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HOW TO BUY MEDIGAP INSURANCE

Individuals over 65 years of age have more physical problems than do persons of a younger age. Health costs in the eighties continue to increase, more than inflation. These increases in health costs along with continued decreases in amounts paid by Medicare complicate the budgets of older Americans.

Medicare will cover only about half of the total personal spending for health care. Thus, many older Americans find there are needs for additional coverage or alternative sources of care to supplement that provided by Medicare.

The purpose of this publication is to help those over 65 years of age, or those working with this group, to look at this problem of a gap between medical costs and the reimbursements available under Medicare. Not all problems are fully addressed, but it is hoped this will allow the reader to think through the ramifications.

Potential Medicare Policy Gaps

Gaps in Medicare that may need to be covered by additional medical policies would include:

1. Medicare will pay for all covered hospital expenses only during the first 60 days of hospitalization. After 60 days, the consumer will pay more of the cost.
2. A maximum of 150 days in a benefit period (90 if the 60 lifetime reserve days have been used) will be covered by Medicare.

3. Coverage for skilled nursing-home care under Medicare is very limited and occurs only after satisfying several conditions.
4. Medicare approved skilled nursing facilities are the only ones covered.
5. Medicare does not cover all long-term care.
6. Medicare reimburses only after the initial deductible and a coinsurance of 20% of reasonable charges have been paid.
7. Medicare will reimburse only on that part of the medical bill that has been approved as "reasonable."
8. No coverage is provided for prescription drugs and medicines outside the hospital unless in an approved hospice program.
9. Sharp rises in premiums, deductibles, and coinsurance amounts have created an "inflation gap" which is expected to continue.
10. Medicare also does not cover certain medical and nursing services such as a private room in a hospital or skilled nursing facility (unless medically necessary), private duty nursing, eye glasses and examinations, hearing aids and examinations, dental care (except certain dental surgery), dentures,

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routine physical examinations,
routine foot care, and medical
care outside the U.S.

Sources of Medigap Policies

Therefore, to supplement these gaps between costs and what is covered, several different types of medical policies are available. The following list of sources may be considered:

1. Catastrophic or major medical, which usually covers certain rare, serious diseases and usually has a large deductible
2. Health Maintenance Organizations, which combine health care insurance and medical services through pre-payments
3. Employer group continuing a company plan after retirement or converting it to a Medicare supplement
4. Association group insurance for members over age 65
5. Policies for specific, limited needs such as a daily amount for each day in a skilled nursing facility, specified disease payments, or fixed payments for each day hospitalized
6. Mail-order policies with low, non-tax-deductible premiums and limited coverage
7. Medical expense for hospitalization or medical treatment
8. Hospital indemnity with cash benefits in specified amounts for each day hospitalized, which can be used for any purpose

-2-

Considerations When Choosing a Policy

When choosing a medical supplement policy, several considerations should be made. It is important to know the limitations regarding pre-existing conditions that may delay coverage from 3 months up to 2 years. A longer waiting period will lower the premium but will increase chances of paying out-of-pocket expenses. A policy may not cover pre-existing conditions and should be checked for exclusions. Waiting periods of 3 months to a year may occur, and a policy will often not cover a condition developed during the waiting period. An elimination period in the policy will be of varying lengths and states the number of days before payment is made. Benefits are less likely to be received for a short-term illness. Duration of benefits should also be considered. They range from 1 to 2 years, less than a year, or have no limits to the period of time payment will be made. Renewability may be in several forms: "guaranteed renewable for life," "conditionally renewable," and "optionally renewable." A company should be chosen that is licensed to sell insurance in the state of residence. Changes in premiums and benefits experienced by the policy in recent years should also be considered.

Medigap Law

As a result of abuses occurring in the selling of supplemental policies, a Medigap Law (Baucus Amendment) was passed stating minimum standards for policies. Under this law policies must:

1. State clearly the terms of the policy in an outline of coverage and buyer's guide.

2. Cover the hospital co-payment for days 61-90 and hospital reserve days.
 3. Cover 90% of all hospital expenses for 365 days of hospitalization over the lifetime of the policy.
 4. Cover at least 20% of eligible Medicare expenses under Part B regardless of hospital confinement for at least \$5,000 per year with a deductible of \$200 a year possible.
 5. Not exclude pre-existing conditions if developed at least six months after the policy is issued.
 6. Allow the buyer to cancel within 30 days for mail order insurance purchases and 10 days for policies purchased from agents.
 7. Pay \$75 in claims for every \$100 collected in premiums for group policies under minimum standards and at least \$60 per \$100 for individual and group policies through the mail.
 8. Benefits covering cost-sharing amounts under Medicare are changed automatically with changes in Medicare deductibles and co-payment percentage factors.
2. Contact the local Social Security Office, state insurance department, consumer protection agency, or Virginia Office on Aging for advice or explanations of Medigap insurance.
 3. Check the Better Business Bureau, state insurance department, and Best's Insurance Reports: Life and Health (in public library) for the company's financial position.
 4. Check the company's official license to do business in the state, length of time in business, and actual loss ratios for the past several years.
 5. Ask questions and be satisfied with the answers. Compare notes with other retirees. Don't make hasty decisions.
 6. Avoid a policy that duplicates Medicare coverages or private health insurance. Aim for a single, comprehensive policy.
 7. Get a clear, printed summary of the policy. Read it carefully and know the exact benefits and limits of the policy.
 8. Ask if the policy offers the added protection of being automatically renewable.
 9. Ask about the review period to check out the policy.

Consumer Tips

When considering a Medigap policy, the following consumer tips may be useful:

1. Decide how much insurance is needed and can be afforded.
10. Be sure no claims are made of endorsement or sponsorship by a government agency.
 11. Understand limitations and exclusions and make sure they are reasonable.
 12. Consider advantages and disadvantages of individual health or group insurance.

13. Carefully fill out the application. Without all the facts, the company might later refuse coverage, deny your claim, or cancel.
14. Pay by check, money order, or bank draft to the insurance company.
15. Don't pay policy premiums years in advance.
16. Get a receipt on company letterhead signed by the salesperson.
17. Keep records of all transactions.
18. Do not switch policies strictly for price reasons (the cheaper policy may not stay cheaper).
19. Keep the agent's name, address, and phone number handy.
20. Be cautious of groups using advertisements indicating they are allied with the U. S. Government and/or utilize prominent media personalities to advertise their goods.
21. Medicare policy often changes annually. Keep up to date how this affects you and your policy.

POLICY CHECKLIST FOR MEDICARE GAPS

	Policy A	Policy B	Policy C	Policy D
Hospitalization:				
First 60 days				
61st-90th day				
60 reserve days				
After 150th day				
Nursing Home, 21st-100th day				
Blood (1st three pints)				
Physicians' services				
Outpatient services				
Other services and supplies:				
Ambulance				
Lab Tests				
Surgical dressing				
Prosthetic devices				
Durable medical equipment				
Blood (1st three pints)				
Prescription drugs				
Psychiatric services				
Other				
Private duty nurse				
Nursing home, after 100 days				
Personal or custodial care				
Routine physical exams				
Eye and hearing exams				
Eyeglasses				
Hearing aids				
Dental care				
Nonhospital prescription drugs				
Nonapproved nursing home care				
Private room				
Medical care outside U.S.				
Waiting periods of policy				
Exclusions				

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