

MEDIGAP UPDATE

Medicare Supplemental Insurance, also known as “Medigap” insurance, provides supplemental health insurance for Medicare beneficiaries. Individuals in the “original” Medicare program may want to obtain Medigap Insurance because Medicare often covers less than the total cost of the beneficiary’s health care.

The Medicare Prescription Drug, Modernization and Improvement Act of 2003 (MMA) contains provisions that will affect Medigap insurance. These provisions will change coverage under Medigap policies H-J; and will create two new Medigap policies (designated policies K and L) with benefits that differ from Medigap policies A-J.

What Happens To The Medigap Plans That Presently Have Prescription Coverage (Plans H, I and J)?

If, on December 31, 2005 a Medicare beneficiary is not already enrolled in Medigap plans H, I, or J with prescription drug coverage, federal law prohibits their sale thereafter. These plans may continue to be sold without prescription drug coverage and the premiums will be adjusted to reflect this change.

How Will I Know if My Medigap Plan’s Prescription Drug Coverage is as Good as Part D Prescription Drug Coverage?

Medigap issuers must send notice between September 15, 2005 and November 15, 2005 to advise members if the Medigap plan is as good as Medicare Part D prescription coverage. Most Medigap plans do not fall into this category of “creditable coverage.” Under § 423.56(a) of the final regulation, coverage is creditable if the actuarial value of the coverage equals or exceeds the actuarial value of standard prescription drug coverage under Medicare Part D, as demonstrated through the use of generally accepted actuarial principles and in accordance with CMS actuarial guidelines. In general, the actuarial equivalence test measures whether the expected amount of paid claims under the entity’s prescription drug coverage is at least as much as the expected amount of paid claims under the standard Part D benefit.

What Happens If I Keep My Medigap Plan And Do Not Enroll In a Part D Plan?

Beneficiaries enrolled in Medigap plans H, I, or J on December 31, 2005 may renew their enrollment in these plans as long as they do not enroll in Medicare Part D’s prescription drug coverage. If such a beneficiary does enroll in a Part D prescription drug plan, his or her Medigap plan’s coverage will be modified to eliminate prescription drug coverage as of the effective date of the Part D plan.

A beneficiary who delays enrollment in a Part D plan in favor of keeping a Medigap plan which covers prescription drugs faces late enrollment penalties for Part D if that Medigap plan is not considered to be as good as Part D’s standard benefit (creditable coverage).

Medigap insurance issuers must send notice to their enrollees between September 15, 2005 and November 15, 2005 advising them if the Medigap insurance they have is creditable. Most Medigap plans will not be considered creditable coverage because their coverage is not as good as the standard Part D benefit.

Is There Guaranteed Issuance Of Medigap Plans?

Under the new law, beneficiaries who currently have Medigap prescription drug plans will be guaranteed issuance of Medigap plans A, B, C, or F with no wait for coverage of pre-existing conditions and no medical underwriting if they enroll in a Part D plan during the initial Part D enrollment period and seek to enroll in the new Medigap policy within 63 days of the effective date of their coverage under Part D. Beneficiaries who drop a Medigap prescription drug plan to enroll for the first time in a Medicare Advantage plan and who subsequently disenroll within 12 months are also guaranteed re-issuance of their Medigap prescription drug plan if it is available from the original issuer. If not, they are guaranteed issuance of Medigap plans A, B, C, or F with no wait for coverage of pre-existing conditions and no medical underwriting. Beneficiaries must enroll in the Medigap plan within 63 days of the effective date of disenrollment from the Medicare Advantage plan.

What Are The Basic Benefits for Plans A-J

The ten standardized plans are labeled A through J. Medigap plan A includes certain “core” benefits. The other policies contain the core benefits plus one or more additional benefits. The following is a list of the benefits that are contained in the core policy:

- Part A Hospital Coinsurance for Days 61-90 (\$228 in 2005);
- Part A Hospital Lifetime Reserve Coinsurance for Days 91-150 (\$56 in 2005);
- 365 Lifetime Hospital Days Beyond Medicare Coverage;
- Parts A and B Three Pint Blood Deductible
- Part B 20% Coinsurance

Additional benefits are offered in policies B through J. Each plan offers a different combination of these benefits in addition to the core benefits. Additional benefits are:

