Understanding Medicare Advantage Plans and Medicare Supplemental Insurance Plans

October, 2022

Overview

- The purpose of this document is to provide you with a better understanding of Medicare Advantage plans (MA plans) and Medicare Supplemental plans (Medigap plans). It is lengthy, but it should provide you a very complete understanding of these plans. The information has been reviewed for accuracy by our outside consultants and represents the NCRO's Insurance Committees' goal of keeping you informed.

Medicare

- Before getting into a discussion of the plans, here is a brief overview regarding Medicare. At age 65, you should sign up for Medicare parts A and B. **You do not have to sign up for Medicare part B if you or your spouse are still working, and you have creditable health insurance coverage through an employer.** You can then wait to sign up for Medicare Part B and not begin to pay the Medicare Part B premium until you no longer have creditable coverage.
- Even if you have not signed up to receive Social Security payments by age 65, you still need to sign up for Medicare and then be billed monthly for the Part B premium assuming you do not have creditable coverage, as mentioned above. There are penalties if you do not sign up for Medicare within 3 months after age 65 or when first eligible.
- For more information on Medicare and the timing, refer to the Social Security and Medicare Action Timeline presentation under the Healthcare/Medicare/Social Security tab on the NCRO website. Also refer to the "Medicare and You" booklet to better understand what is or is not covered by Medicare. The booklet is normally mailed to your home but is also available online.
- Medicare generally covers 80% of your Medicare approved services at participating Medicare providers. Medicare has 20% copays, Part A & B deductibles, but no out-of-pocket limits.

- Medicare charges a deductible of $1600 for each benefit period in 2023 for Part A services (hospital). For Part B services (doctors) there is an annual up front deductible of $226 in 2023. These amounts are in addition to the Medicare monthly Part B premium of $164.90 for 2023 deducted from Social Security payments or paid directly if you deferred taking Social Security. Higher income retirees also pay an income surcharge in addition to the $164.90.
- The type of plan and the coverage you choose determines how these Part A and Part B Medicare deductibles get paid or are covered by your policy
- There are good reasons to periodically review your healthcare plans.
  Medicare Advantage Plan and Supplemental Plan (Medigap) premium costs increase every year, and you may be able to enroll in a less expensive plan by reviewing your options each year.
  Your prescription drugs and insurer's drug plans also can change year to year. The savings by changing to a new insurer's plan could be significant. Refer to our separate document titled "Understanding Medicare Part D Rx" on our site.

<u>Things to Consider When Choosing A Plan</u>

- MA plans, Medigap plans, and Part D Rx plans are purchased from private insurers and replace or supplement the Medicare coverage you receive when you turn 65 and or first enroll in Medicare. MA Plans at no time can refuse coverage for pre-existing conditions. Medigap Plans provide what is called guaranteed issue if you enroll when first eligible, this means, regardless of your health, you are eligible for a Medigap Plan.
- The choice between an MA plan and a Medigap plan depends upon several factors. Some of these factors are your budget for healthcare, your current and anticipated health, family health history as well as what you expect your insurance premiums to cover.
- For example, how do you want the following items covered by your plan: medical deductibles, co pays, prescriptions, dental, vision and hearing?
- Neither MA plans nor Medigap plans provide coverage for Assisted Living or Long-Term Care except for limited skilled nursing home health care for Medicare approved services.
- All MA Plans generally include Part D Rx coverage, Medigap Plans do not, therefore requiring you to enroll in a separate Part D Plan.

- You must be enrolled in a Medicare Part D Rx coverage (unless you have creditable coverage) for example with an employer, yours, or your spouses', or be penalized 1% of the national average premium cost of $31.50 (2023) which is $.315 for each month or $3.78 for each year you are without coverage.
  This penalty amount is added to your Part D premium **each month** permanently. An option is to enroll in an inexpensive plan even if not on any drugs currently.
- **Never cancel your existing plan until you have written confirmation of your new plan.**
- It is not possible to provide you cost comparisons because of all the variations in coverage that are available. Depending upon your zip code or region, rates will vary. For example, Southeast Michigan is more expensive than Northern Michigan. Other states may be more costly in their metropolitan areas as well. Always provide your zip code and county when checking rates.
- By understanding what is available and at what cost, you should be in a good position to make your decision.
- An MA plan or a Medigap plan policy only covers one person. If you or your spouse both want coverage, you will each have to buy separate policies, although not necessarily from the same insurer or the same type of plan. Although, some carriers may offer additional household discounts for enrolling with the same carrier.
- You must purchase your policy in the state where you are a legal resident, some insurers may allow you to change your residence and continue the same policy. Your policy cannot be cancelled by an insurer for health reasons if you continue to pay your premiums. If you move ,you are eligible to enroll ,if necessary ,at new location.
- If an insurer goes out of business, you are guaranteed the right to contract with a new insurer regardless as to whether you may have pre-existing conditions.

