AHIP
Center for Policy and Research

Low-Income & Rural Beneficiaries with Medigap Coverage, 2011

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SUMMARY

Medicare supplement (Medigap) coverage has long helped Medicare beneficiaries fill gaps in their benefits. Medigap coverage works in tandem with Medicare, allowing seniors to budget for medical costs and avoid the inconvenience of handling complex bills from health care providers. According to the National Association of Insurance Commissioners (NAIC), 9.8 million people had Medigap coverage in December 2011.[1]

Data recently released from the 2011 Medicare Current Beneficiary Survey (MCBS) serve as a reminder of the critical role played by Medigap coverage. The MCBS data show that Medigap continues to be particularly important to moderate-income beneficiaries, especially those living in rural areas. Here are some key findings:

- Thirty-three (33) percent of Medigap policyholders resided in rural areas in 2011; by comparison, 23 percent of all Medicare beneficiaries resided in rural areas.
- Forty-six (46) percent of all Medigap policyholders and 57 percent of rural Medigap policyholders had annual incomes of $30,000 or less. Only 10 percent of all Medigap policyholders had incomes above $50,000 (6 percent for rural policyholders).
- In rural areas, the most common income bracket for Medigap policyholders was the $20,001 to $30,000 range (27 percent), followed by the $10,001 to $20,000 range (25 percent).

[1] AHIP Center for Policy and Research, Trends in Medigap Coverage and Enrollment, 2011 (May 2012) http://www.ahip.org/Medigap-2012.aspx

As with prior reports in this series, 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 the Medicare Advantage and Medicaid categories, June 2011 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 the fee-for-service part of Medicare coverage only. We defined "rural" and "metro" areas according to the Office of Management and Budget (OMB) classification system.

SEVENTEEN PERCENT OF MEDICARE BENEFICIARIES HAD A MEDIGAP POLICY IN 2011

Nationwide, 17 percent of all non-institutionalized Medicare beneficiaries chose Medigap policies in 2011 (see Figure 1). Medicare beneficiaries with both employer-based and Medigap coverage were categorized as having employer-based coverage.

RURAL MEDIGAP BENEFICIARIES

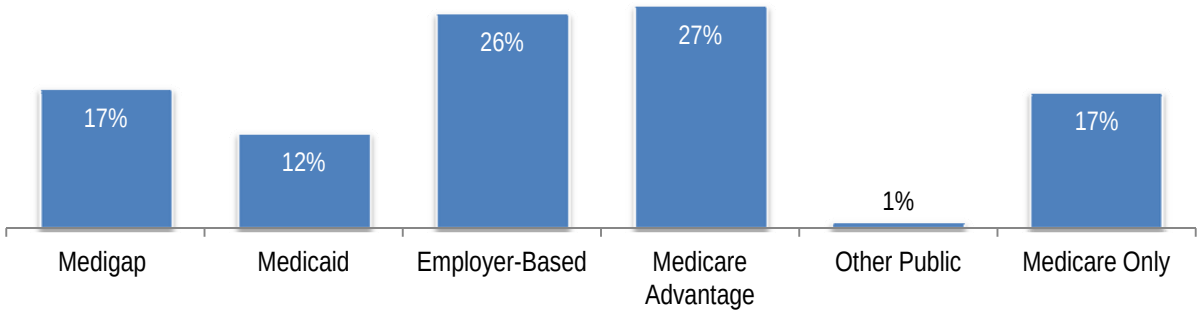
Thirty-three (33) percent of Medigap policyholders lived in rural (non-metropolitan) areas in 2011. By comparison, 23 percent of all Medicare beneficiaries lived in rural areas (see Figure 2).

In 2011, the most common income range for rural Medigap policyholders was $20,001 to $30,000, accounting for 27 percent of policyholders (see Figure 3). Twenty-five (25) percent of rural Medigap policyholders overall had incomes between $10,001 and $20,000, and 23 percent had incomes between $30,001 and $40,000. Five (5) percent of rural Medigap policyholders had annual incomes of $10,000 or less in 2011, and 6 percent had incomes of $50,000 or more.

Overall, 30 percent of rural Medigap policyholders had incomes of $20,000 or less in 2011, and 24 percent of all Medigap policyholders (rural or metro) had incomes of $20,000 or less.

Similarly, 57 percent of rural Medigap policyholders and 46 percent of all Medigap policyholders had incomes of $30,000 or less. Ninety-four (94) percent of rural Medigap policyholders and 90 percent of all Medigap policyholders had incomes of $50,000 or less.

