

## Medicare Minute Teaching Materials – November 2016 Medigap Insurance

### 1. What is a Medigap?

A Medigap policy is standardized supplemental health insurance that pays for part or all of the Original Medicare cost-sharing gaps that you owe. You may hear Medigaps referred to as Medicare supplements or supplemental insurance. It is important to know that Medigap policies only work with Original Medicare Parts A and B. If you get your Medicare benefits from a private Medicare plan, known as a Medicare Advantage Plan, you cannot purchase a Medigap. Medigaps only supplement Original Medicare. In fact, if you already have a Medicare Advantage Plan, it is illegal for anyone to sell you a Medigap policy unless you are switching back to Original Medicare. Contact your Senior Medicare Patrol (SMP) if you experience suspicious of Medigap sales practices.

Medigaps cover Original Medicare's **cost sharing "gaps."** These costs include deductibles, coinsurance charges, and copayments (copays). Medigaps do not usually pay for **coverage** gaps in Original Medicare, such as excluded services like routine dental or vision care. However, all Medigaps must cover 365 inpatient hospital days in addition to the days that Medicare covers for inpatient hospital stays. Some Medigaps cover emergency care received in foreign countries, which is typically not covered by Medicare.

Medigaps are regulated by the State Departments of Insurance, which means that some aspects of Medigaps work differently in each state. Medigaps are still subject to federal regulations, but states may have their own Medigap rules as well.

### 2. What costs do Medigaps cover?

There are different types of Medigap policies that cover different Original Medicare costs. The policies are lettered Plan A, B, C, D, F, G, K, L, M, and N. Plans E, H, I, and J were sold prior to 2010 (see question 3). Note that insurance companies do not have to offer all ten Medigap policies. Plans with the same letter offer the same benefits, but each insurance company may charge a different monthly premium. For example, Medigap Plan A offered by Insurance Company 1 provides the same benefits as Medigap Plan A offered by Insurance Company 2, but the two companies may charge different premiums. This means that you can get the same coverage even if you choose a plan with a lower monthly premium. Keep in mind that lettered plans that cover more costs are likely to have a higher premium than the lettered plans that cover fewer costs.

Some costs are covered by all Medigaps. These include:

- **Part A hospital coinsurance.** All Medigap policies pay for the Part A hospital daily coinsurance charge for all of your covered days in a benefit period. All Medigap policies also cover the full cost of 365 additional hospital days during your lifetime.
  - A **benefit period** is the way that Original Medicare measures your use of inpatient hospital and skilled nursing facility (SNF) services. Your benefit period begins the day you are admitted to the hospital as an inpatient and ends when you have been out of a hospital or SNF for more than 60 consecutive days.

- **Part B coinsurance.** All Medigaps pay for the 20% coinsurance for Medicare-covered outpatient medical services, like x-rays, durable medical equipment, and doctors' visits. All Medigaps cover at least part of the Part B coinsurance, and they will cover the full Part B coinsurance for certain preventive services that have a coinsurance. Most preventive services do not have a coinsurance, but some, such as diabetes self-management training or certain types of prostate cancer screening, have a 20% coinsurance.
- **First three pints of blood.** All Medigaps pay for part or all of the cost of your first three pints of blood. If you are hospitalized and the hospital needs blood for a medical procedure or blood transfusion, then your Medigap will pay for the first three pints. If you do not have a Medigap, you will be responsible for this cost.
- **Part A hospice care coinsurance or copay.** All Medigaps cover the full cost of hospice coinsurances and copays for hospice-related drugs and respite care, as long as the Medigap was purchased on or after June 1, 2010. Respite care is care you receive as a hospital inpatient while your usual caregiver rests.

