



Understanding Medicare Advantage Plans and Medicare Supplemental Insurance Plans September 2023

Overview

The purpose of this document is to provide you with a better understanding of Medicare Advantage plans (MA plans), also known as Part C, and Medicare Supplemental plans also known as Medigap. Although lengthy, this document should provide you a thorough 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 plan discussion, here is a brief overview regarding Medicare.

- At age 65, you should sign up for Medicare Parts A (Hospital Insurance) and B (Medical Insurance). Depending upon your employer size you may or may 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 or union. You can 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. Please note: you will have a 60-day window to enroll, beyond that, you may be subject to a penalty
- You'll also need to consider prescription drug coverage options when choosing between Original Medicare and MA plans. Refer to our separate document titled "Understanding Medicare Part D Rx" also on our site at NCRO.org.
- 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 quarterly 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 Health Insurances 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 cap on 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, outpatient care) 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 (MA), also known as Part C, and Medigap Supplemental Plan premium costs generally increase every year and you may be able to enroll in a less expensive plan by reviewing your options annually. Also, particularly with an MA plan benefits change.
- 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" also on our site.

Things to Consider When Choosing a Plan

- 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, type of services you need and 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.
- Generally, all MA Plans include Part D Rx coverage, while Medigap Plans do not, therefore requiring you to enroll in a separate Part D Plan.
- You must have Medicare Part D Rx coverage unless you have Creditable Coverage (for example with your or your spouse's employer), or be penalized 1% of the national average premium cost of \$32.74 (2023) which is \$.328 for each month or \$3.94 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 Part D Rx plan even if not on any drugs currently.
- **Please note: when replacing a Part D prescription or MA plan during the Annual Election Period, CMS will automatically discontinue your prior coverage with the enrollment of the new plan.**
- **Never cancel your existing plan until you have written acceptance and confirmation of your new plan.**
- Coverage cost comparisons are difficult to provide because of the variations in available coverage. However, there are two charts later in this document that show examples of the differences. Medigap plan premium pricing is dependent upon your zip code or region. 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. Medigap plan pricing is also dependent upon age, sex and your health status.

- By understanding what is available and at what cost, you should be in a good position to make your decision. Out of state could mean out of network depending upon the MA plan, which could add costs. Some newer plans have no out of network higher costs.
- MA plans and Medigap plans only cover one person. If you or your spouse both want coverage, you'll each have to buy separate policies, although not necessarily from the same insurer or the same type of plan. Most insurers do offer additional household discounts for enrolling with the same carrier or if more than just you are living in the household.
- 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 without penalty, if necessary, at a 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.

Highly Recommend You Use a Consultant

- 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 explain all your options to you. There is no good reason to not use them. The NCRO site in the Health Insurances 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 the various choices available to you on your own.
- 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 Medicare Advantage and Medigap Plans by reviewing the differences and the rules for each of them.

Medicare Advantage Plans (MA Plans) also known as Medicare Part C

- The purpose of purchasing an Advantage Plan is to supplement your Medicare coverage. Depending upon your choice of a plan, 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) deductible of \$226 (2023) also generally is not covered but may be. The plan may require a monthly premium, with some carriers offering zero premium plans. Premiums, deductibles, copays, allowances and the maximum out-of-pocket for the year all depend upon the plan you choose. Once you have spent the out-of-pocket amount there are no further charges for the balance of the year.

Please note: Prescription drug out of pocket maximums accumulate separately and do not apply towards the health out of pocket maximum.

- MA plans cover the 80% same as Medicare, but have full control over the remaining 20% in terms of coverage and changes.
- **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 enroll in an MA Plan at this OEP time.**
- With an MA Plan you are enrolling in a private insurance plan, the Medicare Part A and Medicare Part B coverage from the Medicare Advantage Plan insurer will take over the administration of benefits, replacing the government's federally administered Medicare plan.

MA Plan Choices

- There are varying types of options 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 status whether at initial enrollment or any time when enrolling or changing plans.
- Many plans offer foreign travel coverage in case of an emergency, there maybe a deductible. There is a cap of \$50,000.

