AHIP

Center for Policy and Research

Low-Income & Rural Beneficiaries with Medigap Coverage, 2008

December 2010

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SUMMARY

Medigap supplemental coverage has long helped Medicare beneficiaries fill gaps in their benefits. Recently released data from the 2008 Medicare Current Beneficiary Survey (MCBS) serve as a reminder of the critical role played by Medigap coverage.

The MCBS data show that Medigap is particularly important to low- and moderate-income beneficiaries, especially those living in rural areas. Here are some key findings:

- Thirty-one (31) percent of Medigap policyholders resided in rural areas in 2008; by comparison, only 24 percent of all Medicare beneficiaries resided in rural areas.
- Thirty-six (36) percent of rural Medigap policyholders had incomes under $20,000 in 2008, and 33 percent of all Medigap policyholders (living in rural or metropolitan areas) had incomes under $20,000.
- Nearly two-thirds (62 percent) of rural Medigap policyholders and 54 percent of all Medigap policyholders had incomes below $30,000.
- Overall, 26 percent of Medigap policyholders had incomes ranging from $10,000 to $20,000 in 2008. This income bracket accounted for the highest proportion of Medigap purchasers. In rural areas, 29 percent of Medigap policyholders had incomes in this range.

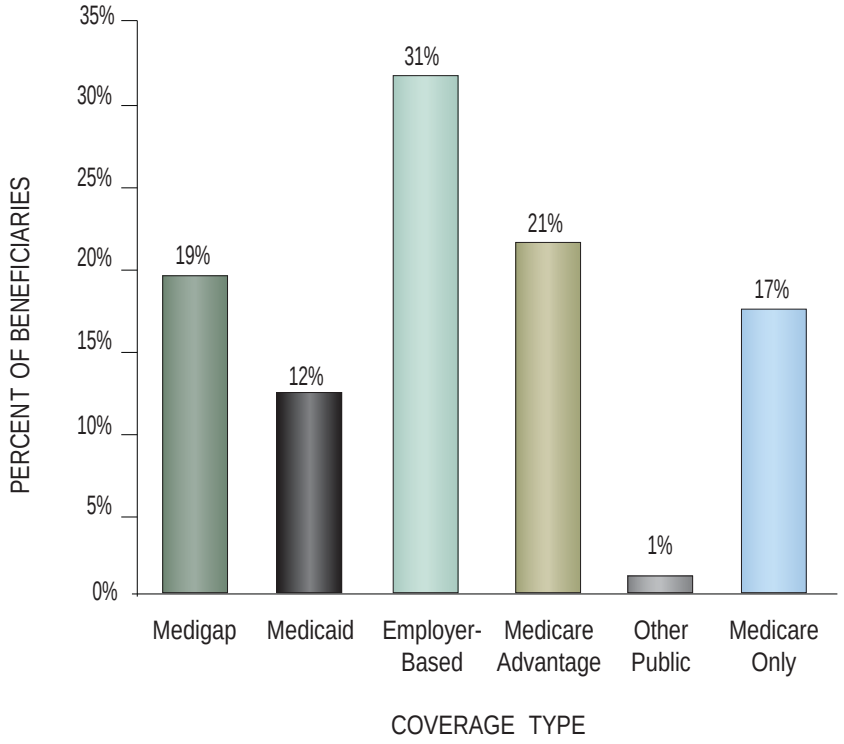
As with prior reports in this series,[1] the statistics in this report were calculated from the publicly available MCBS Access to Care files. We analyzed a subset of records for non-institutionalized (aged and disabled) beneficiaries. All of the statistics are based on Medicare beneficiaries in all areas of the United States. For beneficiaries in the Medicare Advantage and Medicaid categories, June 2008 was the point in time for which beneficiary records were selected for inclusion. In this report, we used the term “Medicare only” as shorthand for beneficiaries with only Medicare fee-for-service coverage. We defined “rural” and “metro” areas according to the Office of Management and Budget’s (OMB) classification system.

[1] The data in this report provide an update to AHIP’s 2009 publication, *Low-Income and Rural Beneficiaries with Medigap Coverage, 2007*, which can be accessed at http://www.ahipresearch.org/pdfs/MedigapLowIncomeRuralReport09-11-09.pdf.

