



*Center for Policy
and Research*

Characteristics of Medigap Policies, December 2009

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SUMMARY

This paper presents findings from an analysis conducted by America's Health Insurance Plans (AHIP) on enrollment in Medicare Supplement (Medigap) insurance coverage, using year-end data for 2009 from the National Association of Insurance Commissioners (NAIC). The NAIC dataset contains information on most Medigap policies in force in the U.S.,¹ representing approximately 9.4 million covered lives, with policies from just over 240 carriers.

- In December 2009, most Medicare beneficiaries with standard Medigap plans purchased Plan F (45 percent). Plan C, the second most popular plan, had 17 percent of the Medigap standard plan market. Plans F and C cover 100 percent of the deductibles and coinsurance charged by Medicare.
- Standard plans, which were introduced in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990), accounted for over 90 percent of Medigap purchasers in 2009.
- Up to now, only one percent of Medigap policyholders have purchased the new standard Plans K or L, which became available in 2006. These plans have lower premiums than Plans A through J and higher out-of-pocket costs, but with annual out-of-pocket limits. Plans A through J do not have annual out-of-pocket limits.
- In 2009, more than 900,000 individuals had purchased Medicare SELECT policies with approximately 100 carriers having Medicare SELECT policies in force.

The findings from this analysis update AHIP's previous report released in March of 2008, *Trends in Medigap Policies, December 2004 to December 2006*.²

¹ Some Medigap carriers may not report into the NAIC data system. However, we believe that the number of Medigap policyholders represented by these non-reporting carriers is relatively small, and that this report captures most Medigap policies.

² America's Health Insurance Plans, *Trends in Medigap Policies, December 2004 to December 2006*. Available at: <http://www.ahipresearch.org/pdfs/MedigapTrendReport.pdf>

BACKGROUND

Medigap remains an important source of supplemental coverage for Medicare beneficiaries. Seniors purchase Medigap coverage to protect themselves from high out-of-pocket costs, to budget for medical expenses, and to avoid the confusion and inconvenience of handling complex bills from health care providers. Medigap policies generally cover Medicare deductibles and coinsurance, as well as certain benefits not covered by Medicare.

In 2009, the Medicare program had a \$1,068 deductible for inpatient hospital care and 20 percent coinsurance for outpatient and physician care after an annual deductible of \$135. The Medicare program does not have a limit on beneficiaries' potential out-of-pocket costs and most Medigap plans cover beneficiaries' Part A deductibles and several cover Part B deductibles. In addition, under most Medigap policies, policyholders can assign their benefits directly to providers and thereby avoid the need to decipher bills and file claims. The diverse benefits and cost-sharing provisions of Medigap plans give Medicare beneficiaries choices in their supplemental coverage, increased convenience, a variety of coverage options, and peace of mind.

There are three categories of Medigap plans:

OBRA 1990 Standard Plans. Medigap policies sold after July 1992 are required to conform to one of 12 uniform benefit packages Plans A through J are based on provisions in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990). Plans F and J are also available as high-deductible plans. In 2003, Congress authorized two additional standard plans (K and L), which entered the market in 2006.

Waiver State Standard Plans. Three states (Massachusetts, Minnesota, and Wisconsin) offer standard Medigap plans, but are exempt from the OBRA 1990 standard plan provisions. Individuals who purchase Medigap plans in one of these three states may keep their plans if they move to other states.

Pre-Standard Plans. Medigap policies sold prior to the OBRA 1990 provisions are guaranteed renewable, and some beneficiaries still have these policies. OBRA 1990 prohibited the sale of new pre-standard plans.

Table 1. Number of Individuals with Standard and Pre-Standard Medigap Plans, as Reported to the NAIC, 2009

Standard Medigap Plans	8,530,471
Pre-Standard Medigap Plans	880,779
All Medigap Plans	9,411,250

Source: AHIP analysis of the National Association of Insurance Commissioners' (NAIC) *Medicare Supplement Insurance Experience Exhibit, For the Year Ended December 31, 2009.*

For a complete description of Medicare Supplement insurance, including cost sharing and benefits, please see the AHIP report, *Medigap: What You Need to Know*, (June 2009).³

KEY FINDINGS

According to the NAIC data, roughly 91 percent of Medigap purchasers in 2009 had standard plans. The number of people with pre-standard plans, which are no longer offered, accounts for only 9 percent of all

³ Source: AHIP, *Medigap: What You Need to Know*, June 2009. See <http://www.protectmedigap.org> to access the report.

