

# Medicare Advantage vs. Medicare Supplement: Philosophical Differences that Impact Coverage

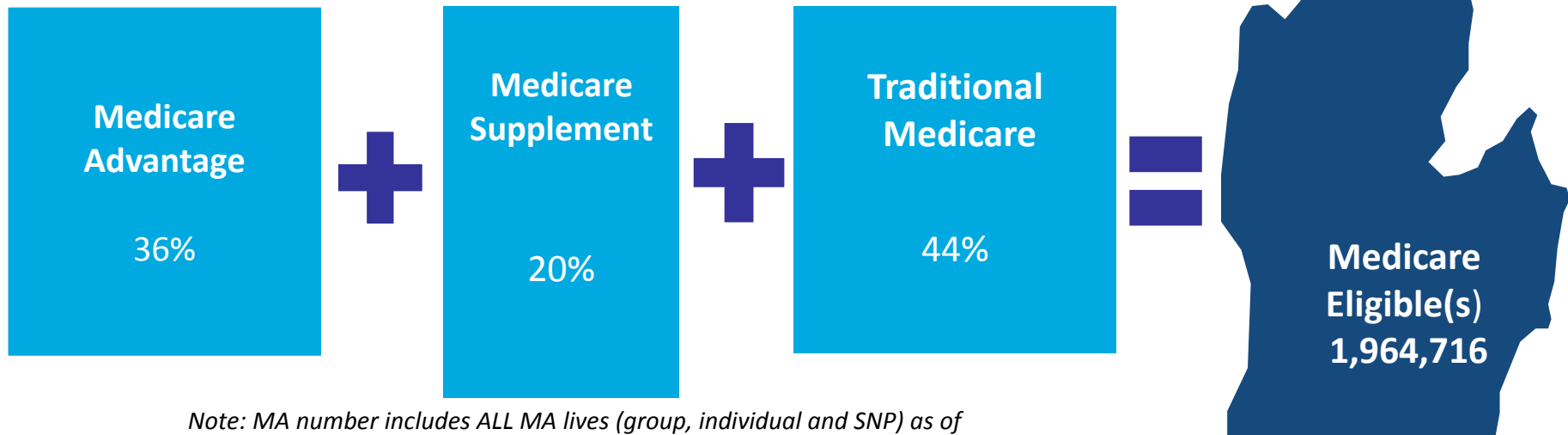
Rose Cook

Blue Cross Blue Shield of Michigan

# Michigan Medicare Market

There are 1,964,716 Medicare-eligible people in Michigan

44% are in Traditional Medicare  
36% are in Medicare Advantage plans  
20% are in Medicare Supplement plans




*Note: MA number includes ALL MA lives (group, individual and SNP) as of 1/1/17; Medicare Supplement includes all lives as of 12/31/15.*