MEDIGAP COVERED NINETEEN PERCENT OF MEDICARE BENEFICIARIES IN 2008

Nationwide, 19 percent of all non-institutionalized Medicare beneficiaries chose Medigap policies in 2008 (see Figure 1). Employer-based coverage (31%) and Medicare Advantage (21%) were the most common forms of supplemental coverage. By contrast, 12 percent of Medicare beneficiaries had supplemental coverage through Medicaid and 1 percent had supplemental coverage through public programs other than Medicaid. Another 17 percent of Medicare beneficiaries had no supplemental coverage. Persons with both employer-based and Medigap coverage were categorized as having employer-based coverage. Approximately 5 percent of Medicare beneficiaries had both employer-based plans and Medigap policies.[2]

Figure 1. Coverage Types of Medicare Beneficiaries (2008)



Source: Medicare Current Beneficiary Survey Access to Care files, 2008. (CMS)
Note: Calculations based on non-institutionalized beneficiaries.

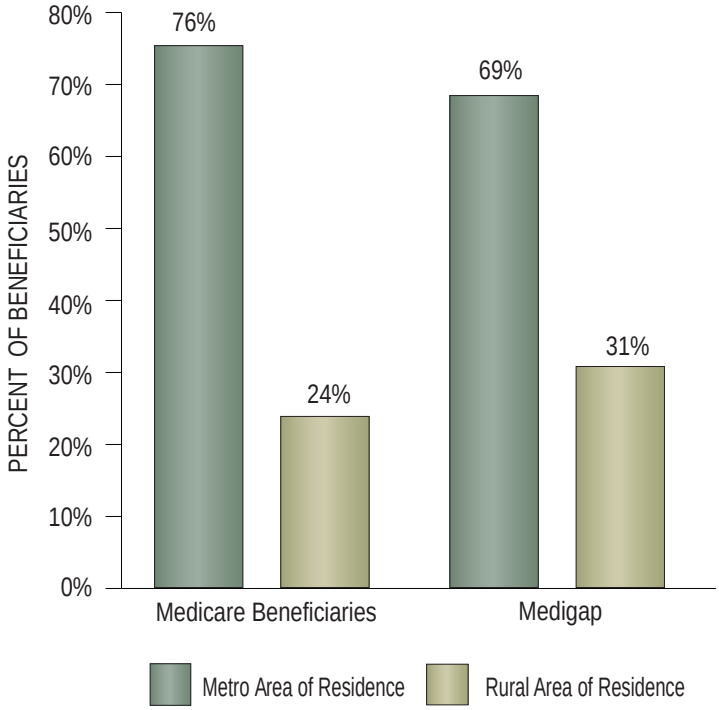
[2] For more information on how people with various coverage types were categorized, see Appendix A.

BENEFICIARIES WITH MEDIGAP COVERAGE TEND TO LIVE IN RURAL AREAS AND HAVE LOW OR MODERATE INCOMES

Thirty-one (31) percent of all beneficiaries with Medigap coverage lived in rural (non-metropolitan) areas in 2008. By comparison, 24 percent of all Medicare beneficiaries lived in rural areas (see Figure 2).

In 2008, the most common income range for Medigap policyholders was $10,000 to $20,000 (see Figure 3). Twenty-six (26) percent of Medigap policyholders overall had incomes within this range, and 29 percent of Medigap policyholders living in rural areas had incomes between $10,000 and $20,000.

Figure 2. Medicare Beneficiaries, by Area of Residence (2008)