Table 2. Distribution of Individuals with Standard Medigap Plans, by Type of Plan, as Reported to the NAIC, 2009

Medigap Plan Type	2009
A	3%
B	6%
C	17%
D	4%
E	2%
F	45%
G	4%
H	1%
I	2%
J	10%
K	0.2%
L	0.4%
Waiver State Plans	7%
Totals	100%

Source: AHIP analysis of the National Association of Insurance Commissioners' (NAIC) *Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2009*. Notes: The data for standard policies include Medicare SELECT plans and those issued in three states (MA, MN, WI) that received waivers from the standard product provisions of OBRA 1990. Percentage may not sum to 100 percent due to rounding.

policyholders. This is likely due to attrition resulting from policy lapses or mortality.

Among people with Medigap standard plans, Plan F continues to be the most popular, covering 45 percent of policyholders in 2009; Plan C had the second highest share, with 17 percent of the market, and Plan J had 10 percent of the Medigap standard plan market in 2009 (see Table 2). Plans F, C, and J are the only Medigap plans that provide complete first-dollar coverage for covered services.

Table 3. Distribution of Medigap Carriers with Standard Medigap Policies in Force, by Market Size, as Reported to the NAIC, 2009

Number of States (includes the District of Columbia)	2009
41 to 51 States	11%
26 to 40 States	14%
11 to 25 States	11%
2 to 10 States	17%
1 State	46%
Total	100%

Source: AHIP analysis of the National Association of Insurance Commissioners' (NAIC) *Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2009*. Notes: Data in this table depicting the number of states is based on companies with standard Medigap policies in force; it does not include companies with only pre-standard policies in force. The data for standard policies include Medicare SELECT plans, and those issued in three states (MA, MN, WI) that received waivers from the standard product provisions of OBRA 1990. The number of carriers with standard Medigap policies in force reporting to the NAIC for 2009 was 246. For this report the District of Columbia is counted as a "state." Percentages may not sum to 100 percent due to rounding.

Thus far, about 60,000 Medigap purchasers have chosen one of the newer Medigap Plans K or L. These two plans, which first became available in 2006, differ from plans A through J in several ways: Plans K and L do not cover the Medicare Part B deductible; beneficiaries have higher out-of-pocket costs on Medicare covered expenditures; and consequently, the premiums are generally lower than for Plans A through J. However, unlike other Medigap plan types, there is a limit on beneficiaries' annual out-of-pocket costs \$4,620 and \$2,310 for K and L respectively in 2009.⁴

⁴Source: Centers for Medicare and Medicaid. *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare, 2009*.

Over half of all Medigap carriers had policyholders in multiple states. In 2009, 11 percent of carriers covered individuals with standard Medigap plans in 41 to 50 states, including the District of Columbia; 14 percent of carriers covered individuals in 26 to 40 states; 11 percent covered individuals in 11 to 25 states; and 17 percent of carriers covered individuals with standard Medigap plans in 2 to 10 states. Nearly half of all carriers (46 percent) had Medigap standard policies in force in a single state only (see Table 3).

Medicare SELECT plans are identical to standard Medigap plans but require policyholders to use provider networks to receive the full insurance benefits. For this reason, Medicare SELECT plans generally cost less than other Medigap plans. Table 4 shows the number of carriers with Medicare SELECT policies in force, and the number of Medicare beneficiaries having a Medicare SELECT policy in 2009. Carriers with Medicare SELECT policies in force are located across the country in 45 states.

Table 5 displays the percentage of reporting carriers with standard Medigap policies in force by each of the standard product types. Thus far, the percentage of carriers covering individuals with the newer Plans K or L is relatively low.

Table 4. Number of Carriers with Medicare Select Policies in Force and Number of Individuals with Medicare Select Plans, as Reported to the NAIC, 2009

Number of Carriers with Medicare SELECT Policies in Force	103
Number of Individuals with Medicare SELECT Policies	913,650

Source: AHIP analysis of the National Association of Insurance Commissioners' (NAIC) *Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2009*.

Table 5. Percent of Carriers with Standard Medigap Policies in Force, by Plan Type, as Reported to the NAIC, 2009

Standard Plan Type	2009
A	83%
B	61%
C	77%
D	43%
E	33%
F	78%
G	42%
H	25%
I	26%
J	30%
K	9%
L	11%
Waiver State Plans	29%

Source: AHIP analysis of the National Association of Insurance Commissioners' (NAIC) *Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2009*. The data for standard policies include Medicare SELECT plans, and those issued in three states (MA, MN, WI) that received waivers from the standard product provisions of OBRA 1990. The number of carriers with standard Medigap policies in force for 2009 was 246.

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This document can be accessed via the web at <http://www.ahipresearch.org/pdfs/Medigap2009.pdf>



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