



*Advising the Congress on Medicare issues*

# Preliminary work on Medigap

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# Today's presentation

- 1 Overview of Medigap
- 2 Medigap plan types
- 3 Medigap enrollment
- 4 Medigap premiums
- 5 Minimum loss ratios
- 6 Discussion

# Medicare beneficiaries make several complex enrollment decisions

## FFS Medicare

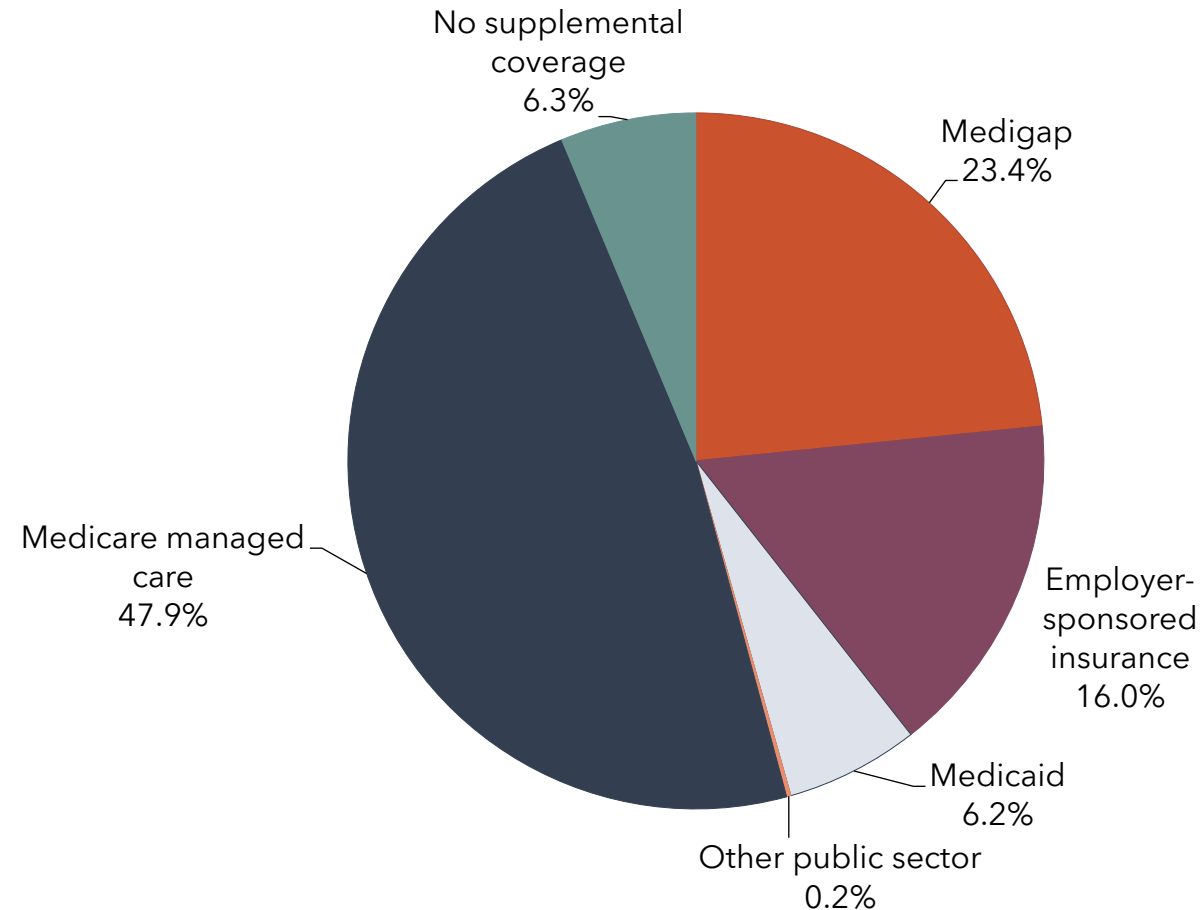
- Beneficiaries can add Medigap to help cover cost-sharing
  - Beneficiaries can choose from 10 standardized plan types; numerous insurers offer each plan type
- Beneficiaries can add Part D prescription drug coverage
  - Beneficiaries have on average 14 stand-alone PDPs in their region with differing formularies and benefit structures

## Medicare Advantage

- MA plans vary on cost sharing, supplemental benefits, provider networks
- Most MA plans offer prescription drug coverage
- Beneficiaries on average have 41 MA plans (offered by an average of 8 insurers) available in their area

**Note:** FFS (fee-for-service), PDP (prescription drug plan), MA (Medicare Advantage).  
**Source:** MedPAC's March 2024 report to the Congress.

