



State of Medigap 2018

Trends in Enrollment and Demographics

JUNE 2018

Key Takeaways



One out of three fee-for-service (FFS) Medicare beneficiaries in 2016 had a Medigap insurance (34 percent), with this share rising to 41 percent (2015 data) among beneficiaries without additional insurance coverage (such as Medicaid, employer-sponsored insurance, etc.).



Between December 2015 and December 2016, the national Medigap enrollment increased from 12.3 million to 13.1 million beneficiaries.



Medigap is an important source of health coverage for Medicare beneficiaries of all income ranges. Notably, in 2015, 36 percent of Medigap enrollees had annual combined beneficiary and spouse income below \$30,000; that percentage jumped to 41 percent in rural areas.

Summary

For Medicare beneficiaries, purchasing Medicare supplemental (Medigap) coverage helps fill gaps in their Medicare Fee-For-Service (FFS) benefits. This report describes the Medigap coverage options, demographics, and the most recent enrollment trends by using the latest available data sources: the 2016 National Association of Insurance Commissioners (NAIC) data, the 2016 California's Department of Managed Health Care data, and the 2015 Medicare Current Beneficiary Survey (MCBS) results.

Background

Medigap is a key source of supplemental coverage for Medicare beneficiaries. Seniors purchase Medigap coverage to protect themselves from high out-of-pocket costs not covered by Medicare, to budget for medical expenses, and to avoid the confusion and inconvenience of handling complex bills from health care providers.

In 2016, the Medicare program had a \$1,288 deductible per benefit period for inpatient hospital care (Part A) and coinsurance beginning with day 61 of hospitalization.¹ Part B required a 20 percent coinsurance for outpatient and physician care after an annual deductible of \$166.² In addition, the Medicare program does not have a limit on beneficiaries' potential out-of-pocket costs.

Appendix A, found at the end of this report, provides detailed information on the benefits and cost sharing features of 2016 standardized Medigap plans.

Standardized Plans. Over the last 25 years, Medigap plans have undergone four major changes to benefit designs. First, the provisions of the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990) required that policies sold after July 1992 conform to one of 10 uniform benefit packages, Plans A through J. Then in 2003, the Medicare Modernization Act (MMA) required elimination of prescription drug benefits, authorized two new plans (K and L) with cost sharing features, and encouraged development of standardized benefit designs with additional cost-sharing features.

Further changes to standardized plans occurred in 2008 with the passage of the Medicare Improvements for Patients and Providers Act (MIPPA)³ and included:

- Elimination of the at-home recovery benefit in favor of a new hospice benefit (described below);
- Addition of a new core hospice benefit that covers the cost sharing under Medicare FFS for palliative drugs and inpatient respite care;
- Removal of the preventive care benefit in recognition of the increased Medicare FFS coverage under Part B;
- Introduction of two new Medigap policies (Plans M and N) with increased beneficiary cost-sharing features; and
- Elimination of several standardized plans (Plans E, H, I, J and J with high deductible) that became duplicative or unnecessary due to benefit design changes.

It should be noted that all Medigap plans are "guaranteed renewable" regardless of when they were purchased; therefore, some policyholders continue to maintain plans with previous benefits even though the plans can no longer be sold.

Most Medigap plans cover beneficiaries' Part A deductible and Part B coinsurance. Two plans—standardized plans C and F—currently offer full coverage for the Part B deductible (however, Plan F can also be sold as a high-deductible plan). These two plans also cover Part B coinsurance and copayment amounts, as do most but not all standardized plans.

Plans K and L do not cover the Medicare Part B deductible and cover a portion of beneficiaries' Part B coinsurance. However, there is a limit—\$4,960 for Plan K and \$2,480 for Plan L in 2016—on beneficiaries' annual out-of-pocket costs for Medicare eligible expenses.⁴

New Plans M and N entered the market in June of 2010. Plan M covers half of the Part A deductible and does not cover the Part B deductible. Plan N covers all of the Part A deductible and does not cover the Part B deductible. Plan N also includes cost-sharing amounts of up to \$20 for certain physician visits and up to \$50 for certain emergency department visits.