HMO Plan

- An HMO plan can be the least premium cost plan; deductibles and copays and out of pocket costs could be higher and you are limited to only participating providers (exception in emergencies). Your preferred doctor may not be in the plan or could decide to leave 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 in-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 plan's 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 MA plans.** They have more flexibility, but also can have 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. With some plans, if you use non-network providers, you will pay more. However, some newer plans have no monthly premium and charge the same fees in and out of network. You have to investigate the plan's coverage details.
- 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 accept your particular MA plan.

PFFS Plan

- A Private Fee for Service, or PFFS plan, may cover medical care only 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 Medicare Advantage Plan is right for you?

- The best recommendation is to use a consultant who can listen to your specific needs and health situation and be able to guide you to understand your options. We have consultants we recommend on our website, or you can use one of your choosing. Avoid a sales pitch from a single insurer unless you plan to call several and make the comparisons, but a consultant can save you time and trouble.
- Some good plans are available with no monthly premiums and many other benefits and are worth investigating. In the past few years MA plans have greatly expanded their benefits.
- It is extremely important for you to have an insurance agent verify that your drugs are covered in the MA insurance company's formulary (drug list) and to compute the cost of the drugs. Some drug plans

within an Advantage Plan may have no deductible, but their drug copays for brand drugs may be higher than a standalone Part D plan. Also, the agent should verify that your doctor participates in your chosen MA plan. This must be part of your decision when deciding between an MA plan and a Medigap plan.

- You can choose a plan based on the type of health care services you need and how often you need them.
- 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 MA 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.
- The NCRO website under the Health Insurances tab includes a detailed slide presentation and video explaining Part D Rx plans.
- Most MA plans do not cover foreign travel medical costs, but some are beginning to offer this coverage.
- Premiums are less than a Medigap plan because you have deductibles and co pays, but also a cap on your out-of-pocket spending.
- With MA plans, you will receive only one billing from the insurer, none from Medicare.
- Plans can include extra benefits including Dental, Vision and Hearing coverage at costs lower than purchasing separate standalone coverages. 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. However, some MA plans will allow members to upgrade their dental plan at an additional cost.
- Many plans include free gym memberships which is advantageous if you participate. Also, plans can include free in-home care and transportation, however you must meet certain requirements with a doctor's approval.
- Because of added benefits MA plans are now being subscribed to at a rate of 51% of eligible Medicare recipients.
- MA popularity is being driven by the availability of zero premiums and added benefits as mentioned. The risk is that if you have serious medical expenses over an extended period (e.g., Cancer) you could be paying the out-of-pocket maximum every year. Your age and health status are a key determinate. After 12 months from first eligible you cannot move to a Medigap Plan without passing medical underwriting which is discussed under the next Medigap section.

Medicare Supplemental Plans (Medigap Plans)

- Medigap, also known as a Medicare Supplemental Plan, is a private insurance plan to cover Original 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. If Medicare covers a service, then Medigap must cover the remaining 20%
- 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 Medigap 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 Medicare 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 example, for certain health conditions e.g., smoking, high blood pressure, you can enroll at a potentially higher premium.
- As mentioned earlier, most insurers offer a discount if both spouse are able to use the same insurer.
- If you joined a Medigap Plan when first eligible, you have 6 months to switch to 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 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.
- **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. It is best 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.**
- Medigap plans (e.g., Plan G) are available where you incur only the Part B deductible of \$226 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 status, 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 for medical services 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% they cover. In some cases you may receive a single statement combining 1 and 2.
 - 3) One from the service provider if there is a payment required because the \$226 (2023) Medicare deductible has not yet been met or your plan has a copay.

Medigap Plan Codes

- Medigap Plan coverage is determined by a plan letter code (e.g., A, B, G, K, & N) 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 available plans.
- 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 would 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 to 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. For example, Plan N has a lower premium than Plan 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 and doesn't cover the Part B excess, therefore, could result in balance billing. 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 lifetime cap.
- Several insurers will offer a household discount when both spouses are being insured, even with differing insurers.