# Sources of supplemental coverage, 2021



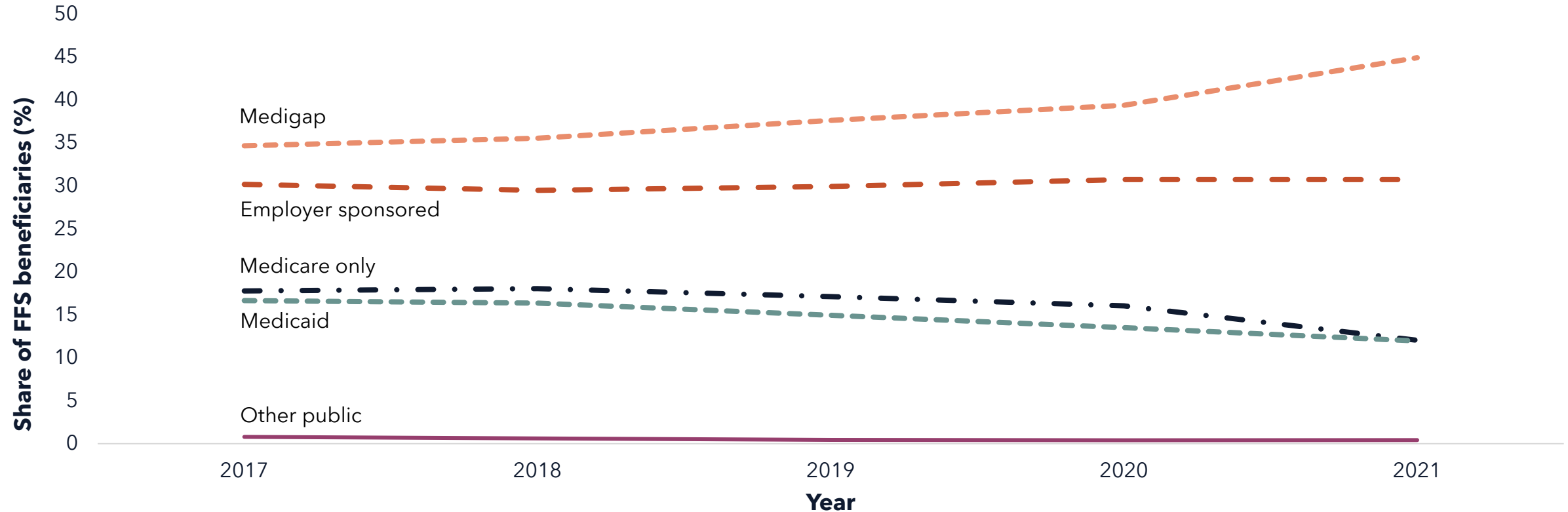
**Note:**

We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2021. They could have had coverage in other categories during 2021 and there may be some overlap in categories. "Other public sector" includes federal and state programs not included in other categories. This analysis includes only beneficiaries not living in institutions such as nursing homes. It excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2021 or who had Medicare as a secondary payer. The number of beneficiaries represented in this chart is 52.5 million. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

**Source:**

MedPAC analysis of Medicare Current Beneficiary Survey, Survey File 2021.