Medicare SELECT plans are identical to standardized 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.

In April 2015, Congress passed the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA). This new law provides that beginning on Jan. 1, 2020, Medigap insurance carriers may no longer sell Medigap plans covering the Part B deductible to individuals

who are "newly eligible" for Medicare. People who attain age 65 before Jan. 1, 2020 and those who were eligible for Medicare due to disability before that date, will continue to have access to Plans C and F, which are the only standardized plans currently available for sale that cover the Part B deductible.

Waivered States. Three states (Massachusetts, Minnesota, and Wisconsin) offer standardized Medigap plans but are exempt from the OBRA 1990 standardized plan provisions (and subsequent revisions under the MMA or MIPPA). Standardized plans may therefore be changed by waived states without federal approval. Individuals who purchase Medigap plans in one of these three states may keep their plans if they move to other states.

Pre-Standardized Plans. Historically, Medigap changes have been phased in for new purchasers, and existing policyholders were allowed to retain their pre-standardized policies. Although OBRA 1990 prohibited the sale of new pre-standardized plans, some beneficiaries still have pre-standardized policies. Because these policies may no longer be sold, there has been a 12 percent decline in the enrollment in pre-standardized plans since 2015.

Medicare Beneficiaries with Medigap Coverage

National Medigap enrollment has been growing in each of the last three years for which data are available, reaching 13.1 million covered lives in 2016, an increase of 6.6 percent compared to 2015 (See Table 1).

Table 1. Trends in National Medigap Enrollment, 2013-2016

Statistic	Year			
	2013	2014	2015	2016
Enrollment in insurers reporting to NAIC	10,604,729	11,197,280	11,835,727	12,636,647
Enrollment in insurers reporting to California DMHC	659,291	396,958	421,236	425,657
Total national Medigap enrollment	11,264,020	11,594,238	12,256,963	13,062,304
Annual percent change in total national Medigap enrollment, %	-	2.9%	5.7%	6.6%

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibits, for the Years Ended December 31, 2013; December 31, 2014; December 31, 2015; and December 31, 2016 and of the California DMHC The Enrollment Summary Reports, 2013-2016.

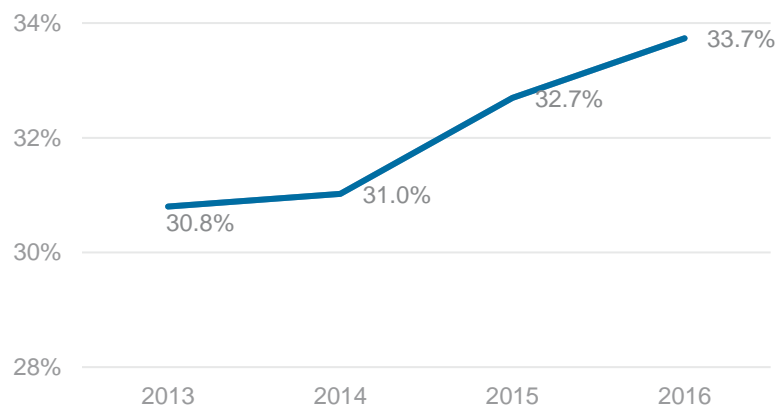
Notes: National enrollment statistics previously presented in AHIP’s reports Trends in Medigap Enrollment and Coverage Options, 2013, 2014, 2015 included only the Medigap enrollment numbers reported by insurers to the NAIC

The share of Medicare FFS beneficiaries adding Medigap insurance to their Medicare coverage has been steadily growing for the last several years and reached 33.7 percent in 2016 compared to 32.7 percent in 2015 (See Figure 1).

Figure 1. Share of Medicare Fee For-Service Beneficiaries with Medigap Insurance, 2013-2016

Source: National Association of Insurance Commissioners (2013-2016), California’s Department of Managed Health Care (2013-2016).