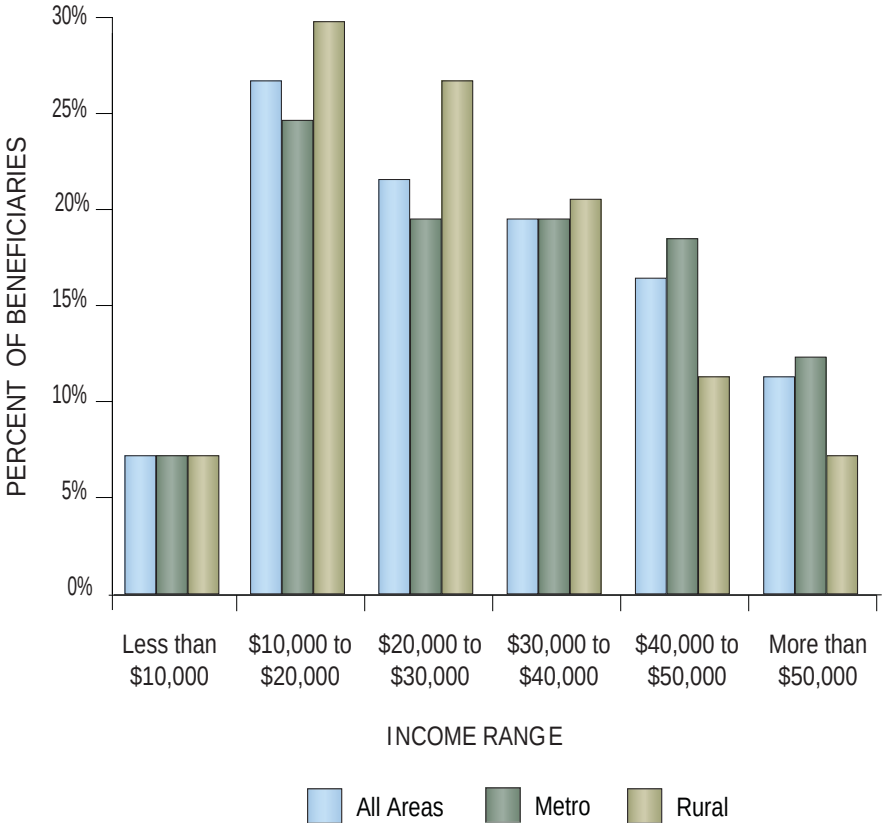
Source: Medicare Current Beneficiary Survey Access to Care files, 2008. (CMS)
Note: Calculations are based on non-institutionalized Medicare beneficiaries.

The second most common income range for Medigap policyholders was $20,000 to $30,000. Twenty-one (21) percent of all Medigap policyholders had incomes in this range, and 26 percent of rural Medigap policyholders had incomes between $20,000 and $30,000 in 2008.

It is notable that some Medicare beneficiaries reporting annual incomes less than $10,000 had Medigap coverage. Seven (7) percent of all Medigap policyholders and 7 percent of rural Medigap policyholders had annual incomes less than $10,000 in 2008.

Overall, 36 percent of rural Medigap policyholders had incomes under $20,000 in 2008, and 33 percent of all Medigap policyholders (rural or metro) had incomes under $20,000. Similarly, 62 percent of rural Medigap policyholders and 54 percent of all Medigap policyholders had incomes under $30,000.

Figure 3. Medigap Policyholders, by Income, Metro and Rural Areas (2008)



Source: Medicare Current Beneficiary Survey Access to Care files, 2008. (CMS)
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income.

Table 1. Income Range of Medicare Beneficiaries, by Coverage Type, All Geographic Regions (2008)

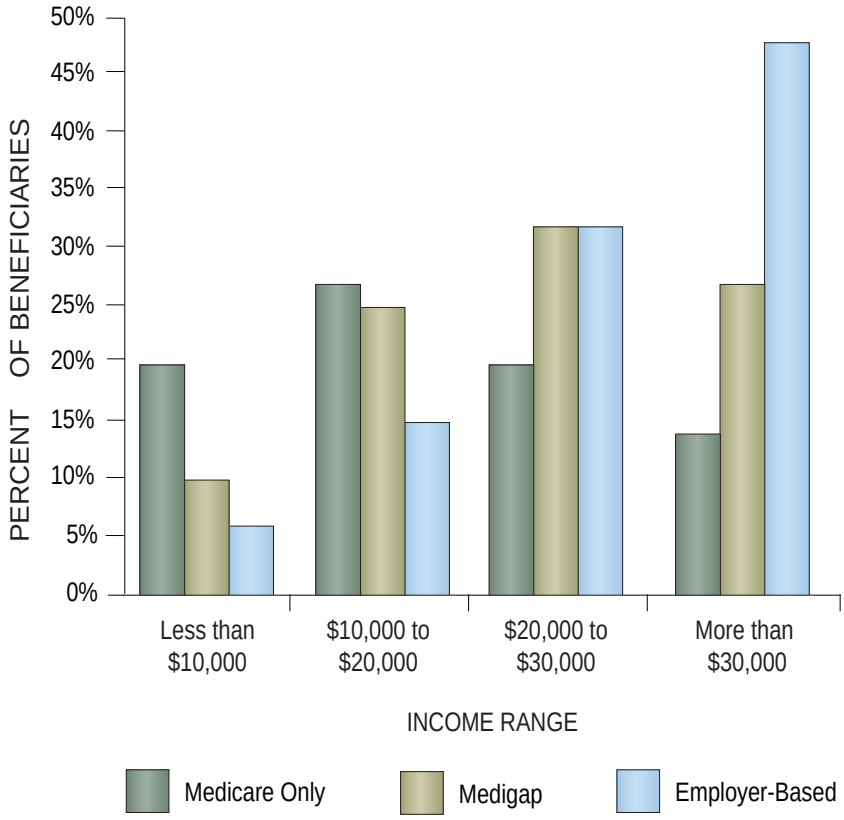
	Less than $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $40,000	$40,000 to $50,000	More than $50,000
Medigap	8%	19%	20%	20%	22%	22%
Medicaid	46%	18%	2%	1%	**	**
Employer-Based	7%	15%	32%	44%	51%	51%
Medicare Advantage	19%	25%	26%	19%	16%	17%
Other Public	1%	2%	1%	**	0%	**
Medicare Only	19%	21%	18%	16%	11%	10%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Across the U.S., 19 percent of Medicare beneficiaries with incomes between $10,000 and $20,000 chose Medigap policies in 2008. In that same income range, 25 percent of beneficiaries chose Medicare Advantage plans and 21 percent had Medicare only (see Table 1).