# The share of FFS beneficiaries with Medigap coverage increased, while the share with Medicaid or only Medicare coverage decreased, 2017-2021



**Note:** FFS (fee-for-service). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2021. They could have had coverage in other categories during that year. "Other public" includes federal and state programs not included in other categories. This analysis includes only FFS beneficiaries not living in institutions such as nursing homes. It excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2021 or who had Medicare as a secondary payer. It also excludes beneficiaries in Medicare Advantage. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

**Source:** MedPAC analysis of Medicare Current Beneficiary Survey, Survey File 2021.

# Medigap coverage

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- Medigap plans are private plans that wrap around FFS Medicare
- FFS Medicare does not have an out-of-pocket cap on beneficiary cost sharing
- Medigap plans reduce or eliminate cost sharing and—depending on the plan and the extent of the wraparound coverage—a beneficiary with Medigap may not have out-of-pocket costs for a particular service but would have to pay a monthly Medigap premium
- Plans are largely regulated at the state level, which can lead to premium variation
- The Medigap premium is in addition to the Part A (if applicable), Part B, and Part D premiums
- No federal contribution to the Medigap premium

**Note:** FFS (fee-for-service).

# Characteristics of Medigap enrollees

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- Medigap enrollment varies widely by state
- In 11 Midwest and Plains states, where relatively fewer beneficiaries are enrolled in MA plans, more than 50% of Medicare beneficiaries in FFS Medicare have a Medigap policy
- Medigap was the most common source of supplemental coverage among all FFS beneficiaries ages 65 and older, with income higher than 1.25 times the poverty level, rural dwelling, and reporting excellent or very good health

**Note:** MA (Medicare Advantage), FFS (fee-for-service).

**Source:** Freed, M., N. Ochieng, J. Cubanski, et al. 2024. *Key facts about Medigap enrollment and premiums for Medicare beneficiaries*. Washington, DC: KFF. MedPAC analysis of Medicare Current Beneficiary Survey, Survey File 2021.



# Medigap plan types

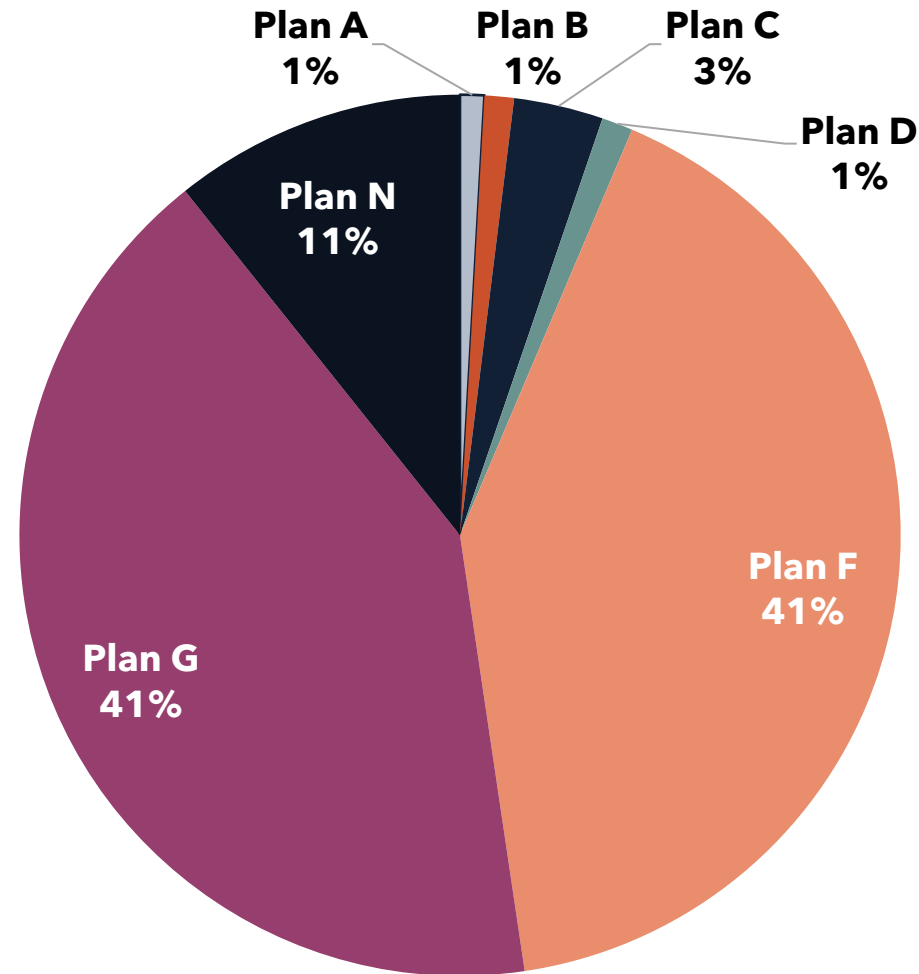
|                                       | Medigap plan type |    |     |     |     |     |         |         |     |           |
|---------------------------------------|-------------------|----|-----|-----|-----|-----|---------|---------|-----|-----------|
|                                       | A                 | B  | C   | D   | F   | G   | K       | L       | M   | N         |
| Part A hospital coinsurance and costs | ✓                 | ✓  | ✓   | ✓   | ✓   | ✓   | ✓       | ✓       | ✓   | ✓         |
| Part B coinsurance or cost sharing    | ✓                 | ✓  | ✓   | ✓   | ✓   | ✓   | 50%     | 75%     | ✓   | \$20/\$50 |
| Blood (first 3 pints)                 | ✓                 | ✓  | ✓   | ✓   | ✓   | ✓   | 50%     | 75%     | ✓   | ✓         |
| Hospice coinsurance or cost sharing   | ✓                 | ✓  | ✓   | ✓   | ✓   | ✓   | 50%     | 75%     | ✓   | ✓         |
| SNF coinsurance                       |                   |    | ✓   | ✓   | ✓   | ✓   | 50%     | 75%     | ✓   | ✓         |
| Part A deductible                     |                   | ✓  | ✓   | ✓   | ✓   | ✓   | 50%     | 75%     | 50% | ✓         |
| Part B deductible                     |                   |    | ✓   |     | ✓   |     |         |         |     |           |
| Part B excess charges                 |                   |    |     |     | ✓   | ✓   |         |         |     |           |
| Foreign travel emergency              |                   |    | 80% | 80% | 80% | 80% |         |         | 80% | 80%       |
| Out-of-pocket limit                   | NA                | NA | NA  | NA  | NA  | NA  | \$7,220 | \$3,610 | NA  | NA        |