Notes: The enrollment data for this Figure include Medigap enrollment numbers reported by insurers in 2013-16 to both the NAIC and the California DMHC.

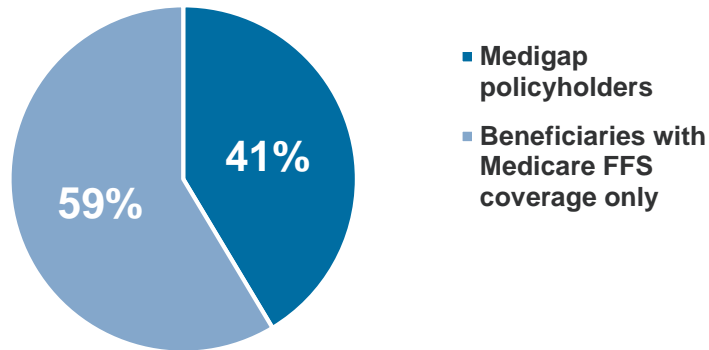


Nationwide, MCBS estimates show that 41 percent of all non-institutionalized Medicare beneficiaries without any additional insurance coverage (i.e., Medicare Advantage, Medicaid, Veterans Affairs coverage, employer-sponsored insurance, retiree drug subsidy plan, self-purchased specialty plan, etc.) had Medigap policies in 2015.

Figure 2. Medicare Beneficiaries Without Any Additional Insurance Coverage That Have Medigap Coverage, 2015

Source: AHIP Center for Policy and Research analysis of the NAIC *Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2016*.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC.



Demographic Characteristics of Medigap Beneficiaries

The demographic characteristics of Medigap beneficiaries are based on the Medicare Current Beneficiary Survey (MCBS) 2015 data, which is the latest year of data available.

Gender

Across the country, a majority—61 percent—of Medigap beneficiaries in 2015 were women (see Table 2).

Table 2. Gender Distribution of Medigap Policyholders, by Geographic Location, 2015

Geographic Location	Gender Distribution	
	Men	Women
All Medigap Policyholders	39%	61%

Source: Medicare Current Beneficiary Survey Access to Care files, 2015 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting gender.

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Age

While Medigap serves all ages of Medicare beneficiaries, the most common age group includes 65- to 74-year-olds, at 53 percent (see Table 3).

Table 3. Age Distribution of Medigap Policyholders, by Geographic Location, 2015

	Age Groups			
	Younger Than 65 Years	65-74 Years	75-84 Years	85 Years and Older
All Medicare	16%	48%	25%	10%
All Medigap	4%	53%	30%	12%
Urban Medigap	4%	53%	30%	12%
Rural Medigap	2%	53%	32%	13%

Source: Medicare Current Beneficiary Survey Access to Care files, 2015 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting age. The percentages in this table may not sum to 100 percent due to rounding.

Income

A significant number of Medigap policyholders were individuals with lower incomes: 19 percent had annual household incomes of less than \$20,000 and 36 percent had incomes less than \$30,000. This pattern was more widespread in rural areas, where 41 percent of Medigap policyholders had incomes of less than \$30,000, while for urban policyholders the share of individuals with annual household incomes of less than \$30,000 was 34 percent (see Table 4).