In rural areas, 25 percent of beneficiaries with incomes between $10,000 and $20,000 chose Medigap policies. By contrast, only 15 percent of rural beneficiaries in the $10,000 to $20,000 income range had employer-based coverage. Employer-based coverage was the most common form of supplemental benefits for Medicare beneficiaries in higher income brackets (see Figure 4).

Figure 4. Income Level of Medicare Beneficiaries in Rural Areas, by Private Supplemental Coverage Type (2008)



Source: Medicare Current Beneficiary Survey Access to Care files, 2008. (CMS)
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income.

MOST POPULAR MEDIGAP POLICIES

Under the Omnibus Budget Reconciliation Act of 1990, Medigap policies must conform to a standardized set of benefit models developed by the National Association of Insurance Commissioners (NAIC). The NAIC initially developed 10 models, labeled A through J, and two additional models (K and L) were created through the Medicare Modernization Act of 2003. Table 2 lists enrollment in the Medigap policies available in 2008.

The Medigap policy "F" is the most popular, accounting for 50 percent of all policy types, followed by policy "C," at 14 percent.[3] Both policy types covered nearly all of Medicare's deductibles and coinsurance.

[3] The distribution of individuals with standard Medigap policies differs slightly from the percentages reported in AHIP's 2010 report, *Characteristics of Medigap Policies, December 2009.* Because the results from that report are based on data on policies in force as reported to the NAIC, whereas the data in this report are based on data reported by the beneficiary.

Table 2. Description of Medigap Policy Types, and Percent of Medigap Policyholders with Each Type (2008)

	Types of Medigap Policies: Plans A through L											
	A	B	C	D	E	F	G	H	I	J	K	L
Basic Benefits	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Skilled Nursing Coinsurance			✔	✔	✔	✔	✔	✔	✔	✔	✔ †	✔ ††
Medicare Part A Deductible		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔ †	✔ ††
Medicare Part B Deductible			✔			✔				✔		
Medicare Part B Excess Charge (100%)						✔			✔	✔		
Medicare Part B Excess Charge (80%)							✔					
Foreign Travel Emergency			✔	✔	✔	✔	✔	✔	✔	✔		
At-Home Recovery				✔			✔		✔	✔		
Preventive Care					✔					✔		
Percent of Medigap Purchasers with Type of Medigap Policy	3%	6%	14%	7%	1%	50%	5%	1%	2%	9%	**	1%

Source for Medigap Policy Description: *Choosing A Medigap Policy, A Guide To Health Insurance For People With Medicare* (May 2008). (CMS)
Source for Medigap Purchasers' Policy Types: Medicare Current Beneficiary Survey Access to Care files, 2008. (CMS)

Note: Calculations based on non-institutionalized Medicare beneficiaries who chose a standardized Medigap policies.

** Less than 0.5 percent.

† For Plan K, the supplemental coverage under skilled nursing coinsurance and the Part A deductible is 50 percent.
†† For Plan L, the supplemental coverage under skilled nursing coinsurance and the Part A deductible is 75 percent.

ACKNOWLEDGEMENTS

The statistics in this report were calculated by Lisa Carpenter, Senior Manager of Industry Studies. This report was checked and prepared for publication by Senior Policy Analysts Christelle Chen and Kelly Buck.

