

LEGAL EASE



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Know the basics before buying Medigap policies

In the months prior to being eligible for Medicare, beneficiaries are inundated with literature from insurance companies for supplemental Medicare policies (Medigap insurance). The volume and large number of choices can be overwhelming. Medicare Advantage plan insurers can be particularly aggressive in their marketing efforts. It is important to step back, and understand the basics of Medicare before you make a choice.

“Medigap” policies are the insurance policies that fill in the “gaps” in Medicare coverage. Most Americans are entitled to Medicare Part A at age 65 years or, in some cases, when disabled. Part A covers hospitalization, hospice and home health care costs. However, especially in the hospital costs area, there is a significant deductible (\$1,068.00 in 2009), and a co-payment requirement after 60 days of hospitalization, and after 20 days in a skilled nursing facility (payment in a skilled nursing facility is subject to additional requirements). Part B, or outpatient coverage, also has a deductible, as well as a cost sharing requirement in some instances. For that reason, it is important to buy a Medigap policy to control unexpected costs, and to provide coverage for some costs that Medicare does not cover.

Medicare Advantage plans (Part C) are a form of Medigap plan, in that they substitute traditional Medicare A with a private insurance plan. Since most of these plans are a managed care type plans, be wary of choosing these for Medicare coverage. Those with chronic illnesses may pay more in co-payments than they would if paying premiums for a more inclusive Medigap policy. Sometimes the benefits are reduced due to the managed care rules associated with the Advantage plan. Some beneficiaries receive less hospital coverage, and significantly less nursing home coverage than those with traditional Medicare with no Medigap policy.

Medicare has created twelve standardized plans, A through L, although H, I, and J are not available to new buyers. The first step is to determine what coverage you may need. Medicare publishes a booklet called “Choosing a Medigap policy” (found at www.medicare.gov, 64 pages). This guide explains the differences in coverage, and has a helpful chart. The writers at www.elderlawanswers.com also recommend a few other things to consider. If you have a chronic condition with high medical bills, Plan K or L pay a portion of covered expenses; however, when you reach the annual “cap” on out-of-pocket costs, the plan will pay 100% going forward. If you travel outside the U.S. frequently, Plans C, D, E, F, and G include coverage for this. If you regularly see doctors whose charges exceed what Medicare pays, Plans F or G could help you.

The next step is to look at plans that are available in your state. “Medicare Options Compare” is a good resource, both to understand the difference between Advantage plans and what Medigap plans are available to you. Options Compare is also found at the Medicare website. Look for a well rated, financially sound company, who pays Medicare claims automatically. Be cautious about buying an attained age policy as opposed to an issue-age, or a community policy, so that you are not surprised by a large premium increase.

Choosing the appropriate Medigap policy may not be easy, but the time invested will be worth the effort.