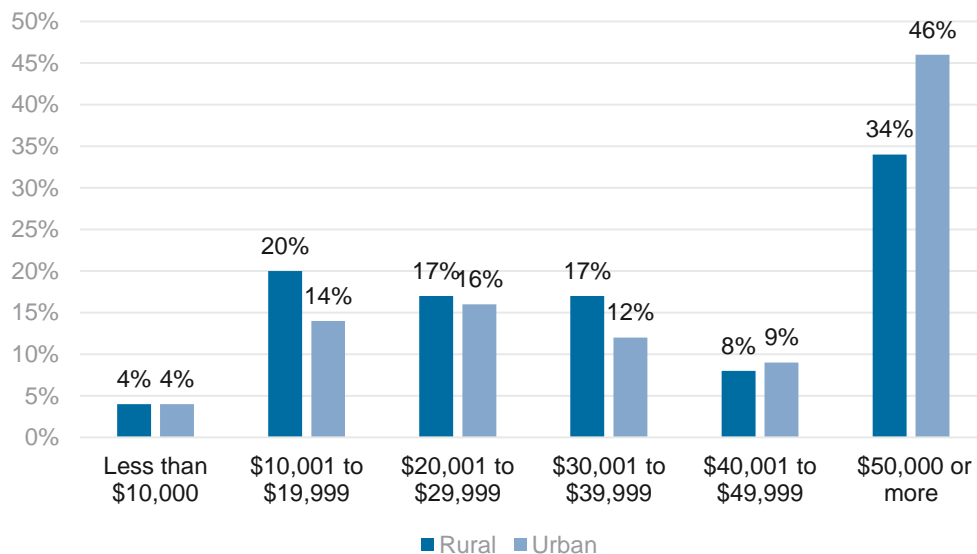
Table 4. Income Range of Medigap Policyholders (Combined Income of Beneficiary and Spouse), By Geographic Location, 2015

	Income Range					
	Less than \$10,000	\$10,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 or more
All Medigap	4%	16%	16%	13%	9%	43%
Urban	4%	14%	16%	12%	9%	46%
Rural	4%	20%	17%	17%	8%	34%

Source: Medicare Current Beneficiary Survey Access to Care files, 2015 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting age. The percentages in this table may not sum to 100 percent due to rounding.

Figure 3. Medigap Policyholders, by Income (Beneficiary and Spouse, Combined), Rural and Urban Areas, 2015



Geography

Twenty-six percent of Medigap policyholders lived in non-metropolitan areas (which, for the purpose of this report, include any area with an urban cluster of less than 50,000) in 2015.

Rural Medigap policyholders had substantially fewer financial resources than urban policyholders. Only 34 percent of rural Medigap policyholders had incomes of \$50,000 or more compared to 46 percent for urban Medigap policyholders (see Table 4).

Marital Status

A larger number of Medigap beneficiaries live without a partner and thus have less robust support network to rely on in case of financial or health problems: 43 percent of Medigap beneficiaries are widowed, divorced, separated, or never married (see Table 5). Medigap insurance provides an important source of security for that potentially vulnerable group.

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Table 5. Marital Status of Medigap Policyholders, by Geographic Location, 2015

Marital Status	Geographic Location		
	Rural	Urban	All Areas
Married	57%	57%	57%
Widowed	27%	26%	26%
Divorced	13%	13%	13%
Separated	<0.5%	<0.5%	<0.5%
Never Married	3%	4%	4%
Total	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2015 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries reporting age. The percentages in this table may not sum to 100 percent due to rounding.

Companies That Offer Medigap Coverage

As of December 2016, 9 percent of companies offering standardized Medigap policies covered individuals in 41 or more states or territories, 16 percent of companies covered individuals in 26 to 40 states or territories, 14 percent covered individuals in 11 to 25 states or territories, and 16 percent of companies covered individuals with standardized Medigap plans in 2 to 10 states or territories. Forty-five percent of all Medigap companies had standardized policies in force in a single state or territory. (see Table 6).

Table 6. Distribution of Medigap Companies with Standardized Medigap Policies in Force, by Market Size, December 2016

Number of States or Territories	Percent of Companies
41 or more	9%
26 to 40	16%
11 to 25	14%
2 to 10	16%
1	45%

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2016.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC. Data in this table depicting the number of states are based on companies with standardized Medigap policies in force; data do not include companies with only pre-standardized policies in force. The data for standardized policies include Medicare SELECT plans and those issued in three states (MA, MN and WI) that received waivers from the standardized product provisions of OBRA 1990. The number of companies with standardized Medigap policies in force reporting to the NAIC for 2016 was 271. The U.S. territories are Guam, Northern Mariana Islands, Puerto Rico and Virgin Islands. Percentages may not sum to 100 due to rounding.