Figure 1. Coverage Types of Medicare Beneficiaries, 2011



Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. Percentages may not sum to 100 percent due to rounding.

Figure 2. Medicare Beneficiaries, by Area of Residence, 2011

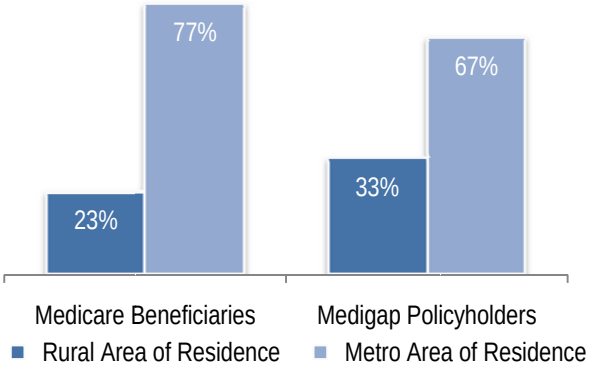
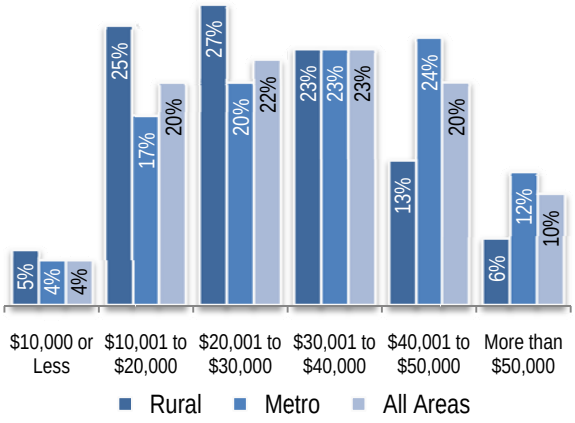


Figure 3. Medigap Policyholders, by Income, Metro and Rural Areas, 2011



Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on non-institutionalized Medicare beneficiaries. Percentages may not sum to 100 percent due to rounding.

Among rural Medicare beneficiaries with incomes between $10,001 and $20,000, 22 percent chose Medigap (see Table 1). Thirty-three (33) percent of rural beneficiaries with incomes between $20,001 and $30,000 purchased Medigap policies, and 29 percent of rural beneficiaries with incomes between $30,001 and $40,000 had Medigap.

MOST POPULAR MEDIGAP POLICIES

The Omnibus Budget Reconciliation Act (OBRA) of 1990 first required the establishment of standardized Medigap policies, with the creation of Plans A through J.[2] Over the years, Congress has allowed new versions of the original standardized plans (e.g., High-Deductible Plan F), authorized several new plans (e.g., Plans K through N), and discontinued some of the original or modified plans (e.g., Plans E, H, I, and J).

The newer standardized plans include some form of beneficiary cost-sharing (deductibles, coinsurance, or copayments). Table 2 lists the standardized policies and the percentage of enrollees in each, according to data from the NAIC for 2011.

In 2011, Medigap Plan F was the most popular, accounting for 51 percent of all policy types, followed by C, at 14 percent (see Table 2). Both policies offer beneficiaries protection for the out-of-pocket expenses not covered by Medicare, including the deductible and coinsurance. Plan N, which was introduced in mid-2010, has been the fastest growing plan in recent years. Plan N covers most of Medicare's deductibles and coinsurance, but requires enrollee cost sharing for physician office visits and up to $50 for certain emergency room visits. [3]

[2] Three states (Massachusetts, Minnesota, and Wisconsin) offer standard Medigap plans, but are exempt from the OBRA 1990 standardized plan provisions (and subsequent revisions).
[3] Centers for Medicare & Medicaid Services, *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare* (2011); Preliminary AHIP analysis of the National Association of Insurance Commissioners' (NAIC) Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2011; see also: AHIP Center for Policy and Research, *Trends in Medigap Coverage and Enrollment, 2010-2011* (July 2011) www.ahipresearch.org/pdfs/Medigap2011/pdf

Table 1. Income Range of Medicare Beneficiaries, by Coverage Type, Rural Areas, 2011

Coverage Type	Income Range					
	$10,000 or Less	$10,001 to $20,000	$20,001 to $30,000	$30,001 to $40,000	$40,001 to $50,000	More than $50,000
Medigap	9%	22%	33%	29%	25%	26%
Medicaid	60%	25%	3%	1%	0%	1%
Employer-Based	3%	11%	26%	36%	39%	49%
Medicare Advantage	14%	17%	14%	15%	16%	15%
Other	1%	1%	1%	**	0%	0%
Medicare Only	13%	25%	23%	20%	20%	10%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.
**Less than 0.5 percent