<u>Highly Recommend You Use A Consultant</u>

- Most retirees choose to use an insurance consultant or agent to help them understand and choose the right plan for their healthcare needs. These consultants are licensed with multiple insurers, and they are commissioned by the insurer at no cost to you. They are in the best position to understand your healthcare needs and provide you all your options. There is no good reason to not use them. The NCRO site in the Healthcare section has information on several consultants including their presentation of their services. We are confident in recommending them. As you will note from reading this document it can be confusing to try and understand on your own the various choices available to you.

- However, it is still important that you take the time to learn the basics of Medicare coverage to be able to ask questions and make the best decision for you and or your spouse when speaking to a representative.

Next is a further explanation of MA and Medigap Plans by reviewing the differences and the rules for each of them.

Medicare Advantage Plans (MA Plans)

- The purpose of purchasing an Advantage Plan or a Medigap Plan is to supplement your Medicare coverage. Depending upon your choice the Part A (hospital) deductible of $1600 (2023) may be covered by the policy, but generally is not and essentially gets paid when you require hospitalization. The Part B (doctors) of $226 (2023) generally is not covered. The plan will probably require a monthly premium (some new plans do not) as well as deductibles and copays. It depends upon the plan chosen.
- MA plans can never deny you coverage for pre-existing conditions whether when first enrolling or even later if changing MA Plans or insurers. After age 65 or when first eligible, you can join or change MA Plans during the Annual Election Period (AEP) October 15th to December 7th of each year. You can change MA plans during the Open Enrollment Period (OEP) period of January 1st to March 31st of each year and you can also dis-enroll from your MA plan if you want to move to a Medigap Plan (may be subject to medical underwriting discussed later) or you can change to no plan (dis-enroll). **However, you cannot move from a Medigap Plan to an MA Plan at this time.**
- With an MA Plan you are enrolling in a private insurance plan, you will still have Medicare, but you will get your Medicare Part A and Medicare Part B coverage from the Medicare Advantage Plan insurer separate from the government's federally administered Medicare plan.

MA Plan Choices

- There are varying types of plans within MA plans and that's where it can be very confusing, but it can make a difference in terms of coverage and costs. MA plans will vary in terms of where you can obtain coverage based on the type of plan, HMO, HMO-POS, PPO or PFFS Plans you choose. There are also Medicare Advantage plans for

specific medical conditions and Medicaid eligible beneficiaries, which will not be discussed in this document.

- MA Plans are not priced based on age, sex or health conditions whether at initial enrollment or any time when enrolling or changing plans.

HMO Plan

- An HMO plan can be the least premium cost plan, deductibles and copays could be higher and you are limited to only participating providers (exception in emergencies). Your preferred doctor may not be in the plan. You choose a preferred primary care physician in the carriers' network who works as your medical provider and coordinates your care. You may need to be referred by your primary care physician before you can be seen by a specialist. They refer you to trusted doctors and specialists, but you must verify those specialists also participate in the plans network. A specific doctor you prefer may not be available to you. Except for a specified emergency or urgent care, there are no benefits available when non-HMO network healthcare providers are used in your home service area. Varying arrangements are typically made for emergency and/or urgent care when members are out of state.

HMO-POS Plan

- An HMO-POS plan works like an HMO plan except you can be seen by doctors outside your network in some cases. Typically, you can use an HMO network or non-HMO network **primary care physician** for the same co-pay. However, if you use an HMO non-network **specialist, hospital, or other provider** it will cost you more than if you use an HMO network healthcare provider. The choice is up to the member. That's where the "POS," or "point of service" part comes in. A member makes a choice, whether to use an HMO network doctor and get full plan benefits or a non-network healthcare provider and receive lesser benefits, at the point of service. Each insurance company implements this a little differently. This means you can get routine health care when you travel outside your plans service area but still within the U.S. if your insurer has a national network of doctors. The insurer makes a difference with this plan.