Ninety-four companies had Medicare SELECT policies in force for about 700,000 of Medicare enrollees on December 31, 2016 (see Table 7). Companies with Medicare SELECT policies in force were located across the country in 43 states, with none in force in the U.S. territories on Dec.31, 2016.

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Table 7. Number of Companies with Medicare Select Policies in Force and Number of Enrollees with Medicare Select Plans, December 2016

Number of Companies with Medicare SELECT Policies in Force	94
Number of Enrollees with Medicare SELECT Policies	697,750

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2016.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC.

Overall, the percentage distribution of reporting companies with standardized Medigap policies in force by plan type in 2016 remained largely unchanged from 2013-2015 for most plan types (see Table 8). However, Plan G and Plan N proved to be an exception to that trend, with progressively more insurers offering them every year. In 2016, 57 percent of Medigap insurers had Plan G policies in force vs. 50 percent in 2013, while 54 percent of insurers had Plan N policies in force in 2016 vs. 45 percent in 2013.

Table 8. Percent of Companies with Standardized Medigap Policies in Force, by Plan Type, 2013 – 2016

Plan Type	Percent of Companies			
	2013	2014	2015	2016
A	84%	82%	82%	82%
B	61%	60%	59%	58%
C	76%	75%	75%	75%
D	44%	43%	43%	43%
E	29%	28%	27%	26%
F	83%	83%	83%	84%
G	50%	52%	52%	57%
H	24%	23%	22%	22%
I	24%	23%	22%	21%
J	27%	26%	25%	24%
K	15%	16%	15%	16%
L	16%	16%	16%	15%
M	9%	9%	10%	10%
N	45%	47%	50%	54%
Waivered State Plans	28%	30%	31%	31%

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibits, for the Years Ended December 31, 2013; December 31, 2014; December 31, 2015; and December 31, 2016.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC. The data for standardized policies include Medicare SELECT plans and those issued in three states (MA, MN and WI) that received waivers from the standardized product provisions of OBRA 1990. The number of companies with standardized Medigap policies in force was 259 for 2013, 264 for 2014, and 271 for 2016. All plans offering new coverage must offer Plan A. Plans E, H, I and J are no longer sold but some policyholders have retained their coverage for these plans.

Medigap Policies in Force

According to the NAIC data, 97 percent of Medigap policies in force on December 31, 2016 were standardized plans. Pre-standardized plans, which were no longer sold after July 1992, account for only 3 percent of all Medigap policies (see Table 9).

Table 9. Number of Policies for Standardized and Pre-Standardized Medigap Plans, December 31, 2016

	Policies	Percent
Standardized Plans	12,308,581	97%
Pre-Standardized Plans	328,066	3%
All Medigap Plans	12,636,647	100%

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2016.

Note: The data for standardized plans contain both pre- and post-MIPPA plans. See pages 3-4 for further explanation.

Among people with Medigap standardized plans, Plan F continues to have the highest number of enrollees, covering 55 percent of policyholders in 2016. Formerly, the second most popular option, Plan C continued to lose its market share, falling from 11 percent in 2013 to 7 percent in 2016. At the same time, Plan G and Plan N continued gaining the market share, reaching in 2016 10 percent and 9 percent, respectively (see Tables 10-11).

Table 10. Distribution of Enrollment by Standardized Plan Type, 2013- 201

Standardized Plan	Percent of Enrollment			
	2013	2014	2015	2016
A	2%	2%	1%	1%
B	4%	3%	3%	2%
C	11%	10%	8%	7%
D	2%	2%	2%	1%
E	1%	1%	1%	1%
F*	55%	56%	57%	55%
G	6%	6%	8%	10%
H	1%	< 0.5%	< 0.5%	< 0.5%
I	1%	1%	1%	1%
J	6%	5%	5%	4%
K	1%	1%	1%	1%
L	< 0.5%	< 0.5%	< 0.5%	< 0.5%
M	< 0.5%	< 0.5%	< 0.5%	< 0.5%
N	6%	7%	8%	9%
Waivered State Plans	6%	6%	6%	5%

* Includes high-deductible Plan F.