- Part A Skilled Nursing Facility Coinsurance for Days 21-100 (\$114 in 2005);
- Part A Hospital Deductible (\$912 in 2005);
- Part B annual deductible (\$110 in 2005);
- Part B Charges Above the Medicare Approved Amount (if provider does not accept assignment.);
- Foreign Travel Emergency Coverage;
- At-Home Recovery (Home Health Aide Services);
- Prescription Drug Coverage (Basic Plans H, I and J – only available to new enrollees until 12/31/05);
- Preventive Medical Care

What Are The Benefits Of Plans K and L

Beginning January 1, 2006, two new Medigap plans will be offered. Plan K will fully cover the cost sharing for Part B preventive services, the Part A hospital co-insurance and an additional 365 days of hospital coverage. It will also cover 50% of the Part A and Part B blood deductibles, the Part B co-insurance, the skilled nursing facility co-insurance, the cost sharing associated with the hospice benefit, and the Part A hospital deductible. Plan K will cover 100% of all cost sharing under Medicare Parts A and B for the rest of the calendar year once a beneficiary reaches an out-of-pocket limit of \$4000 in 2006.

Plan L will fully cover the cost sharing for Part B preventive services, the Part A hospital co-insurance and an additional 365 days of hospital coverage. It will also cover 75% of the Part A and Part B blood deductibles, the Part B co-insurance, the skilled nursing facility co-insurance, the cost sharing associated with the hospice benefit, and the Part A hospital deductible. Plan L will cover 100% of all cost sharing under Medicare Parts A and B for the rest of the calendar year once a beneficiary reaches an out-of-pocket limit of \$2000 in 2006.

Plan K	Plan L
Medicare Part A coinsurance for days 61-90 of inpatient hospital stays in any spell of illness	Medicare Part A coinsurance for days 61-90 of inpatient hospital stays in any spell of illness
Medicare Part A coinsurance amounts for the beneficiary's 60 lifetime hospital inpatient reserve days	Medicare Part A coinsurance amounts for the beneficiary's 60 lifetime hospital inpatient reserve days
Coverage of up to 365 more days of a hospital stay during a beneficiary's lifetime after all Medicare hospital benefits are used.	Coverage of up to 365 more days of a hospital stay during a beneficiary's lifetime after all Medicare hospital benefits are used.
Coverage of 50% of the Medicare Part A deductible amount until the annual out-of-pocket amount is met	Coverage of 75% of the Medicare Part A deductible amount until the annual out-of-pocket amount is met
Coverage of 50% of the Skilled Nursing Facility coinsurance for days 21-100 until the annual out-of-pocket amount is met	Coverage of 75% of the Skilled Nursing Facility coinsurance for days 21-100 until the annual out-of-pocket amount is met
Coverage of 50% of Medicare Part A coinsurance for hospice and respite care until the annual out-of-pocket amount is met	Coverage of 75% of Medicare Part A coinsurance for hospice and respite care until the annual out-of-pocket amount is met
Coverage for 50% of the reasonable cost of the first 3 pints of blood until the annual out-of-pocket amount is met	Coverage for 75% of the reasonable cost of the first 3 pints of blood until the annual out-of-pocket amount is met
Coverage for 100% of Medicare Part B coinsurance for preventive services (after payment of the \$110 Medicare part B deductible.)	Coverage for 100% of Medicare Part B coinsurance for preventive services (after payment of the \$110 Medicare part B deductible.)

Plan K	Plan L
Coverage for 50% of the Medicare Part B coinsurance for other Part B covered services until the annual out-of-pocket amount is met	Coverage for 75% of the Medicare Part B coinsurance for other Part B covered services until the annual out-of-pocket amount is met
Coverage for 100% of all Medicare Part A and Part B coinsurance amounts for the rest of the calendar year after the annual out-of-pocket amount is met. The annual out-of-pocket amount under plan K is \$4,000 for all Part A and Part B expenditures.	Coverage for 100% of all Medicare Part A and Part B coinsurance amounts for the rest of the calendar year after the annual out-of-pocket amount is met. The annual out-of-pocket amount under plan L is \$2,000 for all Part A and Part B expenditures.

Note: Neither the existing nor new Medigap policies will cover any of the cost sharing associated with the prescription drug benefit provided under Part D.