Some Medigaps cover all or part of the following costs:

- **Part A skilled nursing facility (SNF) coinsurance.** Eight pay for your SNF coinsurance charge for all of your covered days in a benefit period.
- **Part A deductible.** Nine Medigaps pay for your Part A deductible, which is the amount you owe out of pocket at the beginning of a hospital inpatient stay.
- **Part B deductible.** The Part B deductible is the amount you owe out of pocket before Part B begins to cover the cost of your outpatient care.
- **Part B excess charges.** Excess charges may only be charged by non-participating Medicare providers. These providers do not accept assignment for everyone, which means they do not agree to accept the Medicare-approved amount for services as payment in full, although they can accept assignment on a case by case basis. Non-participating providers can charge up to 15% more than the Medicare-approved cost for services. If you have a Medigap that covers excess charges, you will not have to pay that extra 15% if you see a non-participating provider. Note, however, that the majority of providers **do** accept assignment, and that states may also have their own rules to limit the amount a non-participating provider can charge.
- **Foreign travel. In most cases,** Medicare does not cover services you receive in a foreign country, but six Medigaps cover emergency health care when you are abroad. These Medigaps cover 80% of the cost of emergency care abroad during the first two months of your trip, up to a lifetime limit of \$50,000, after you meet a deductible.

You can use the table on the next page to compare the different costs that Medigaps cover.

| Medigap plans                               |   |   |     |     |     |     |     |     |     |     |
|---|---|---|-----|-----|-----|-----|-----|-----|-----|-----|
|   | A | B | C   | D   | F   | G   | K*  | L*  | M   | N   |
| Part A coinsurance                          | ✓ | ✓ | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Part B coinsurance                          | ✓ | ✓ | ✓   | ✓   | ✓   | ✓   | 50% | 75% | ✓   | ✓** |
| Blood (first 3 pints)                       | ✓ | ✓ | ✓   | ✓   | ✓   | ✓   | 50% | 75% | ✓   | ✓   |
| Part A hospice care coinsurance or copay    | ✓ | ✓ | ✓   | ✓   | ✓   | ✓   | 50% | 75% | ✓   | ✓   |
| Part A SNF coinsurance                      |   |   | ✓   | ✓   | ✓   | ✓   | 50% | 75% | ✓   | ✓   |
| Part A deductible                           |   | ✓ | ✓   | ✓   | ✓   | ✓   | 50% | 75% | 50% | ✓   |
| Part B deductible                           |   |   | ✓   |     | ✓   |     |     |     |     |     |
| Part B excess charges                       |   |   |     |     | ✓   | ✓   |     |     |     |     |
| Preventive care coinsurances                | ✓ | ✓ | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Foreign travel emergency (up to plan limit) |   |   | 80% | 80% | 80% | 80% |     |     | 80% | 80% |

\*Plans K and L pay 100% of your Part A and Part B coinsurances after you spend a certain amount out of pocket. The 2016 out-of-pocket maximum is \$4,960 for Plan K and \$2,480 for Plan L.

\*\* Except \$20 for doctors' visits and \$50 for emergency visits.

Medigap Plan F has a high deductible option, which has a lower premium than the Plan F without a deductible. If you buy the high deductible Plan F then you will pay for Medicare-covered costs out of pocket up to the yearly-determined deductible amount. In 2016 this amount is \$2,180. Once you meet your deductible the Medigap will begin to pay for some or all of the costs after Original Medicare pays. You will then no longer be responsible for all of your out-of-pocket costs, such as deductibles or Part B coinsurances.

### 3. What happened to Medigap Plans E, H, I, and J?

These Medigap plans were available before June 1, 2010 and are no longer sold. If you already have one of these plans, you can keep it. Insurers must continue to renew Medigap policies issued before 2010.

#### 4. How does a Medigap work with Original Medicare?

Medigaps pay after Original Medicare pays its share of the cost of covered health care services. If you have Original Medicare and a Medigap, and you receive a Medicare-covered service, Medicare pays first and the Medigap pays second.

Let's say you have Original Medicare and a Medigap and you go to a nearby outpatient clinic to get a medically necessary chest x-ray. First, Original Medicare pays 80% of the Medicare-approved amount for your chest x-ray. Then the Medigap covers part or all of the remaining 20% percent coinsurance. If you did not have a Medigap, you would have to pay the coinsurance out of pocket.