Source: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibits, for the Years Ended December 31, 2013; December 31, 2014; December 31, 2015; and December 31, 2016.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC. The data for standardized policies include Medicare SELECT plans and those issued in three states (MA, MN and WI) that received waivers from the standardized product provisions of OBRA 1990. Percentages may not sum to 100 percent due to rounding.

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Table 11. Change in Medigap Enrollment, Standardized, Pre-Standardized and Waivered-State Policies, December 2013 to December 2016, by Plan Type

Plan Type	Enrollment				Change in Enrollment 2015-2016	Percent Change 2015-2016
	2013	2014	2015	2016		
A	159,352	165,483	143,373	151,189	7,816	5%
B	374,294	346,086	294,935	273,199	-21,736	-7%
C	1,133,744	1,064,386	971,602	896,666	-74,936	-8%
D	232,275	213,572	192,640	177,654	-14,986	-8%
E	103,021	91,531	81,632	73,476	-8,156	-10%
F	5,510,183	6,008,216	6,496,615	6,939,504	442,889	7%
G	556,241	697,682	895,637	1,263,744	368,107	41%
H	46,362	40,492	34,654	31,359	-3,295	-10%
I	127,076	114,738	96,337	91,392	-4,945	-5%
J	627,813	575,042	521,422	479,014	-42,408	-8%
K	49,674	58,166	74,565	75,813	1,248	2%
L	42,916	45,571	48,535	47,989	-546	-1%
M	4,080	995	1,604	5,116	3,512	219%
N	573,243	761,495	966,887	1,143,035	176,148	18%
Waivered State Plans	562,928	590,864	641,157	659,431	18,274	3%
Pre-Standardized Plans	501,527	422,961	374,132	328,066	-46,066	-12%
Total	10,604,729	11,197,280	11,835,727	12,636,647	800,920	7%

Sources: AHIP Center for Policy and Research analysis of the NAIC Medicare Supplement Insurance Experience Exhibit, for the Years Ended December 31, 2013, 2014, 2015, 2016.

Notes: The enrollment data for this Figure do not include Medigap enrollment numbers reported by insurers in 2016 to the California DMHC. The data for standardized policies include Medicare SELECT plans and those issued in three states (MA, MN and WI) that received waivers from the standardized product provisions of OBRA 1990.

Fast-Growing Medigap Plans

In 2016, the highest rate of growth in enrollment was in plans G and N.⁵

The enrollment in Plan G, which covers all Medicare deductible and coinsurance amounts except the Part B deductible, increased by 41 percent from 2015 to 2016, or by 368,000 enrollees. Similarly, enrollment in Plan N—a new standardized plan with predictable cost-sharing amounts—grew by 18 percent from 2015 to 2016 to approximately 1,143,000 enrollees, an increase of about 176,000 enrollees from the previous year.

Continuing the prior trend, the largest absolute increase in Medigap enrollment from 2015 to 2016 was in Plan F, which grew by roughly 443,000 enrollees, a 7 percent increase over the previous year. The regular version of Plan F provides coverage for Medicare deductibles and coinsurance amounts. Plan F also includes a high-deductible option that allows for a deductible amount of \$2,180 (in 2016) before the policy can begin paying benefits. The Medigap plan with the second highest absolute growth in enrollment from 2015 to 2016 was Plan G.

At the same time, the enrollment in several other Medigap plan types continued to decline. Most sizable enrollment declines occurred in Plans E (-10 percent) and H (-10 percent). As a result of the redistribution of the enrollment among different plan types, just three of them, plans F, G, and N accounted for 74 percent of the total Medigap enrollment in 2016.

Medigap Policies by State

Table 12 shows enrollment in Medigap by state—including the District of Columbia and U.S. territories—and plan type as of Dec. 31, 2016.

Figure 4 is a map of the United States representing the number of Medigap enrollees by state, District of Columbia, and U.S. territories, and Figure 4 is a map of the United States showing Medigap enrollees as a percent of Medicare FFS beneficiaries by state, District of Columbia, and U.S. territories.