*Source: Mark Farrah*

Represents Individual and Group MA and MAPD membership

# Medicare: Many Choices, Much Confusion



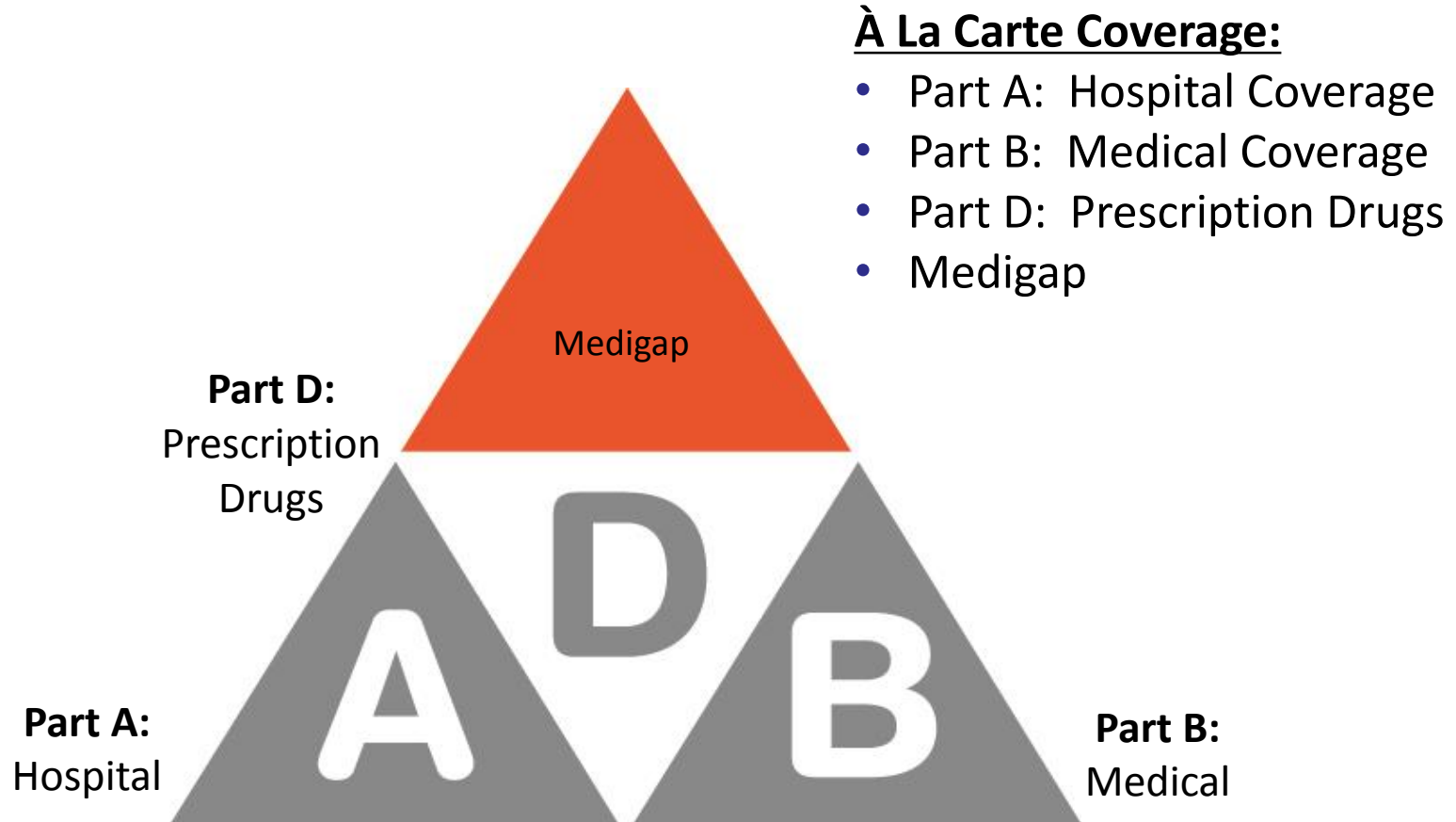
Medicare can be  
daunting...dozens of plans to  
choose from, complex rules to  
follow give rise to critical  
questions:

# Medicare: Many Choices, Much Confusion



- Will I have enough money for healthcare and retirement?
- Will I have access to the care I need?
- Will my Medicare benefits run out?
- Will I lose Part A and Part B if I get a Medicare Advantage plan?
- Wouldn't it be better to wait to get Part D prescription drug coverage until I need to take prescriptions regularly?
- If I decide not to retire now, should I sign up for Medicare anyway and begin paying Part B premiums?

# The Building Blocks of Medicare



# The Building Blocks in a Single Plan

**Part C:**  
Hospital +  
Medical +  
Prescription  
Drugs  
+ More



C

## Medicare Advantage plans

- Part C plans combine Part A and B
- Many plans offer prescription drug coverage
- Some plans offer preventive health programs, free fitness memberships and added benefits
- Convenience of one card

You can save by bundling Medicare parts together, combining benefits into a single package.