**Note:** SNF (skilled nursing facility), NA (not applicable). Three states (Massachusetts, Minnesota, and Wisconsin) have different plan types and are not included in this chart. The ✓ indicates that the plan covers all cost sharing for that benefit. Percentages indicate that the plan covers that share of the total cost sharing. The "\$20/\$50" indicates that the plan covers all but \$20 for physician office visits and all but \$50 for emergency room visits. Beginning in 2020, new policies for Plan C or Plan F can no longer be sold. However, beneficiaries who purchased C plans or F plans before 2020 will be able to continue to purchase those plans. Plans F and G offer a high-deductible plan in some states. Plans K and L show how much they will pay for approved services before a beneficiary meets their out-of-pocket yearly limit and Part B deductible. After a beneficiary meets their out-of-pocket yearly limit and Part deductible, the plan pays 100 percent of the beneficiary's cost. The number of beneficiaries represented in this chart is 12.4 million.

**Source:** MedPAC analysis of National Association of Insurance Commissioners data, 2023.



# Beneficiary enrollment in Medigap plan types, 2023



**Note:** The percentages do not sum to 100% due to rounding. The number of beneficiaries represented in this chart is 12.4 million. Plans K-M are not shown because these have 0% enrollment. Beginning in 2020, new policies for Plans C or F can no longer be sold. However, beneficiaries who purchased Plans C or F before 2020 will be able to continue to purchase those plans. Plans F and G offer a high-deductible plan in some states.

**Source:** MedPAC analysis of National Association of Insurance Commissioners data.

# Medigap regulation

## Federal

- Sets Medigap standards and beneficiary protections (e.g., disclosure statement, prohibition against using genetic information)

## State

- Determines the type of rating plans in the state may use when setting premiums.
- Sets additional beneficiary protections (e.g., more enrollment periods with guaranteed issue)

## NAIC

- Convenes working group to discuss Medigap issues
- Develops model regulations for states to adopt