PPO Plan

- PPO plans are the most popular of MA plans. They have more flexibility, but also higher costs than HMO plans or HMO-POS plans. You do not need a primary care physician and you can go directly to a specialist without a referral. You can see doctors inside or outside your network but, if you stay in network, you will pay less. If you use non-

network providers, you will pay more. PPO healthcare providers must bill you no more than PPO negotiated prices. These plans typically have a larger network of providers. The key here for you may be whether your preferred doctors are in your PPO network? However, some newer plans have no monthly premium and charge the same fees in and out of network.

PFFS Plan

- A Private Fee for Service, or PFFS plan, may cover medical care only or medical care and not prescriptions. If the PFFS plan you choose does not offer prescription coverage you can join a Medicare prescription plan to get RX coverage. Benefits vary widely. There is also no network of providers for PFFS plans. You can go to any Medicare doctor in the country. However, the doctor or hospital must agree to accept PFFS guidelines and reimbursements, or you will be responsible for the entire costs. The doctors and hospitals are not obligated to accept the PFFS terms and reimbursements, and they are not obligated to accept PFFS terms and reimbursements for additional services, even if they had agreed to accept previous services.

Which one Advantage Plan is right for you?

- If you want low monthly premiums and copays and you don't travel much, an HMO plan might be right for you.
- If you do travel within the U.S. and you want the convenience of having one doctor coordinating all your care, an HMO-POS plan might be right for you.
- If you want to be able to coordinate your own health care and see specialists without a referral, a PPO plan might be right for you.
- Some plans are available with no monthly premiums, however deductibles, co pays and out of pocket expenses could be higher. The plan may or may not pay your Part A deductible of $1600 (2023) and does not cover your annual Medicare Part B deductible of $226 (2023). All plans will have co pays and deductibles, but also out of pocket maximums for the year.
- You can choose a plan based on the type of health care services you need and how often you need them. As a rule, higher premiums generally mean lower co pays and deductibles and out of pocket costs.
- Out of State or remote areas of a state for some plans can mean out of network and therefore higher costs for you.

- Generally, all plans include a drug plan. You won't need to separately enroll in a Part D Rx plan. MA plans follow the same rules as standalone Part D plans.
- However, it is very important that you consider what drugs you are taking when choosing a plan to minimize your drug costs as well as your medical costs. The NCRO website includes a complete tutorial regarding Part D Rx plans.
- Most MA plans do not cover foreign travel medical costs, but some are beginning to offer this coverage.
- Premiums are generally less than a Medigap plan because you have deductibles, co pays and limited provider networks.
- With MA plans, you will receive only one billing from the insurer, none from Medicare.
- Plans can include Dental, Vision and Hearing coverage at costs lower than purchasing as separate standalone coverage. **Please note that dental and vision plans offered by MA plans can be limited. For example, MA dental plans may only pay for annual x-rays and cleanings, but little else. However, some MA plans will allow members to upgrade their dental plan at an additional cost.**
- Many plans include free wellness programs (Silver Sneakers Program). Also, plans can include free in-home care and transportation (must meet certain requirements with a doctor's approval).

Medicare Supplemental Plans (Medigap Plans)

- Medigap is a private insurance plan to cover Medicare deductibles and co pays. Medicare pays approximately 80% of the approved amount for the service at participating hospitals and doctors. A Medigap Plan covers the 20% balance subject to the level of plan coverage you have chosen.
- With a Medigap Plan, you have original Medicare plus supplemental coverage which covers the remaining 20%. Most plans cover the Medicare Part A deductible of $1,600 for 2023. Current plans require you to pay the Medicare Part B (doctors) deductible of $226 for 2023. Depending upon your choice of plans there could also be some copays.
- **Medigap Plans do not cover Dental, Vision, Hearing, Assisted Living or Long-Term Care. They do cover skilled nursing if you meet certain requirements.**

- **Medigap Plans do not cover Part D Rx, you will need a separate Part D policy.**

- With Medigap plans, unless you enroll at age 65 or when you are first eligible to enroll, the insurer may deny you coverage or charge a higher premium due to pre-existing conditions. For certain health conditions e.g., smoker you can enroll at a higher premium.