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Table 12: Enrollment: Plan Type by State and Territory, As Reported to the NAIC, December 2016

State	A	B	C	D	E	F	G	H	I	J	K	L	M	N	Waivered	Pre-standardized	Total covered lives (state)
AK	288	104	491	69	47	9,512	178	8	271	1,042	159	115	0	915	0	146	13,345
AL	793	103,617	6,237	534	217	61,968	13,606	66	166	1,193	548	247	3	9,600	0	563	199,358
AR	594	462	1,839	456	86	38,726	7,518	19	161	2,852	454	275	4	6,703	0	117,945	178,094
AZ	4,159	1,082	11,256	778	525	184,594	43,083	527	1,199	10,098	1,981	1,123	20	22,183	0	1,976	284,584
CA	7,034	3,401	12,621	2,276	1,187	336,829	21,390	955	4,743	52,281	5,722	2,601	20	53,760	0	9,206	514,026
CO	1,735	1,051	3,056	852	333	126,827	16,196	80	1,208	6,904	1,217	955	10	15,881	0	1,561	177,866
CT	2,333	2,818	7,770	1,518	768	75,696	2,382	432	1,244	19,505	1,557	826	0	22,356	0	16,014	155,219
DC	171	117	395	37	42	6,279	221	13	132	1,295	99	53	0	857	0	216	9,927
DE	641	799	2,076	2,562	610	31,979	2,931	109	1,129	4,216	881	293	1	9,819	0	464	58,510
FL	9,928	35,144	65,980	51,981	10,547	470,335	15,655	1,003	6,297	72,258	7,687	4,274	123	68,836	0	14,910	834,958
GA	2,551	3,114	15,678	2,404	7,736	208,464	50,720	99	1,426	11,085	2,024	913	9	35,783	9	4,177	346,192
GU	12	13	132	0	0	264	1	0	1	21	2	0	0	36	0	0	482
HI	139	70	366	27	14	6,193	131	11	54	579	283	44	0	1,094	0	83	9,088
IA	1,330	251	2,217	639	2,395	243,475	20,613	67	238	5,230	220	721	6	8,931	0	5,626	291,959
ID	649	274	1,521	153	81	47,183	13,570	8	176	3,094	1,330	352	14	5,319	0	366	74,090
IL	6,273	4,195	21,807	23,021	1,853	513,440	102,874	167	1,361	9,277	1,951	1,877	6	47,658	1,326	11,281	748,367
IN	4,867	2,958	11,379	3,023	2,142	216,579	65,772	430	1,728	8,998	1,253	1,166	25	41,206	0	4,477	366,003
KS	1,297	590	17,061	1,507	673	168,881	24,443	63	592	2,667	1,160	361	4	12,473	0	2,216	233,988
KY	1,424	5,003	17,256	1,157	4,550	124,580	27,110	2,134	916	3,326	772	582	3	23,288	0	3,042	215,143
LA	521	2,766	2,635	463	177	96,217	21,694	51	602	1,232	1,187	682	1	10,779	0	2,005	141,012
MA	141	79	655	68	87	1,990	87	32	161	744	37	22	3,602	372	295,212	974	304,263
MD	5,999	4,567	16,453	2,187	562	125,926	25,547	686	705	10,476	2,105	1,038	33	28,221	0	4,184	228,689
ME	1,276	853	8,809	491	690	45,094	1,153	34	1,739	3,292	324	194	96	7,681	0	327	72,053
MI	13,970	1,073	174,505	1,322	623	122,269	43,103	154	1,113	6,360	1,796	780	7	43,410	0	10,455	420,940
MN	161	3,707	215	13	70	1,128	17	45	193	1,655	21	35	544	538	104,854	3,268	116,464
MO	2,392	2,517	11,534	6,126	1,201	205,463	48,100	490	2,132	9,329	1,037	996	14	19,318	0	4,487	315,136
MP	0	0	5	0	0	25	0	0	0	0	0	0	0	4	0	0	34
MS	1,399	997	3,181	791	210	103,139	25,075	63	228	4,091	597	321	3	9,414	0	1,354	150,863

