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MEDICARE and MEDIGAP POLICIES

Medicare, the federal health insurance program that covers nearly 60 million Americans, is both complicated and confusing. In this article, I attempt to make sense of the basic components of Medicare and how it works with Medicare Supplement insurance policies (aka Medigap policies) like the ones offered by WMI Mutual Insurance Company. Much of the information I have presented in this article comes from the publication by the Centers for Medicare & Medicaid Services (“CMS”) entitled *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*. If you would like a free copy of this riveting government publication, please contact our office.

What is Medicare?

Medicare is health insurance for:
(a) people age 65 or older; (b) people under age 65 with certain disabilities; and
(c) people of any age with end-stage renal disease (“ESRD”) (permanent kidney failure requiring dialysis or a kidney transplant).

What are the various Components of Medicare?

PART A (Hospital Insurance) – This part of Medicare helps cover inpatient hospital care, skilled nursing facilities, hospice and home health care. When Medicare Part A is paired with Medicare Part B, the resultant coverage is known as “Original Medicare.” This is in contrast to health insurance plans that are offered by private insurance companies known as Medicare Advantage (Part C) plans (*see next column*).

PART B (Medical Insurance) – This part of Medicare helps cover services from doctors and other health care providers, hospital outpatient care, durable medical equipment, and home health care. It also covers many preventive services, screenings and immunizations. It does not, however, include coverage for prescription drugs (*see, Part D below*).

PART C (Medicare Advantage) – This part of Medicare is a substitute for Original Medicare that is run by private insurance companies rather than by the federal government. It includes all benefits and services covered under Part A and Part B, and it usually includes coverage for prescriptions drugs (Part D). Medicare Advantage plans often include other benefits and services at no additional cost (*e.g.*, fitness center access, dental care, eyeglasses and wellness programs). In exchange for the low premium and additional benefits that accompany these *Advantage* plans, participants must generally accept more restrictive provider access and limited travel coverage.

PART D (Prescription Drug Coverage) – This part of Medicare is run by Medicare-approved private insurance companies, and it helps cover the cost of outpatient prescription drugs (including many recommended vaccines). Most Medicare prescription drug

plans charge a nominal monthly premium, and many only pay for certain drugs that are on the plan's drug list or "formulary list." There are different stages of Medicare Part D coverage (some or all of which may apply to your particular plan), and coverage varies significantly in each stage: (1) the annual deductible during which time you pay the full cost of the drug; (2) the initial coverage stage during which you pay a basic copayment or coinsurance amount (e.g., \$10 or 25%); (3) the coverage gap or "donut hole" (which is going away in 2021) during which time you pay a percentage of the cost of the drugs (usually about 25%); and (4) the catastrophic coverage stage during which time you usually pay a low copayment or coinsurance amount (e.g. 5%) for prescription drugs.

What's the Difference Between Medicare and Medicaid?

Medicare is an insurance program that is run by the federal government. It provides health insurance coverage for the people who are at least age 65, and for certain disabled individuals who are younger than age 65. In contrast, **Medicaid is an insurance program that is run jointly by the federal government and various state governments.** Medicaid provides long-term medical and custodial care coverage to low-income individuals and families.

What are Medicare Supplement (aka Medigap) Insurance Policies?

Medigap policies are health insurance policies that are sold by a private insurance company to supplement, or fill in the gaps of, Original Medicare coverage. Medigap policies can help pay the enrollee's share of the costs of Medicare-covered services (e.g., coinsurance, copayments, or deductibles). In order to purchase a Medigap plan, the applicant must be enrolled in Medicare Part A and Part B. Insurance companies are prohibited from selling a Medigap plan to an individual who is on a Medicare Advantage plan (unless that individual is dropping the *Advantage* plan).

Although the Medigap naming conventions are similar to the names of the various Medicare parts, the standardized Medigap plans and their alpha names (Plans A-N) are entirely distinct and should not be confused. The most basic Medigap plan (Plan A) covers the Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used). It also covers Medicare Part B coinsurance or copayment costs, the first three pints of blood, and the Part A hospice care coinsurance or copayment costs. The other Medigap plans all cover these same benefits (most at 100%), but add varying levels of coverage for other things like skilled nursing facility care coinsurance, Part A deductible, Part B deductible, Part B excess charges, and foreign travel emergency.

Federal law requires that all Medigap plans must be standardized. Since there is no difference in the benefits of the Medigap plans sold by various insurance companies, most people shop for a Medigap plan based on service and price (which can vary widely). At WMI, we're proud of our Medigap rates, and even more proud of the exceptional and personalized customer service we provide our insureds. We offer several Medigap plans, and I invite you to visit our website at www.wmimedigap.com or our Facebook page to see just how affordable our plans are.

What Medigap Policies Does WMI Offer?

WMI offers Medigap Plans A, G and N in Arizona, Montana, Nevada, New Mexico and Utah. In some states, WMI also offers Plan C and Plan F to individuals who were born before January 1, 1955.

How Can I Learn More About Medicare and Medigap Insurance Policies?

If you have questions about Medicare and Medigap policies, I would invite you to contact me at davidleo@wmimutual.com. You can also contact our office for your free copy of the referenced CMS publication or visit our website at www.wmimedigap.com. Of course, the ultimate authority on all things Medicare is the federal government, and you can find all sorts of helpful information at the Centers for Medicare & Medicaid Services website at www.cms.gov. Finally, if you're looking for a Medicare Part D prescription drug plan, you can take advantage of the helpful and user-friendly Medicare plan finder at <https://www.medicare.gov/drug-coverage-part-d>.

If you have questions about this article or would like to discuss your company's health insurance program, feel free to contact me at (801) 263-8000 or info@wmimutual.com.