- If you joined a Medigap Plan when first eligible, you have 6 months to join another Medigap plan with guaranteed issue (no Medical Underwriting). Those rules can vary by state.
- An exception to an insurance company's ability to deny coverage due to pre-existing conditions is if you joined an MA plan when you were first eligible for Medicare and you aren't satisfied with the plan, you have special trial rights to buy a Medigap policy (with no Medical Underwriting) if you return to Original Medicare within 12 months of when you originally joined Medicare.
- **Medical Underwriting** is essentially a review of your medical history. You are required to answer a series of medical questions including a discussion of the prescription drugs you take and the reason for them. Certain conditions related to the heart, cancers, etc. and pending or recent surgeries can disqualify you from changing to a Medigap Plan from an MA Plan or from your current Medigap plan to another Medigap Plan your after initial enrollment eligibility. That is why it is so important to make the best choice for yourself when first eligible to enroll. Some states have different rules regarding underwriting and may not require it under some circumstances. Best is to check with a free healthcare consultant.
- Most brokers/consultants can give you a general idea as to whether you will be able to pass medical underwriting by asking you some or all the questions you will need to answer if you apply.
- Most states allow you to enroll or change Medigap Plans at any time, however if you are in an MA Plan switching to a Medigap Plan you can only dis enroll from an MA plan during the time periods (mentioned previously). **Therefore, if you have an MA plan, make sure you can leave the MA Plan before you sign up for a Medigap policy.**
- Plans (Plan G for example) are available where you incur only the Part B deductible of $233 and then no co pays or other deductibles, you choose the letter plan which then dictates the premium and the deductibles or copays. Premiums are generally higher than MA plans. Insurer's premiums are based on age and female vs male (higher rate), tobacco use, your health, zip code and county. Several cap their rates at a given older age.

- With a Medigap Plan you will receive up to three billings/statements as follows:

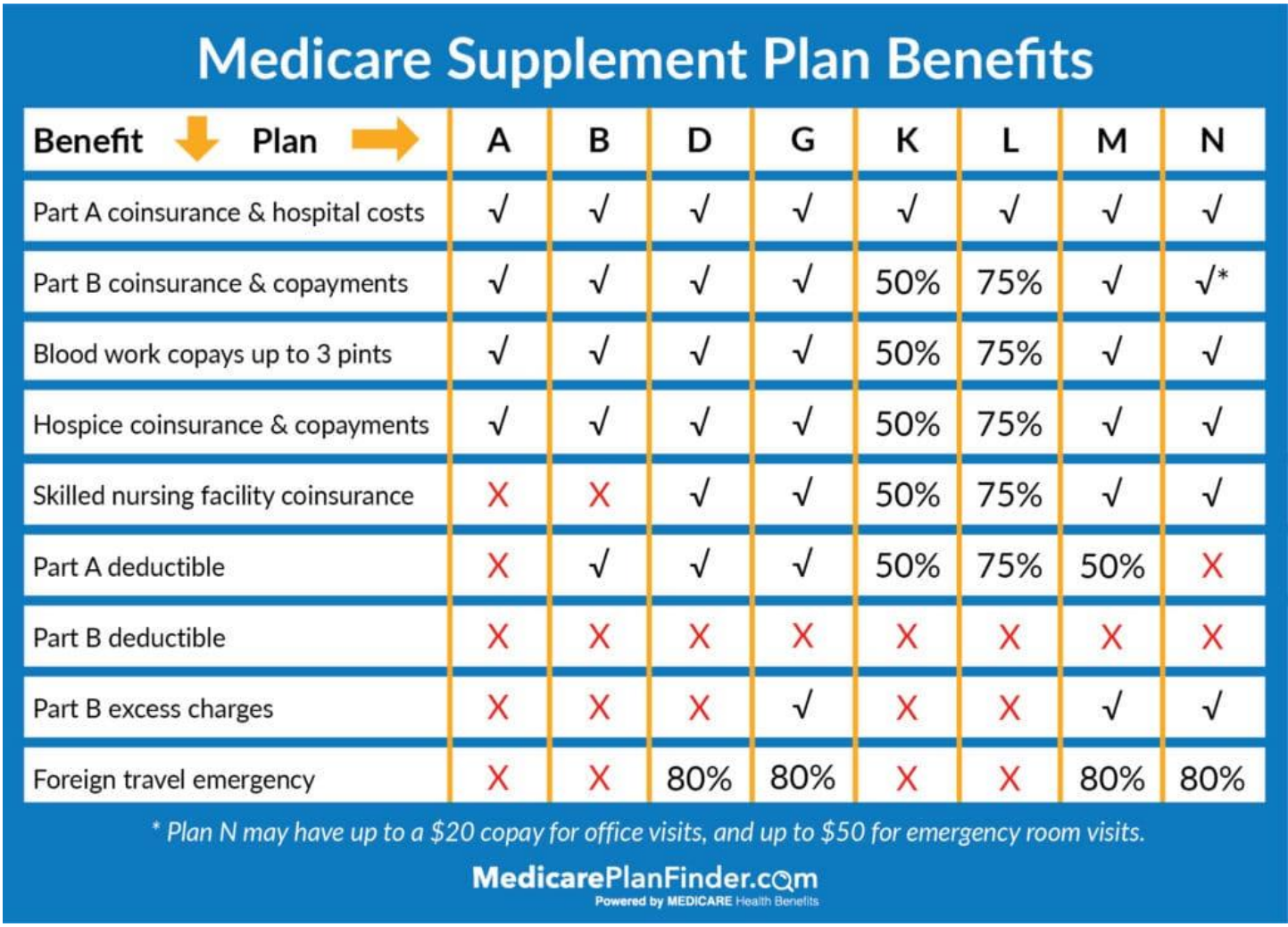
1) One from Medicare showing the amount they allowed for the service.
2) One from your Medigap insurer showing their coverage for the 20%.
3) One from the service provider, if there is a copay required because the $226 (2023)deductible has yet been met.

