap policy, say so. 		
<p>"Do you have a waiting period for pre-existing conditions?"</p> <ul style="list-style-type: none"> If the answer is YES, ask how long the waiting period is and write it in the box. 		
<p>"Do you price this Medigap policy by using community-rating, issue-age rating, or attained-age rating?"</p> <ul style="list-style-type: none"> Circle the one that applies for that insurance company 	<p>Community Issue-Age Attained-Age</p>	<p>Community Issue-Age Attained-Age</p>
<p>"I am __ years old. What would my premium be under this Medigap policy?"</p> <ul style="list-style-type: none"> If it's attained age, ask "How frequently does the premium increase due to my age?" 		
<p>"Has the premium for this Medigap Policy increased in the last 3 years due to inflation or other reasons?"</p> <ul style="list-style-type: none"> If the answer is YES, ask how much it is has increased and write it in the box 		
<p>"Do you offer any discounts or additional (innovative benefits)?"</p> <ul style="list-style-type: none"> Examples: discounts for women or non-smokers, for paying using electronic funds transfer or for multiple policies 		
<p>"Is there any charge to process my claims automatically?"</p>		
<p>Adapted From: Centers for Medicare & Medicaid Services. 2012. <i>Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare</i> (CMS Product No. 02110). Washington, DC: Government Printing Office.</p>		

Medigap Guaranteed Issue Right

An insurance company can't refuse to sell you a Medigap policy in the following situations:

You have a guaranteed issue right if...	You have the right to buy...	You can/must apply for a Medigap policy...
<p>You're in a Medicare Advantage Plan, and your plan is leaving Medicare or stops giving care in your area, or you move out of the plan's service area.</p>	<p>Medigap Plan A, B, C, F, K, or L that's sold in your state by any insurance company.</p> <p>You only have this right if you switch to Original Medicare rather than join another Medicare Advantage Plan.</p>	<p>As early as 60 calendar days before the date your health care coverage will end, but no later than 63 calendar days after your health care coverage ends. Medigap coverage can't start until your Medicare Advantage Plan coverage ends.</p>
<p>You have Original Medicare and an employer group health plan (including retiree or COBRA coverage) or union coverage that pays after Medicare pays and that plan is ending.</p> <p>Note: In this situation, you may have additional rights under state law.</p>	<p>Medigap Plan A, B, C, F, K, or L that's sold in your state by any insurance company.</p> <p>If you have COBRA coverage, you can either buy a Medigap policy right away or wait until the COBRA coverage ends.</p>	<p>No later than 63 days after the latest of these 3 dates:</p> <ol style="list-style-type: none"> 1. Date the coverage ends 2. Date on the notice you get telling you that coverage is ending (if you get one) 3. Date on a claim denial, if this is the only way you know that your coverage ended
<p>You have Original Medicare and a Medicare SELECT policy. You move out of the Medicare SELECT policy's service area.</p> <p>Call the Medicare SELECT insurer for more information about your options.</p>	<p>Medigap Plan A, B, C, F, K, or L that's sold by any insurance company in your state or the state you're moving to.</p>	<p>As early as 60 calendar days before the date your Medicare SELECT coverage will end, but no later than 63 calendar days after your Medicare SELECT coverage ends.</p>
<p>(Trial Right) You joined a Medicare Advantage Plan or Programs of All-Inclusive Care for the Elderly (PACE) when you were first eligible for Medicare Part A at 65, and within the first year of joining, you decide you want to switch to Original Medicare.</p>	<p>Any Medigap policy that's sold in your state by any insurance company.</p>	<p>As early as 60 calendar days before the date your coverage will end but no later than 63 calendar days after your coverage ends.</p> <p>Note: Your rights may last for an extra 12 months under certain circumstances.</p>
<p>(Trial Right) You dropped a Medigap policy to join a Medicare Advantage Plan (or to switch to a Medicare SELECT policy) for the first time, you have been in the plan less than a year, and you want to switch back.</p>	<p>The Medigap policy you had before you joined the Medicare Advantage Plan or Medicare SELECT policy, if the same insurance company you had before still sells it.</p> <p>If your former Medigap policy isn't available, you can buy Medigap Plan A, B, C, F, K, or L that's sold in your state by any insurance company.</p>	<p>As early as 60 calendar days before the date your coverage will end, but no later than 63 calendar days after your coverage ends.</p> <p>Note: Your rights may last for an extra 12 months under certain circumstances</p>
<p>Your Medigap insurance company goes bankrupt and you lose your coverage, or your Medigap policy coverage otherwise ends through no fault of your own.</p>	<p>Medigap Plan A, B, C, F, K, or L that's sold in your state by any insurance company.</p>	<p>No later than 63 calendar days from the date your coverage ends.</p>
<p>You leave a Medicare Advantage Plan or drop a Medigap policy because the company hasn't followed the rules, or it misled you.</p>	<p>Medigap Plan A, B, C, F, K, or L that's sold in your state by any insurance company.</p>	<p>No later than 63 calendar days from the date your coverage ends.</p>