# À La Carte vs. Combination – An Analogy

## Travel Accommodations

### À La Carte

#### Pay separately for:

- Two night hotel stay
- Parking
- Breakfast
- Wi-Fi



### Combo Deal

#### Weekend Package includes:

- Two night hotel stay
- Parking
- Complimentary Breakfast Bar
- Free Wi-Fi



# Pay for What You Want

## Travel Accommodations

### À La Carte

- Two night hotel stay
- Took the train
- Breakfast with the family
- Using 4G



### Combo Deal/Weekend Package

- Two night hotel stay
- Parking included
- Complimentary Breakfast Bar
- Free Wi-Fi





# Who's Directing Your Health Care?

One key difference is whether you want a “Do-It-Yourself” approach, or if you want your doctor to help oversee your care.

## Medigap

- Do-It-Yourself approach: you visit the doctor(s) you want, no need for referrals
- You coordinate call for your lab tests, etc. your care and interactions across different health care providers
- You track your medical records, billing, etc. across different plans



# Who's Directing Your Health Care?



## Medicare Advantage

- Guided care approach encourages your primary care physician involvement in coordinating your care
- In an HMO, your Primary Care Physician coordinates your care with specialists and oversees your overall health and care
- Summarizes your medical, hospital and other claims in one organization (some have member portals for ready access and tracking)

# Coverage to Keep You Healthy

Another difference is whether preventive and wellness services are covered by the plan.

## Medigap

- Covers the medical service, but not the oversight
- Care management programs are not covered, you have to pay out-of-pocket
- No preventive exams for dental, vision, hearing are covered

## Medicare Advantage

- Ready access to health information: nursing hotlines, online Medicare resources
- Care management for those with chronic illnesses
- Fitness programs and incentives to lose weight, get fit, stop smoking
- Preventive dental, vision, hearing exams
- Primary care physician involvement is encouraged in coordinating your care

Another key difference is where you can get services.

## Medigap

- Covers any doctor who takes Medicare nationwide
- It's up to the discretion of the physician or provider to supply you with services – there is no commitment in place with the insurance company who issued the Medigap policy
- Some Medigap plans cover emergency care worldwide

## Medicare Advantage

- Networks of doctors and hospitals make contractual agreements with the health plan to provide you care. They are committed to see you
- Scope of the network can be nationwide, statewide or more localized. If you see in-network providers, you tend to have less expensive rates. Some plans (PPO, HMO-POS) may provide out of network coverage at higher rates
- Worldwide coverage – some plans cover emergency services

# Premiums Based on Individual or a Pool of Beneficiaries

## Medicare Supplement

- Most are underwritten, factoring in age, gender, health status (Body Mass Index, smoking history)
- Premium rates increase with your age (and with overall healthcare cost increases)



## Medicare Advantage

- Rates typically vary within a plan by region, since healthcare costs also vary by region
- Age, gender, claims, health status do not affect premium rates
- Costs for higher utilization are covered by copays, coinsurance and deductibles in addition to premiums, so rates can be more stable year to year

# Can I Get Denied Coverage?

## Medicare Supplement

- During the first six months after you turn 65, you have “Guaranteed Issue,” which means you will be accepted for coverage and will retain it as long as you have the plan
- If you’re eligible for a Special Enrollment Period (SEP) for a variety of other reasons, you wouldn’t have to go through underwriting
- You could be denied coverage based on your health status applying after this window
- You must continue to pay Part B premiums to maintain Medigap plan coverage

## Medicare Advantage

- Everyone who is eligible for Medicare and who has Part B can enroll in a Medicare Advantage plan, except individuals with End Stage Renal Disease (ESRD)
- You must reside in the state for at least six months of the year to qualify for Medicare Advantage plans in your state
- You must continue to pay Part B premiums to maintain Medigap plan coverage

# Self Assessment

## What's most important to me?

Cost		Local or In-State Network		Out-of-State Network
Paying the lowest premium per month	Having the maximum possible coverage	Keeping my doctor(s)	Having access to the hospital(s) I want to use	Coverage throughout the US when I travel for the winter