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APPENDIX A: METHODOLOGY

This study's purpose was two-fold: (1) to describe the characteristics of Medicare beneficiaries with Medigap supplemental coverage; and (2) to compare Medigap policyholders' characteristics to those of Medicare beneficiaries with other types of supplemental coverage or no supplemental coverage. We describe Medicare beneficiaries by income range, geographic location (rural versus metro), selected health status characteristics, education, and marital status. In addition, we describe the demographic characteristics of Medicare beneficiaries who purchased Medigap policies in 2008.

Data for this study came from the 2008 Medicare Current Beneficiary Survey (MCBS) Access to Care files, Centers for Medicare & Medicaid Services (CMS). We selected a subset of the data, which included records of beneficiaries who were not institutionalized. Each beneficiary record in the subset was categorized according to a hierarchy of six coverage types, as follows:

1. Enrolled in Medicare Advantage
2. Enrolled in Medicaid
3. Has employer-based insurance, or employer-based insurance and self-purchased insurance (Medigap)
4. Has self-purchased insurance only (Medigap)
5. Has other public coverage
6. Has Medicare only (Medicare fee-for-service only)

For example, the first coverage type included beneficiaries with Medicare Advantage, the second coverage type included beneficiaries with Medicaid, excluding beneficiaries who were also enrolled in Medicare Advantage, and so on. For beneficiaries categorized in the Medicare Advantage and Medicaid hierarchies, June 2008 was the point in time for which beneficiary records were selected for inclusion. It is worth noting that interviews for the Access to Care files occur once a year, while the MCBS Cost and Use files are based on responses to interviews that are conducted three times annually. Hence, the MCBS Access to Care files are more likely to be influenced by beneficiaries' gaps in care, and would therefore tend to show fewer beneficiaries with supplemental coverage than the MCBS Cost and Use files.

The third category includes beneficiaries with employer-based supplemental coverage and those with both employer-based coverage and Medigap plans. The fourth category contains beneficiaries with Medigap only. The "other public coverage" category contains

beneficiaries with supplemental health benefits through military or veterans' coverage, such as TRICARE. Beneficiaries in the sixth category were found to have Medicare fee-for-service only, with no supplemental coverage.

In the MCBS dataset, Medicare beneficiaries were classified as residing in either rural (non-metropolitan) or metropolitan areas in 2008 based on CMS administrative data. CMS used information from the Office of Management and Budget (OMB) to define a metropolitan statistical area (MSA), which is used to define the "metro" category in this report.[4]

As a general rule, all records in the MCBS dataset containing data values such as "unknown" or "refused" were dropped from the analyses.

[4] OMB Bulletin No. 05-02, Appendix, November 2004. Statistical and Science Policy Branch, Office of Information and Regulatory Affairs, Office of Management and Budget. MSAs are defined as areas that… "have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties."

APPENDIX B: DETAILED TABLES

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Table B-1. Geographic Location of Medicare Beneficiaries, by Coverage Type (2008)

Coverage Type	Geographic Location		
	Rural	Metro	All Areas
All Medicare Beneficiaries	24%	76%	100%
Medigap	31%	69%	100%
Medicaid	33%	67%	100%
Employer-Based	22%	78%	100%
Medicare Advantage	12%	88%	100%
Other Public	20%	80%	100%
Medicare Only	28%	72%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 due to rounding.

Table B-1 shows the geographic location (rural or metro) of Medicare beneficiaries by coverage type. For example, 31 percent of Medigap policyholders lived in rural areas in 2008.

Table B-2. Geographic Location of Medigap Policyholders, by Income (2008)

Income Range	Geographic Location		
	Rural	Metro	All Areas
Less than $10,000	7%	7%	7%
$10,000 to $20,000	29%	24%	26%
$20,000 to $30,000	26%	19%	21%
$30,000 to $40,000	20%	19%	19%
$40,000 to $50,000	11%	18%	16%
More than $50,000	7%	12%	11%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.

Table B-2 shows the geographic location of Medigap policyholders by income range. For example, 29 percent of rural Medigap policyholders had incomes between $10,000 and $20,000 in 2008.

Table B-3. Income Range of Medicare Beneficiaries, by Coverage Type, All Geographic Areas (2008)

Coverage Type	Income Range					
	Less than $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $40,000	$40,000 to $50,000	More than $50,000
Medigap	8%	19%	20%	20%	22%	22%
Medicaid	46%	18%	2%	1%	**	**
Employer-Based	7%	15%	32%	44%	51%	51%
Medicare Advantage	19%	25%	26%	19%	16%	17%
Other Public	1%	2%	1%	**	0%	**
Medicare Only	19%	21%	18%	16%	11%	10%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Table B-3 shows the income range of all Medicare beneficiaries, by coverage type, in all geographic areas. For example, 19 percent of all Medicare beneficiaries with incomes between $10,000 and $20,000 in 2008 had Medigap policies.