#### 5. How are Medigap premiums set?

Medigap premiums are set in different ways depending on your state. There are three ways that insurers price Medigaps.

- **Community-rated pricing:** Monthly premium is based on where you live. For example, people who live in the same county pay the same premium.
- **Issue-age-rated pricing:** Monthly premium is based on age you are when you first purchase the Medigap. Prices can increase because of inflation, but not because you got older.
- **Attained-age-rated:** Monthly premium is based on that age that you currently are. For example, a company may set one premium for people between 65 and 70 years old, and a higher premium for people 71 to 75 years old.

Prices also vary between plans of the same letter and plan types. For example, Plan G can have many different costs from insurer to insurer, and Plan C is always more expensive than Plan A because it covers more costs.

#### 6. When is the best time to buy a Medigap?

Under federal law you only have the right to buy a Medigap if you are 65 or older and you buy your policy during a protected time. The protected enrollment times are during your Medigap Open Enrollment Period (see question 7) or when you have a guaranteed issue right (see question 8). When you enroll during one of these protected times, Medigap insurers cannot deny you coverage and must offer you a Medigap at the best available rate.

#### 7. What is the Medigap Open Enrollment Period?

If you have Original Medicare you have the right to buy a Medigap for up to six months, beginning with the month you are 65 or older **and** enrolled in Medicare Part B. This six-month period, in which you are both 65 and enrolled in Part B, is known as the Medigap Open Enrollment Period. Under federal law, you do not qualify for this Open Enrollment Period if you are under 65. However, once you turn 65, you qualify for this Open Enrollment Period during the six-month period beginning with the month you are both 65 or older and enrolled in Part B.

If you want to purchase a Medigap during your Medigap Open Enrollment Period, insurance companies cannot turn you down based on pre-existing conditions. However, if you have a medical condition or illness prior to purchasing the Medigap, Medigap insurers **can** impose a pre-existing

condition waiting period, meaning that the plan will not cover any health services related to the pre-existing condition for a period of up to six months (see question 9).

### **8. What is guaranteed issue right?**

A guaranteed issue right means that you have the right to buy a Medigap outside of your Open Enrollment Period, and insurance companies cannot deny you coverage. If you are 65 or older, you have a guaranteed issue right to purchase a Medigap within 63 days of losing or ending certain kinds of health coverage. When you have a guaranteed issue right, companies must sell you a policy at the best available rate, regardless of your health status, and cannot deny you coverage. Note that depending on the reason you have a guaranteed issue right, you may be limited to only purchasing certain lettered plans.

There are multiple circumstances when you may have a guaranteed issue right. In many cases, you have a guaranteed issue right when you lose or experience changes to other types of health insurance.

For example, you have a guaranteed issue right if your Medicare Advantage Plan leaves your service area, and you decide to switch to Original Medicare. You will be able to purchase a Medigap policy at the best possible rate, and the insurance company cannot deny coverage based on any of your health conditions. You have the right to buy Medigap Plan A, B, C, F, K, or L.

You also have a guaranteed issue right if your current employer or retiree coverage that pays after Medicare ends. Your current employer or retiree insurance must have been paying after, or secondary to, Medicare, and you must have Original Medicare to be eligible for the guaranteed issue right. You have the right to buy Medigap Plan A, B, C, F, K, or L.

Another instance of a guaranteed issue right is if you drop your Medigap policy to join a Medicare Advantage Plan but decide to switch back to Original Medicare within the same year. In this instance of guaranteed issue right you have the right to buy any Medigap policy that's available in your state.

### **9. Do Medigaps cover pre-existing conditions?**

Medigap insurers can refuse to cover your prior medical conditions for up to six months after issuing a policy. A prior or pre-existing condition is a condition or illness you were diagnosed with or were treated for before your new coverage began. The wait time for coverage to start is called a pre-existing condition waiting period. You can avoid waiting periods if you buy your policy while you have a guaranteed issue right. If you buy your policy when you have a guaranteed issue right, insurers can never refuse to cover prior medical conditions coverage for any period of time.