Table 2. Description of Medigap Policy Types and Percent of Medigap Policyholders, 2011

	A	B	C	D	E	F†	G	H	I	J††	K	L	M	N
Basic Benefits*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Facility Care Coinsurance			✓	✓	✓	✓	✓	✓	✓	✓	✓†††	✓††††	✓	✓
Medicare Part A Deductible		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓†††	✓††††	✓†††††	✓
Medicare Part B Deductible			✓			✓				✓				
Medicare Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓††††††
Medicare Part B Excess Charge						✓	✓		✓	✓				
Foreign Travel Emergency			✓	✓	✓	✓	✓	✓	✓	✓			✓	✓
Percent of Medigap Purchasers with Type of Standard Medigap Plan	2%	5%	14%	3%	1%	51%	4%	1%	1%	8%	1%	1%	**	3%

Sources: Medigap Policy Description: Centers for Medicare & Medicaid Services, Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare (2011). Medigap Purchasers' Plan Types: AHIP Center for Policy and Research, Trends in Medigap Coverage and Enrollment, 2011 (May 2012) http://www.ahip.org/Medigap-2012.aspx
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. Six (6) percent of Medigap purchasers were from waiver state plans. The Medigap benefit packages were most recently updated to conform to the changes made by the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA). Among other changes, MIPPA called for the introduction of two new Medigap policies (Plans M and N) and the elimination of several standardized plan options (Plans E, H, I, and J). Plans M and N were introduced in mid-2010. Percentages may not sum to 100 percent due to rounding. * Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are exhausted. ** Less than 0.5 percent. † Plan F also offers a high-deductible plan. Beneficiaries who choose this option must pay for Medicare-covered costs up to the deductible amount of $2,000 in 2011 before the Medigap plan pays anything. †† Plan J also offers a high-deductible plan. ††† Under plan K, the supplemental coverage for skilled nursing coinsurance, the Part A deductible, blood, and Part A hospice care coinsurance or copayment is 50 percent. The annual out-of-pocket limit was $4,645 in 2011. †††† Under Plan L, the supplemental coverage for skilled nursing coinsurance, the Part A deductible, blood and Part A coinsurance or copayment is 75 percent. The annual out-of-pocket limit was $2,320 in 2011. ††††† Under Plan M, the supplemental coverage for the Part A deductible is 50 percent. †††††† Plan N requires Part B cost sharing of up to $20 for physician office visits and up to $50 for emergency room visits that don't result in an inpatient admission.

ACKNOWLEDGEMENTS

The statistics in this report were calculated and prepared for publication by Jessica Collins, Research Analyst.

For further information, please contact Jeff Lemieux, Senior Vice President at AHIP's Center for Policy and Research, at 202.778.3200 or visit www.ahip.org/research.

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APPENDIX A: METHODOLOGY

Data for this study came from the 2011 Medicare Current Beneficiary Survey (MCBS) Access to Care files, maintained by the Centers for Medicare & Medicaid Services (CMS). We used SAS Enterprise Guide® 5.1[4] software to analyze the data. A subset of the data, which included records of beneficiaries who were not institutionalized, was used for analysis. Each beneficiary record in the subset was categorized according to a hierarchy of six coverage types as follows:

- Enrolled in Medicare Advantage
- Enrolled in Medicaid
- Has employer-based insurance, or employer-based insurance and self-purchased insurance (Medigap)
- Has self-purchased insurance only (Medigap)
- Has other public coverage
- 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 2011 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 2011 based on CMS administrative data. CMS used information from the Office of Management and Budget to define a metropolitan statistical area, which is used to define the "metro" category in this report.

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

[4] SAS and all other SAS Institute Inc. product or service names are registered trademarks or trademarks of SAS Institute Inc. in the USA and other countries. ® indicates USA registration

APPENDIX B: DETAILED TABLES

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Table B-1. Geographic Location of Medicare Beneficiaries, by Coverage Type, 2011

Coverage Type	Geographic Location		
	Rural	Metro	Total
All Medicare Beneficiaries	23%	77%	100%
Medigap	33%	67%	100%
Medicaid	31%	69%	100%
Employer-Based	21%	79%	100%
Medicare Advantage	13%	87%	100%
Medicare Only	28%	72%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 percent due to rounding.
**Less than 0.5 percent

Table B-1 shows the geographic location (rural or metro) of Medicare beneficiaries by coverage type. For example, 33 percent of Medigap policyholders lived in rural areas in 2011.