**Note:** NAIC (National Association of Insurance Commissioners).

# Medigap open enrollment period

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- Beginning with the first day of the first month on which an individual is 65 or older and enrolled in Medicare Part B, an individual may obtain any Medigap policy sold in their state without medical underwriting, which is known as “guaranteed issue”
- Aside from the open enrollment period and certain qualifying events, beneficiaries are subject to medical underwriting (e.g., they may have to pay a higher premium due to their health conditions)
- During the open enrollment period, an insurance company may be able to delay coverage related to a preexisting condition for up to 6 months (a “preexisting condition waiting period”) unless the beneficiary has other creditable coverage

# Examples of Medigap enrollment with guaranteed issue due to qualifying events

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- MA related:
  - Within the first year of eligibility and enrollment in MA, the individual switches to FFS Medicare ("trial right")
  - The individual has an MA plan and the individual moves out of the plan's service area
  - The MA plan or Medigap policy did not follow the requirements, or its agent misled the individual
- The Medigap company goes bankrupt or the policy ends through no fault of the individual

**Note:** MA (Medicare Advantage).

# State Medigap consumer protections

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- States can choose to establish Medigap consumer protections that go further than the minimum federal standards
- Four states—CT, MA, ME, and NY—require Medigap insurers to offer policies either continuously throughout the year or once per year to beneficiaries ages 65 and older without regard to their medical conditions
- Thirty-five states require Medigap insurers to issue policies to beneficiaries ages 65 and older due to certain qualifying events, such as when an applicant has a change in their employer (retiree) coverage (29 states) or when beneficiaries lose their Medicaid eligibility (10 states)

**Source:** Freed, M., N. Ochieng, J. Cubanski, et al. 2024. *Medigap may be elusive for Medicare beneficiaries with pre-existing conditions*. Washington, DC: KFF.

# How Medigap premiums are determined

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- In general, Medigap premiums are set to cover cost sharing for beneficiaries enrolling in the plan
- Medigap premiums may be based on factors such as a policyholder's:
  - Age
  - Tobacco use status
  - Sex
  - Residential area
- States can impose regulations on how Medigap insurers can price (or rate) premiums
- Most states (37) allow insurers to use any rating system

# Three Medigap pricing or rating systems

| Rating system              | Description                                                                                   |
|----------------------------|-----------------------------------------------------------------------------------------------|
| <b>Community rating</b>    | Same premium is generally charged to everyone in a residential area, regardless of age or sex |
| <b>Issue-age rating</b>    | Premium is based on the age of the beneficiary when they purchase the policy                  |
| <b>Attained-age rating</b> | Premium is based on the beneficiary's current age, so the premium goes up as they get older   |



# Medigap premiums varied across states, 2023

## All Medigap policies

- Average monthly premiums across all policyholders = \$217
- Ranged from \$191 in Alaska to \$267 in New York