Adapted From: Centers for Medicare & Medicaid Services. 2012. *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare* (CMS Product No. 02110). Washington, DC: Government Printing Office.

Medigap Plans Benefits

If a check mark appears in a column of this chart, the Medigap policy covers 100% of the described benefit. If a row lists a percentage, the policy covers that percentage of the desired benefit. If a row is blank, the policy doesn't cover that benefit. **Note:** The Medigap policy covers coinsurance only after you have paid the deductible (unless the Medigap policy also covers the deductible).

Medigap Benefits	Medigap Plans									
	A	B	C	D	F*	G	K	L	M	N
Medicare Part A Coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	√	√	√	√	√	√	√	√	√	√
Medicare Part B Coinsurance or Copayment	√	√	√	√	√	√	50%	75%	√	√***
Blood (First 3 pints)	√	√	√	√	√	√	50%	75%	√	√
Part A Hospice Care Coinsurance or Copayment	√	√	√	√	√	√	50%	75%	√	√
Skilled Nursing Facility Care Coinsurance			√	√	√	√	50%	75%	√	√
Medicare Part A Deductible		√	√	√	√	√	50%	75%	50%	
Medicare Part B Deductible			√		√					
Medicare Part B Excess Charges					√	√				
Foreign Travel Emergency (up to plan limits)			√	√	√	√			√	√

Out-of-Pocket Limits** Plan K: \$4,660 Plan L: \$2,330

*Plan F also offers a high-deductible plan. If you choose this option, this means you must pay for Medicare-covered costs up to the deductible amount of \$2,070 in 2012 before your Medigap plan pays anything.

** After you meet your out-of-pocket yearly limit and your yearly Part B deductible (\$140 in 2012), the Medigap plan pays 100% of covered services for the rest of the calendar year.

***Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits and up to a \$50 copayment for emergency room visits that don't result in an inpatient admission.

How do Insurance Companies Set Prices for Medigap Policies?

Type of Pricing	How it's Priced	What this pricing may mean for you	Examples
Community-rated (also called no-age-rated)	Generally the same monthly premium is charged to everyone who has the Medigap policy, regardless of age	Your premium isn't based on your age. Premiums may go up because of inflation and other factors but not because of your age.	Mr. Smith is 65. He buys a Medigap policy and pays \$165 monthly premium. Mrs. Perez is 72. She buys the same Medigap policy as Mr. Smith. She also pays a \$165 monthly premium.
Issue-age-rated (also called entry-age-rated)	The premium is based on the age you are when you buy (are issued) the Medigap policy	Premiums are lower for people who buy at a younger age and won't change as you get older. Premiums may go up because of inflation and other factors, but not because of your age.	Mr. Han is 65. He buys a Medigap policy and pays a \$145 monthly premium. Mrs. Wright is 72. She buys the same Medigap policy as Mr. Han. Since she is older when she buys it, her monthly premium is \$175.
Attained-age-rated	The premium is based on your current age (the age you have attained), so your premium goes up as you get older	Premiums are low for younger buyers but go up as you get older. They may be the least expensive at first, but they can eventually become the most expensive.	Mrs. Anderson is 65. She buys a Medigap policy and pays a \$120 monthly premium. • At 66, her premium goes up to \$126. • At 67, her premium goes up to \$132. • At 72, her premium goes up to \$165.