You can shorten a pre-existing condition waiting period if you buy your policy during your Open Enrollment Period and you have creditable coverage before you buy the Medigap. Creditable coverage can include various types of health insurance such as employee coverage or military benefits. There are no national standards for creditable coverage, so the types of coverage that count as creditable are different depending on your state. Your six-month waiting period will be shortened by the number of months you had creditable coverage before you purchased the Medigap, as long as there was never a break of more than 63 days in your coverage.



For example, let's say you have creditable coverage through your group health plan for two months before enrolling in a Medigap during your 65<sup>th</sup> birthday month. Instead of imposing a six-month pre-existing condition waiting period, the Medigap plan must shorten your six-month waiting period to four months, since you have two months of creditable coverage. Similarly, if you have six months of creditable coverage before enrolling in a Medigap, your new plan must waive the pre-existing condition waiting period entirely.

### **10. How do I choose a Medigap?**

You should think about your monthly budget and expenses while considering if a Medigap is the right choice for you. Although all Medigaps offer slightly different benefits and have different premiums, some generalizations can be made.

- Plan A covers the fewest benefits and usually charges a lower monthly premium.
- Plans that cover more benefits usually charge a higher premium.
- The most popular plans are C and F. They cover key benefits.
- Plans K and L may have lower monthly premiums. However, unlike other Medigaps, Plans K and L only pay part of the cost of most Medicare coinsurance charges and deductibles until you reach a yearly out-of-pocket maximum. After that, they pay the full cost.

### **11. What is the 30-day free look period?**

You have the right to a 30-day free look period when you first purchase a Medigap, or if you want to switch your Medigap policy. If you decide to apply for a second Medigap, you will have to pay for both Medigap premiums during this 30-day period. Your 30-day period begins on the day you enroll in your new Medigap policy. You should not cancel your first Medigap policy during this time because you may not be able to get it back.

### **12. What is Medicare SELECT?**

Medicare SELECT is a type of Medigap policy offered by some insurers in some states. A Medicare SELECT policy may require that you use hospitals, and in some specific circumstances, doctors within its network in order to receive full benefits.

If you purchase a Medicare SELECT policy, you are still buying a standardized plan that offers the same cost coverage as a non-SELECT plan with the same letter. The difference is that Medicare SELECT policies have network restrictions. These policies are usually less expensive than other Medigap policies, but if you do not use a SELECT hospital or doctor for non-emergency services, your cost will be higher because you will have to pay some or all of what Original Medicare does not pay. These network restrictions only apply to your Medicare SELECT policy. Your Original Medicare benefits are not affected by getting care outside of the SELECT plan network.

### **13. How do Medigaps work in Massachusetts, Minnesota, and Wisconsin?**

Massachusetts, Minnesota, and Wisconsin have different ways of standardizing Medigap policies. Benefits and plans are different than those covered in this document. In general, these three states determine basic benefits that Medigaps cover, such as the Part A daily hospital coinsurance. In Massachusetts there is a Core Plan and a Supplement 1 Plan. Both plans cover the state's basic benefits

and the Supplement 1 Plan covers more benefits than the Core Plan. Minnesota offers a Basic Plan and an Extended Basic Plan. Wisconsin has a Basic Plan that covers the state's basic benefits and other benefits as well. If you live in Massachusetts, Minnesota, or Wisconsin, contact your State Health Insurance Assistance Program (SHIP) for more information about what these policies cover.

#### **14. Do Medigaps work with Medicare Savings Programs (MSPs)?**

Medicare Savings Programs and Medicaid are assistance programs that help you with your health care costs. MSPs pay for your Part B premium and Medicaid pays for some of your health care costs after Medicare and any other insurance has paid. In general, it is illegal for someone to sell you a Medigap if you already have Medicaid or an MSP. However, if you purchase a Medigap before you enroll in an MSP or Medicaid, then you are allowed to keep your coverage.