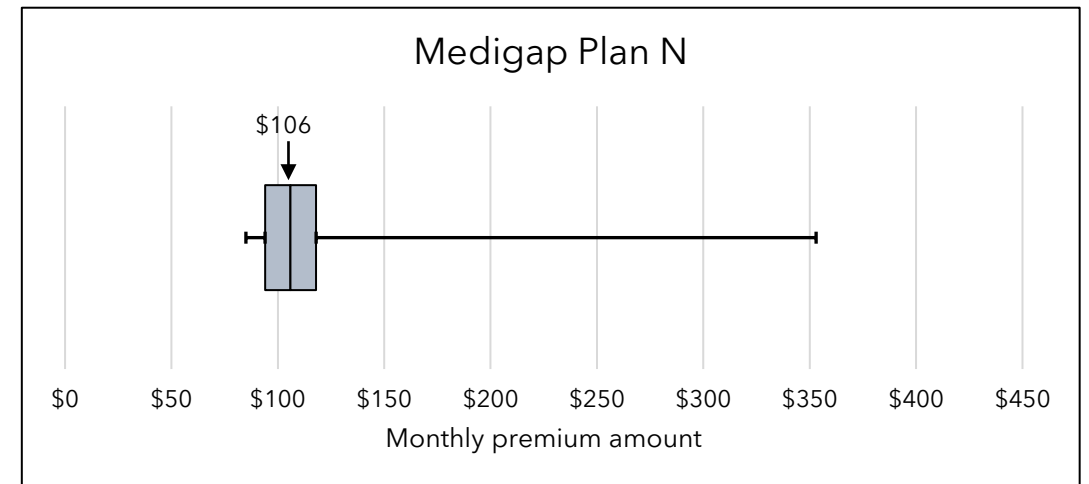
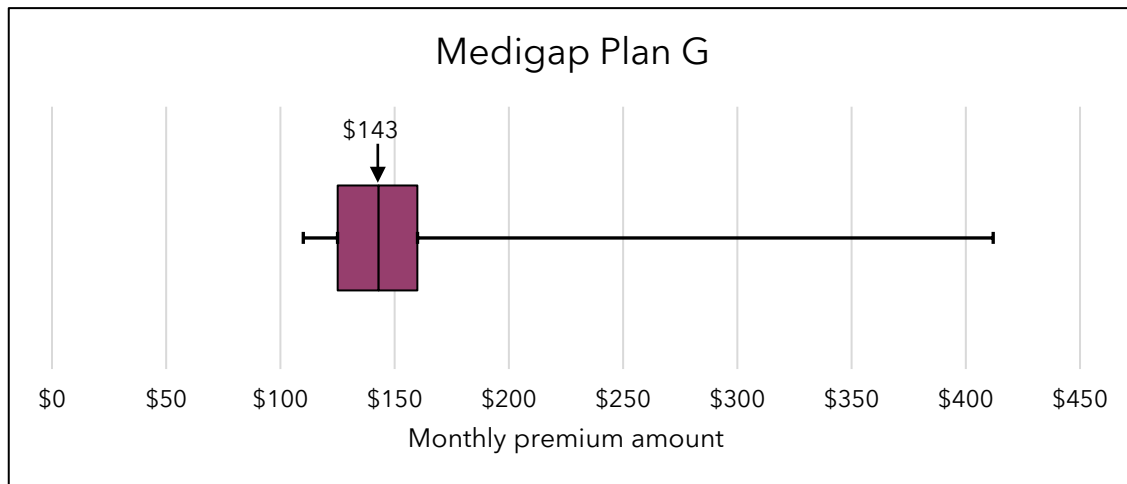
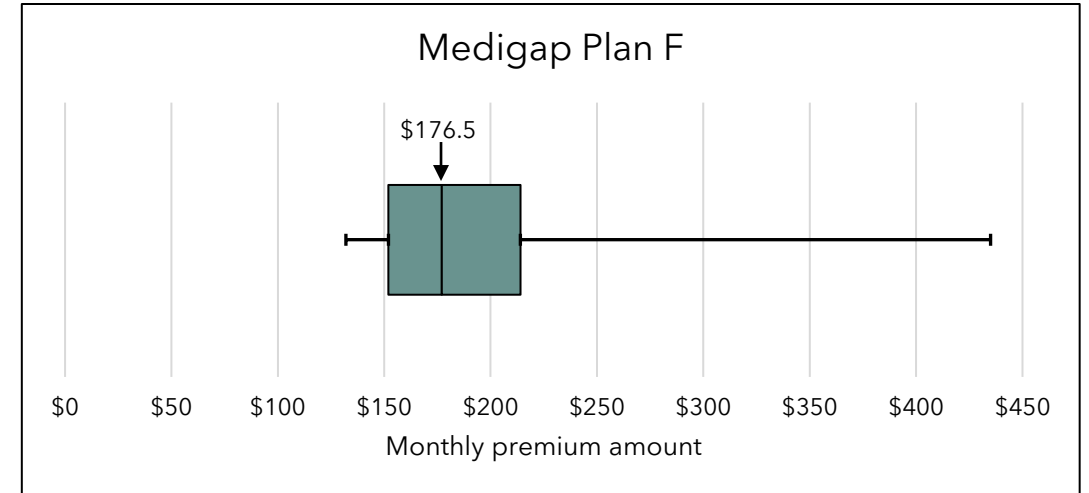
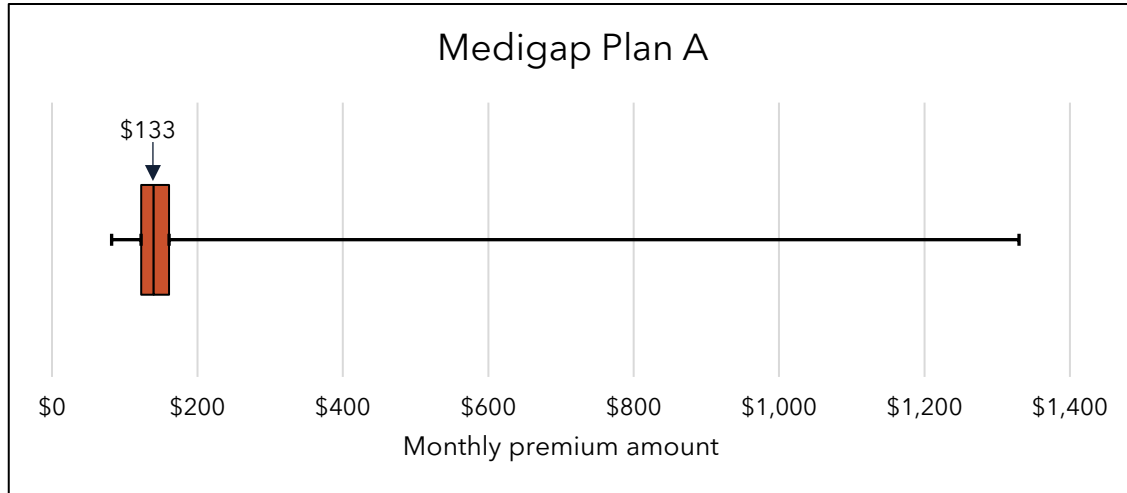
## Plan G