Table B-4. Income Range of Medicare Beneficiaries, by Coverage Type, Metro Areas (2008)

Coverage Type	Income Range					
	Less than $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $40,000	$40,000 to $50,000	More than $50,000
Medigap	8%	17%	16%	17%	21%	21%
Medicaid	42%	17%	2%	1%	**	**
Employer-Based	7%	14%	32%	44%	51%	50%
Medicare Advantage	24%	30%	31%	22%	17%	18%
Other Public	1%	2%	1%	1%	0%	**
Medicare Only	18%	19%	17%	16%	11%	11%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Table B-4 shows the income range of Medicare beneficiaries, by coverage type, who lived in metro areas in 2008. For example, 17 percent of Medicare beneficiaries who lived in metro areas in 2008 and had incomes between $10,000 and $20,000 had Medigap policies.

Table B-5. Income Range of Medicare Beneficiaries, by Coverage Type, Rural Areas (2008)

Coverage Type	Income Range					
	Less than $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $40,000	$40,000 to $50,000	More than $50,000
Medigap	10%	25%	32%	27%	27%	28%
Medicaid	58%	20%	2%	**	0%	0%
Employer-Based	6%	15%	32%	43%	53%	54%
Medicare Advantage	6%	11%	13%	11%	9%	12%
Other Public	1%	2%	1%	**	0%	0%
Medicare Only	20%	27%	20%	18%	11%	6%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Table B-5 shows the income range of Medicare beneficiaries, by coverage type, who lived in rural areas in 2008. For example, 25 percent of Medicare beneficiaries who lived in rural areas in 2008 and had incomes between $10,000 and $20,000 had Medigap policies.

Table B-6. Geographic Location of Medigap Policyholders, by Medigap Plan Type (2008)

Medigap Plan Type	Geographic Location		
	Rural	Metro	All Areas
Plan A	2%	3%	3%
Plan B	2%	8%	6%
Plan C	12%	15%	14%
Plan D	7%	7%	7%
Plan E	1%	1%	1%
Plan F	59%	45%	50%
Plan G	5%	6%	5%
Plan H	1%	2%	1%
Plan I	1%	3%	2%
Plan J	9%	9%	9%
Plan K	**	0%	**
Plan L	1%	**	1%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Table B-6 shows the geographic location of Medigap policyholders by type of Medigap plan. For example, 59 percent of Medigap policyholders who lived in rural areas in 2008 had Medigap Plan F. Nationwide, 50 percent of Medigap policyholders had Medigap Plan F.

Table B-7. Income Range of Medigap Policyholders, by Medigap Plan Type (2008)

Coverage Type	Income Range					
	Less than $10,000	$10,000 to $20,000	$20,000 to $30,000	$30,000 to $40,000	$40,000 to $50,000	More than $50,000
Plan A	4%	3%	4%	1%	3%	0%
Plan B	10%	8%	9%	4%	3%	2%
Plan C	20%	16%	12%	11%	9%	18%
Plan D	13%	7%	5%	8%	5%	8%
Plan E	2%	3%	1%	1%	1%	0%
Plan F	40%	49%	54%	54%	48%	51%
Plan G	0%	5%	5%	7%	8%	4%
Plan H	3%	3%	2%	0%	1%	3%
Plan I	0%	1%	1%	1%	8%	1%
Plan J	7%	5%	7%	13%	12%	12%
Plan K	2%	0%	1%	0%	0%	0%
Plan L	0%	1%	0%	0%	2%	0%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 due to rounding.

Table B-7 shows the income range of Medigap policyholders by type of Medigap plan. For example, 49 percent of Medigap policyholders with incomes between $10,000 and $20,000 in 2008 had Medigap Plan F.

Table B-8. Geographic Location of Medigap Policyholders, by Marital Status (2008)

Marital Status	Geographic Location		
	Rural	Metro	All Areas
Married	60%	53%	55%
Widowed	29%	34%	32%
Divorced	8%	10%	9%
Separated	**	**	**
Never Married	2%	3%	3%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2008 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 due to rounding.
** Less than 0.5 percent.

Table B-8 shows the percent of Medigap policyholders, by marital status, who resided in rural and metro areas in 2008. For example, 29 percent of Medigap policyholders who lived in rural areas in 2008 were widowed.

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