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MEDICARE *and* *Medicare Supplement* INSURANCE

Every couple of years, I try to write an article for the *WPMA News* about Medicare and Medicare Supplement (aka Medigap) insurance policies. While the Medicare world can be confusing and complicated to navigate, there aren't a lot of changes from year to year so much of this article will be repetitive. For the handful of you who read my earlier article, I apologize for the stale content. For those who didn't read my earlier article, I hope you find this article interesting and helpful ... or at least helpful.

In the interest of full disclosure, much of the information in this article has been pirated from the official Medicare guide that is published by the government agency known as the Centers for Medicare & Medicaid Services ("CMS"). That publication is entitled *Medicare & You 2023 – The official U.S. government Medicare handbook*, and you can access the 2023 version of this publication at [medicare.gov/publications/10050-Medicare-and-You.pdf](https://www.medicare.gov/publications/10050-Medicare-and-You.pdf).

What is Medicare?

Medicare is the federal health insurance program 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). Medicare covers nearly 65 million Americans or nearly 20% of the entire population of the United States. According to KFF, the

overwhelming majority of those covered by Medicare (57 million) are older adults who are covered because they have reached the Medicare eligibility age of 65 years old. About 8 million Medicare participants are younger adults who are eligible due to their disabled status.



Medicare

What are the various components of Medicare?

When working with Medicare, I suggest you pay special attention to the distinction between the words "part" and "plan" which sound alike but are quite distinct in the Medicare context. As explained below in greater detail, the word "part" is generally used to distinguish between the four major Medicare components (Parts A, B, C and D), while the word "plan" refers to the different types of Medigap insurance policies that supplement Medicare coverage (Plans A-N).



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 combined coverage is known as “Original Medicare.” This is in contrast to Medicare Advantage (Part C) plans that are health insurance plans that are offered by private insurance companies in place of Original Medicare (*see below*). Those who are insured under Medicare Part A usually aren’t required to pay a monthly premium for that coverage, but they are responsible to pay a deductible (\$1,600 in 2023) or copayments and coinsurance for covered services; however, a Medicare Supplement policy can be purchased to cover many of those out-of-pocket costs (*see below*).



Medicare Part B (Doctor and other 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 which are covered under Medicare Part D (*see below*). Part B requires the insured to pay a premium of \$164.90 (in 2023), but individuals with higher adjusted gross income or those who don’t enroll when they are first eligible (unless they maintain other coverage) may be charged more. Similar to Part A coverage, Medicare Part B has an annual deductible (\$226 in 2023), coinsurance and copayments that are generally covered if you have a Medigap policy.



Medicare Advantage (Part C)

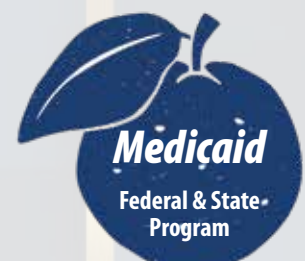
– Medicare Part C is an alternative to Original Medicare that totally replaces Medicare Parts A and B (which must still be activated and in effect). Medicare Advantage plans are run by private health insurance companies rather than by the federal government, and they include all benefits and services covered under Original Medicare (and usually coverage for prescriptions drugs (Part D)). These plans often include a few “throw-in” benefits and services at no additional cost (*e.g.*, fitness center access, dental care, eyeglasses and wellness programs); however, in exchange for the low premium and additional benefits that often accompany these plans, participants must generally accept more restrictive provider access and limited travel coverage. It is also important to note that Medicare Advantage plans often require members to choose a primary care doctor, they usually require referrals to see a specialist, they exclude out-of-network coverage (except for emergencies), and they have very intrusive medical management provisions and restrictive enrollment (and disenrollment) requirements.



Medicare 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 predetermined list of covered drugs or “formulary list.” There are different levels of Medicare Part D coverage (some or all of which may apply to your particular plan), and coverage varies significantly in each level: (1) the annual deductible during which time you pay the full cost of certain drug (anywhere from \$0-\$505 in 2023); (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” once you and your plan have spent a combined total of \$4,660 (in 2023) on covered drugs during which time you pay a higher percentage of the cost of the drugs (up to 25% for brand-name drugs); and (4) the catastrophic coverage stage once you’ve spent \$7,400 out-of-pocket (in 2023) during which time you usually pay a low copayment or a small coinsurance amount (*e.g.* 5%) for prescription drugs. It is important to note that while Medicare drug coverage is optional, anyone who doesn’t sign up for Part D coverage when first eligible is subject to a significant and permanent late enrollment penalty of 1% of the national base premium amount (\$32.74 in 2023) times the number of late enrollment months. Also, like Part B, higher income individuals are subject to a Medicare Part D premium surcharge.

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 Original Medicare coverage. These Medicare Supplement insurance policies (several of which are offered by WMI) can help pay the enrollee’s share or “fill in the gaps” of the costs of Medicare-covered services (e.g., coinsurance, copayments, or deductibles). In order to be eligible 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).

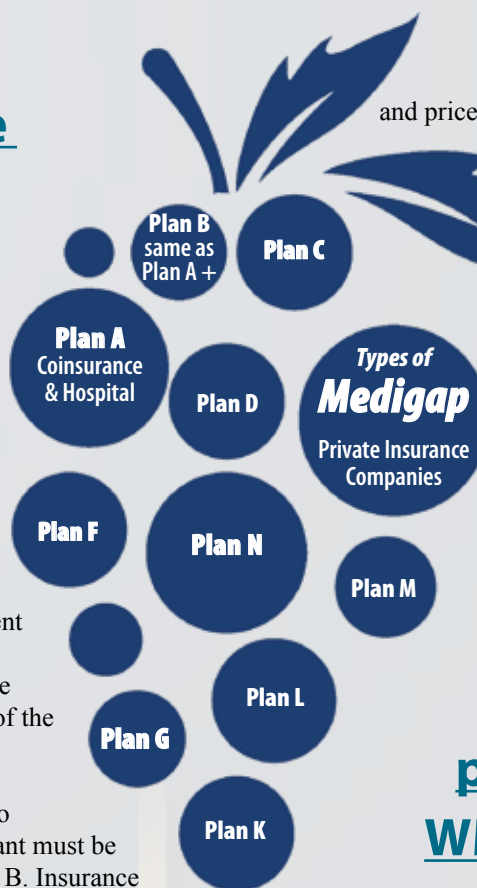
Although the Medigap naming conventions are similar to the names of the various Medicare parts, the standardized Medigap plans and their alpha names (Plans A-N) are totally different and should not be confused. The most basic Medigap plan (Plan A) covers the Medicare Part A coinsurance and hospital costs (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 that are covered by Plan A (most at 100%), but add varying levels of coverage for other things like skilled nursing facility care coinsurance, Medicare Part A deductible, Medicare Part B deductible, excess charges, and foreign travel emergency. Medicare publishes a Medicare Supplement guide called *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*. You can access the 2023 version of this publication at [medicare.gov/publications/02110-medigap-guide-health-insurance.pdf](https://www.medicare.gov/publications/02110-medigap-guide-health-insurance.pdf), but if you prefer holding a paper booklet rather than an electronic device, you can contact our office for a free paper copy.

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 [wmimedigap.com](http://www.wmimedigap.com). Since the ultimate Medicare authority is the federal government, and you can find valuable information at the Centers for Medicare & Medicaid Services website at [cms.gov](https://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 [medicare.gov/plan-compare](https://www.medicare.gov/plan-compare).

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.