If you are over the limit for Medicaid or an MSP, your Medigap premium can be used to lower your monthly income by the amount you pay for the premium, but you cannot purchase a Medigap after you are enrolled.

#### **15. Can I buy a Medigap during Medicare's Open Enrollment Period?**

You can make changes to your Medicare coverage during Medicare's Open Enrollment Period, which runs from October 15 to December 7 each year. If you switch from a Medicare Advantage Plan to Original Medicare, you may be limited in your ability to buy a Medigap depending on where you live. Some states have more flexible enrollment rules than the federal government, and you can purchase a Medigap outside of your Medigap Open Enrollment Period (see question 7) or when you do not have guaranteed issue right (see question 8). You may run into problems if you try to buy a Medigap policy outside of your protected enrollment times. Companies can refuse to sell you a policy or may only let you buy one if you meet certain medical requirements. If an insurance company does agree to sell you a policy, you may pay a higher premium, and you may have to wait six months before the Medigap will cover any pre-existing conditions. You can learn more about Medigap enrollment in your state by contacting your SHIP.

#### **SHIP case study**

Nadine will be 65 in a few months, and is considering her options. She is interested in having Original Medicare with a Medigap, but is not sure if she wants to purchase a Medigap right when she turns 65.

#### **What should Nadine do?**

- Nadine should contact her SHIP.
  - If Nadine doesn't know how to find her SHIP, she can go to [www.shiptacenter.org](http://www.shiptacenter.org) or call 877-839-2675 for assistance.
- A SHIP counselor can let Nadine know about Medigap enrollment in her state. Under federal law, Nadine has a protected time to buy a Medigap during her Medigap Open Enrollment Period, which is the first six months that she is 65 or older **and** enrolled in Medicare Part B. The counselor can let Nadine know if her state provides any other protected enrollment periods. Depending on where Nadine lives, she may be able to purchase a Medigap outside of her Medigap Open Enrollment Period without the insurer denying coverage or charging a higher premium.

- A SHIP counselor can also let Nadine know about how Medigaps are priced in her state. The type of price rating Nadine’s state uses may affect her decision about when to purchase a Medigap. The counselor can help Nadine compare the coverage and costs among the different types of Medigap policies offered by different companies.

**SMP case study**

Carl is 73 years old and has a Medicare Advantage Plan that he is happy with. Recently, an insurance broker called him to talk about a Medigap policy. Carl let the broker know that he is satisfied with his current Medicare plan. The broker continued to say that a Medigap would be a good option for Carl to help cover his out of pocket costs from his Medicare Advantage Plan. Carl was confused, but he would also like to save some money. He wrote down the insurance broker’s phone number and said he would call back later.

**What should Carl do?**

- Carl should contact the Senior Medicare Patrol to explain the occurrence and discuss the potential for suspected Medicare fraud, errors, or abuse.
  - If Carl doesn’t know how to find his local SMP, she can go to [www.smpresource.org](http://www.smpresource.org) or call 1-877-808-2468 for assistance.
- The SMP representative will explain that it is illegal for anyone to sell him a Medigap policy, since he has Medicare Advantage.
- The SMP representative will explain that Medigap only works with Original Medicare, not Medicare Advantage.
- The representative will collect clarifying information in order to report the suspicious activity to the proper authorities, will counsel Carl *not* to call the broker back, and will educate Carl about how to protect himself from other types of suspected fraud or abuse.

| Local SHIP contact information   | Local SMP contact information  |
|--|--|
| <p><b>SHIP toll-free:</b></p> <p><b>SHIP email:</b></p> <p><b>SHIP website:</b></p> <p><b>To find a SHIP in another state:</b><br/>Call 877-839-2675 or visit <a href="http://www.shiptacenter.org">www.shiptacenter.org</a>.</p>  | <p><b>SMP toll-free:</b></p> <p><b>SMP email:</b></p> <p><b>SMP website:</b></p> <p><b>To find an SMP in another state:</b><br/>Call 877-808-2468 or visit <a href="http://www.smpresource.org">www.smpresource.org</a>.</p> |
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