- Convenience: one card, one Explanation of Benefits
- Benefits: Care Management, 24-hour nurse hotline, etc.
- Coverage for non-medical services such as dental, vision, hearing
- Guidance to navigate the complex Medicare system

# At a Glance Comparison

	Medigap – A La Carte	Medicare Advantage - Combo
Monthly Premium	\$40 - \$342 Varies by age, gender, health status, county	\$0-\$294 Varies by county
Prescription Drugs	Never included	Often included
Maximum Out of Pocket, Annually	No cap on expenses	\$3,200 - \$6,400
Health & Wellness Support	Can be purchased, not covered	Some have nursing hotlines, weight management programs, fitness membership, etc.
Access Based on Health	Need to be accepted by underwriting*	Accept everyone but ESRD
Premiums Based on Age	Most increase premium by age, health status	Premiums vary only by service area/rating region

\* Outside of Guarantee Issue period



# What Drives the Cost of a Medigap Plan

- Factors underwriters may consider for Medigap premiums:
  - Your age
  - Your smoking habits
  - Your weight
  - Where you live



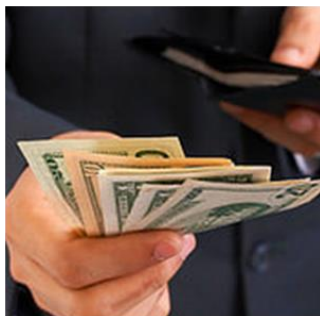
# Additional Expenses With a Medigap Plan

- Factors that can increase your costs, not covered by Medigap plan:
  - Your prescription drugs
  - Where you travel: international travel is often not covered
  - Preventive dental needs
  - Vision exam and glasses/contacts
  - Hearing exam and hearing aids
  - Durable medical equipment



# What Drives the Cost of a Medicare Advantage Plan

- Factors that determine Medicare Advantage premiums:
  - Where you live: rates vary by rating region
  - Low monthly premiums tend to be balanced by higher deductibles
  - Type of plan you choose:
    - Plan with prescription drug coverage
    - Plan with fitness benefits
    - Plan with preventive dental, vision, hearing benefits



# Additional Expenses with a Medicare Advantage Plan

- Factors that can increase your costs, not covered by Medicare Advantage plans:
  - Where you travel: out-of-state not in network for some regional MA plans
  - Choosing plan with coinsurance vs. copays for doctor visits, ambulance, etc.
  - Vision exam and glasses/contacts (some plans don't cover)
  - Hearing exam and hearing aids (some plans don't cover)



# How Can You Reduce Your Costs?

- Switch to an in-network doctor
- Switch to an in-network hospital
- Pay a higher medical and/or drug deductible to reduce monthly premiums
- Pay for prescription drugs out-of-pocket
- Pay out-of-network costs when you travel out of state



# At-a-Glance Recap

## Medigap

- **Monthly premiums range for \$40-\$342**
- Medically underwritten out of Guaranteed Issue period
- Rates can increase as the member grows older: gender distinct rates are common – can rate for BMI and tobacco usage
- Nationally standardized plans
- Never have Part D included
- No medical management programs
- No extras
- Can use any provider that accepts Original Medicare

## Medicare Advantage

- **Low monthly premiums, some as little as \$0**
- Never medically underwritten, not age rated
- All rates are the same regardless of age or gender
- Plans must include all Medicare covered expenses - carriers can add additional benefits
- Most plans include Part D prescription coverage
- Personalized Care Management included
- Many plans have built in extras – preventative dental, vision exam, frame and lens allowance, hearing exam, hearing aid allowance
- National provider network

# Questions?



## Resources to help you understand Medicare and Medicare plan options:

- Medicare.gov
- Agents (must be certified to sell Medicare Advantage plans). Available by phone or schedule office or home visit
- AAA
- Insurance carriers' websites, literature, mailings