Comparing a Medicare Advantage Plan to a Medigap Plan

The following two charts compare an MA AARP/United Healthcare PPO1 plan to a Medigap Plan G. While it's difficult to calculate the dollar difference because of the variables involved, you will see the differences in coverages in the charts.

The MA plan has no premium costs and the max out of pocket cost in this example is \$4,500. It includes many benefits not in the Medigap G plan.

However, there are several concerns that need to be acknowledged. The Medigap plan has no costs beyond the \$226 upfront deductible and is accepted by any doctor/hospital nationwide accepting Medicare. While the MA plan may have a broad network of participating doctors and you can be in and out of network at no added

cost with this plan, **you need ensure that your choice of doctors will accept payment from the plan. You also need to ensure that the included Part D drug plan covers your drugs.**

If you have a serious illness (e.g., Cancer) you could potentially be at the out-of-pocket maximum of \$4,500 every year. It is possible that you will have to get permission from the plan for certain services recommended by your doctor.

The out-of-pocket cost comparison between a Medigap Plan G vs Medicare Advantage Plan is difficult to calculate accurately because costs vary per individual retiree. Medigap Plan G has an annual \$226 Part B deductible for health services plus monthly premiums where some Advantage Plans offer \$0 premium options, include Part D drugs at a zero premium, offer Dental, Vision and Hearing coverage and several other “perks” with a \$4500 (or more) out of pocket exposure as you utilize services.

Someone in good health and at a young age may decide that an MA plan suits them because of all the benefits and the dollar savings. Or someone much older already spending close to \$4,500 per year because they have a high Medigap premium plus other costs not covered e.g., dental, may decide to switch from Medigap to MA. They would have 12 months to change back to Original Medicare with no underwriting required. This only applies if you have always had Medicare and had never previously enrolled in MA.

It is a difficult decision, and we strongly recommend you use a consultant.



Benefit Comparison

	Medicare Advantage Plan	Medigap Plans	
	Using AARP Advantage Open Plan 1 PPO (as of Sept 2023)	Using Plan G	
Annual Premium	Zero	Age 65 \$119/Month	\$1,428
		Age 80 \$220/Month	\$2,640
Part A Medicare Deductible for Hospitalization	\$325/ day for days 1-6, Pay e each repeat hospitalization		unlimited no cost
Part B Medicare Deductible	included	Up Front	\$226
Part D Drug Premium	Zero	Annual	\$150 to \$360+
Drug Deductable	Zero		\$545
Network	Participating doctor can be out of network		Any Doctor Accepting Medicare No Networks
Annual Max Out of Pocket Cost	\$4,500		No out of pocket limit

Benefit Comparison

<u>Co Pays</u>	Yes	None
Primary Care Doctor	Covered	Covered
Specialist	\$35	Covered
Prior Authorization for specialist	No	No
Dental	\$1500 Benefit	Not Covered
Vision	\$150 Allowance	Not Covered
Hearing in Network	\$175 Co-pay	Not Covered
Physical Therapy	\$20 Co-pay	Covered
Foreign Travel Coverage	Emergency only	Yes, \$250 deductible
Gym Membership	Included	Some
OTC Spending Allowance	\$50/each quarter, \$200	None
Participation By Medicare Enrollees	(Nationally) 51% (Michigan) 59%	(Nationally) 25% (Michigan) 33%

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- The following chart displays the various Medigap 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	✗	✗	✓	✓	50%	75%	✓	✓
Part A deductible	✗	✓	✓	✓	50%	75%	50%	✗
Part B deductible	✗	✗	✗	✗	✗	✗	✗	✗
Part B excess charges	✗	✗	✗	✓	✗	✗	✓	✓
Foreign travel emergency	✗	✗	80%	80%	✗	✗	80%	80%

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

MedicarePlanFinder.com
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