Table B-2. Geographic Location of Medigap Policyholders, by Income, 2011

Income Range	Geographic Location		
	Rural	Metro	All Areas
$10,000 or Less	5%	4%	4%
$10,001 to $20,000	25%	17%	20%
$20,001 to $30,000	27%	20%	22%
$30,001 to $40,000	23%	23%	23%
$40,001 to $50,000	13%	24%	20%
More than $50,000	6%	12%	10%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries. The percentages in this table may not sum to 100 percent due to rounding.
**Less than 0.5 percent

Table B-2 shows the geographic location of Medigap policyholders by income range. For example, 25 percent of rural Medigap policyholders had incomes between $10,001 and $20,000 in 2011.

Table B-3. Income Range of All Medicare Beneficiaries, by Coverage Type, 2011

Coverage Type	Income Range						
	$10,000 or Less	$10,001 to $20,000	$20,001 to $30,000	$30,001 to $40,000	$40,001 to $50,000	More than $50,000	Total
Medigap	5%	14%	20%	21%	21%	20%	17%
Medicaid	47%	22%	3%	**	**	**	12%
Employer-Based	4%	9%	25%	34%	44%	51%	26%
Medicare Advantage	27%	33%	31%	28%	21%	20%	28%
Other	1%	1%	1%	**	**	0%	1%
Medicare Only	16%	20%	19%	16%	14%	9%	17%
Total	100%	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent 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, 14 percent of all Medicare beneficiaries with incomes between $10,001 and $20,000 in 2011 had Medigap coverage.

Table B-4. Income Range of Medicare Beneficiaries, by Coverage Type, Metro Areas, 2011

Coverage Type	Income Range					
	$10,000 or Less	$10,001 to $20,000	$20,001 to $30,000	$30,001 to $40,000	$40,001 to $50,000	More than $50,000
Medigap	4%	12%	16%	18%	20%	19%
Medicaid	42%	21%	3%	**	**	**
Employer-Based	4%	9%	25%	34%	45%	51%
Medicare Advantage	32%	38%	37%	32%	22%	21%
Other Public	1%	2%	1%	**	**	0%
Medicare Only	17%	19%	18%	15%	13%	9%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent 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 2011. For example, 14 percent of Medicare beneficiaries who lived in metro areas in 2011 with incomes between $10,001 and $20,000 had Medigap coverage.

Table B-5. Income Range of Medicare Beneficiaries, by Coverage Type, Rural Areas, 2011

Coverage Type	Income Range					
	$10,000 or Less	$10,001 to $20,000	$20,001 to $30,000	$30,001 to $40,000	$40,001 to $50,000	More than $50,000
Medigap	9%	22%	33%	29%	25%	26%
Medicaid	60%	25%	3%	1%	0%	1%
Employer-Based	3%	11%	26%	36%	39%	49%
Medicare Advantage	14%	17%	14%	15%	16%	15%
Other	1%	1%	1%	**	0%	0%
Medicare Only	13%	25%	23%	20%	20%	10%
Total	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent 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 2010. For example, 22 percent of Medicare beneficiaries who lived in rural areas in 2011 with incomes between $10,001 and $20,000 had Medigap coverage.

Table B-6. Geographic Location of Medigap Policyholders, by Marital Status, 2011

Marital Status	Geographic Location		
	Rural	Metro	All Areas
Married	55%	52%	53%
Widowed	24%	24%	24%
Divorced	13%	14%	14%
Separated	2%	2%	2%
Never Married	6%	8%	8%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.
**Less than 0.5 percent

Table B-6 shows the percent of Medigap policyholders, by marital status, who resided in rural and metro areas in 2010. For example, 24 percent of Medigap policyholders who lived in rural areas in 2011 were widowed.

Table B-7. Geographic Location of Medigap Policyholders, by Education, 2011

Education	Geographic Location		
	Rural	Metro	All Areas
Less than High School	29%	21%	23%
High School	31%	28%	29%
Some College/Degree	39%	51%	48%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2011 (CMS).
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting income. The percentages in this table may not sum to 100 percent due to rounding.
**Less than 0.5 percent

Table B-7 shows the percent of Medigap policyholders, by education, who resided in rural or metro areas in 2011. For example, 31 percent of Medigap policyholders who lived in rural areas were high school graduates but did not attend college.