- Average monthly premiums across all policyholders = \$164
- Ranged from \$140 in Hawaii and New Mexico to \$236 in New York

**Note:** Analysis uses National Association of Insurance Commissioners data from Mark Farrah. Premiums include people under 65, people who smoke tobacco, and people who are in a high-deductible or SELECT plan. Plan G is the most popular policy type in the Medigap market that is open to individuals eligible for Medicare after January 1, 2020.

**Source:** Freed, M., N. Ochieng, J. Cubanski, et al. 2024. *Key facts about Medigap enrollment and premiums for Medicare beneficiaries*. Washington, DC: KFF.

# Illustrative example: Range of monthly premiums in four Medigap plan types in one residential area



**Note:** Lowest premium amount, median, and highest premium amounts shown in each figure for each plan type are from Plan Finder results for a 65-year-old female with no tobacco use and no household discount. ZIP code used was 22206 (Arlington, VA).

**Source:** February 2025 MedPAC analysis of Medicare.gov Plan Finder tool.

# Minimum loss ratio

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- Insurers set premiums based on the cost of covering beneficiary cost sharing as well as other costs including administrative cost and profit
- Minimum loss ratio: the share of enrollee premiums that insurance companies spend on medical claims vs. nonclaims expenses such as administration or profits
- In general, the higher the loss ratio, the more benefits a consumer receives for each dollar of paid premium

# Minimum loss ratios are higher than the federal loss ratio requirements, in aggregate

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- By law, Medigap policies must maintain loss ratios of
  - $\geq 75\%$  for group policies
  - $\geq 65\%$  for individual policies
- Average Medigap policy loss ratio of 83.6% in 2023 (NAIC)
  - 83.6% for group policies
  - 84.7% for individual policies
- In general, Medigap loss ratios have steadily increased over the past decade

**Note:** NAIC (National Association of Insurance Commissioners). Medigap policies issued in response to solicitations through the mail or mass media (including print and broadcast advertising) are considered individual policies for the purpose of loss-ratio calculations. Most of the Medigap market is written through individual policies.

**Source:** National Association of Insurance Commissioners. 2024. *2023 Medicare supplement loss ratios*.

# Discussion

- Questions
- Feedback on materials
- Potential future analytic work
  - In our annual focus groups with beneficiaries, ask beneficiaries more about the role of Medigap in plan choice
  - Explore trends in the Medigap market over time
  - Examine the role of state guaranteed-issue policy on the Medigap market



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