Plan Codes

- Plan coverage is determined by a plan letter code (A, B, G, K, & N for example) which is standardized among insurers and therefore less confusing when choosing an insurer or specific coverage. This means every insurer's specific plan code has the exact same coverage, but the premium will vary. **Refer to the chart that follows later for more detail on the coverage provided by each plan code.**
- In 2020, Medicare discontinued plans F and C for anyone newly eligible after January 1, 2020. If you have Medicare Part A with an effective date prior to January 1, 2020, you would still be eligible to enroll in plans F or C. Those already in plan F and C can continue with their plan (grandfathered), but given that the plan will not be available for new enrollments ,the average age of those in the plan along with their higher usage, due to aging, is expected to increase the premiums for these plans to a higher degree than other plans available. Those in plan F and C that would like to move to a different plan would need to be able to pass medical underwriting which can be an issue for many older retirees. There is also a high deductible Plan F that may be available.
- As a result of plans F and C being discontinued insurers are offering a less expensive Plan G as well as a Plan G High Deductible Plan. Plan G requires you to pay the Medicare Part B deductible before coverage of the 20% begins. Plans F and C covered the Part B deductible, but Plan G is less expensive even factoring in paying the annual up front $226 deductible (2023). You should be aware that the Medicare Part B upfront deductible will generally continue to rise annually. However, due a special adjustment it went from $233 in 2022 to $226 in 2023.
- You can also consider plans K and N if available, they have higher copays but lower premiums. An N for example has a lower premium than G but has the same coverage as the G plan except you pay a flat $20 copay for a doctor visit and a flat $50 copay for an emergency room visit. Your choice really depends on your anticipated usage. You need to work with a consultant to fully understand your choices.
- Several of these plans offer foreign travel coverage in emergency situations. After a $250 deductible, the plan pays 80% of your medical costs, but with a $50,000 cap.

- Several insurers will offer a household discount when both spouses are being insured, even if differing insurers.
- Most insurers require about 2 months to put your policy into effect. You may be required to pay the 1st month's premium upfront. October thru December is a very busy period for brokers and insurers.

- The following chart displays the various Plans and their letter codes.

- 

Medicare Supplement Plan Benefits

Benefit ↓ Plan →	A	B	D	G	K	L	M	N
Part A coinsurance & hospital costs	√	√	√	√	√	√	√	√
Part B coinsurance & copayments	√	√	√	√	50%	75%	√	√*
Blood work copays up to 3 pints	√	√	√	√	50%	75%	√	√
Hospice coinsurance & copayments	√	√	√	√	50%	75%	√	√
Skilled nursing facility coinsurance	X	X	√	√	50%	75%	√	√
Part A deductible	X	√	√	√	50%	75%	50%	X
Part B deductible	X	X	X	X	X	X	X	X
Part B excess charges	X	X	X	√	X	X	√	√
Foreign travel emergency	X	X	80%	80%	X	X	80%	80%

** Plan N may have up to a $20 copay for office visits, and up to $50 for emergency room visits.*

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