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State	A	B	C	D	E	F	G	H	I	J	K	L	M	N	Waivered	Pre-standardized	Total covered lives (state)
MT	657	360	4,420	382	95	49,999	7,475	41	390	2,565	446	229	4	3,904	0	749	71,716
NC	4,898	3,185	12,988	2,412	1,450	306,826	70,895	434	3,172	24,720	1,743	1,095	80	29,528	0	5,061	468,487
ND	193	74	798	121	13	42,413	2,448	23	71	744	26	33	0	770	0	283	48,010
NE	512	754	3,177	720	64	125,117	27,732	71	254	3,070	191	420	23	4,390	0	2,450	168,945
NH	1,157	727	2,673	412	921	44,413	4,644	233	373	13,290	628	544	224	21,311	0	1,883	93,433
NJ	8,109	3,489	72,011	2,321	556	181,576	43,746	3,056	10,027	36,191	3,031	2,518	13	75,044	0	12,039	453,727
NM	928	780	1,862	310	96	38,244	5,886	64	797	3,642	429	229	7	5,113	0	633	59,020
NV	839	531	1,649	358	157	54,274	10,909	358	547	3,756	735	485	0	10,313	0	506	85,417
NY	15,014	25,016	29,425	1,586	5,623	259,757	5,472	3,378	8,203	7,276	6,903	2,329	21	86,438	1	5,688	462,130
OH	4,036	4,454	57,362	8,636	2,498	337,732	63,323	784	3,415	13,908	2,763	7,216	23	100,484	0	6,380	613,014
OK	2,975	1,149	3,571	2,250	446	129,622	26,793	107	538	4,268	1,451	1,710	8	11,268	0	2,296	188,452
OR	1,242	434	3,495	560	250	103,840	14,723	111	731	3,007	942	439	6	11,663	0	1,916	143,359
PA	6,993	27,770	169,537	10,624	14,109	238,027	54,240	11,419	11,898	16,669	2,722	1,684	16	88,782	0	6,054	660,544
PR	48	69	6,371	15	18	3,517	43	22	50	1,126	26	7	0	179	0	74	11,565
RI	670	195	23,152	72	56	16,797	500	11	123	917	108	174	3	4,929	0	134	47,841
SC	3,904	2,848	7,285	15,147	389	149,522	37,626	233	913	6,749	1,145	897	4	21,689	0	2,034	250,385
SD	365	157	544	52	131	50,564	9,183	11	73	662	87	101	2	1,325	0	1,218	64,475
TN	2,047	2,539	16,569	6,529	3,001	169,902	37,037	280	3,747	9,697	1,043	519	81	18,661	0	18,562	290,214
TX	8,783	4,588	19,494	9,183	1,383	469,180	159,268	1,408	4,863	29,437	5,948	3,779	34	52,355	0	6,872	776,575
UT	675	377	2,636	955	320	48,034	7,713	406	335	2,430	610	317	1	7,119	0	744	72,672
VA	3,082	3,547	9,210	1,417	1,665	262,932	43,581	767	5,766	23,954	1,734	762	13	27,475	0	7,786	393,691
VI	92	58	521	24	7	5,781	11	10	41	405	60	22	0	1,818	0	15	8,865
VT	1,211	840	14,171	7,932	1,889	8,875	672	196	42	4,600	278	121	2	7,916	0	941	49,686
WA	3,005	1,051	9,551	534	556	176,146	20,484	88	2,967	7,393	5,554	940	3	32,836	22	12,597	273,727
WI	6,219	5,276	611	49	28	1,277	35	6	982	363	17	15	0	201	258,007	7,813	280,899
WV	968	1,060	4,825	379	267	60,216	10,417	69	938	3,327	432	328	0	7,989	0	1,461	92,676
WY	490	249	1,628	219	62	31,866	5,718	27	221	1,748	357	230	0	3,100	0	554	46,469

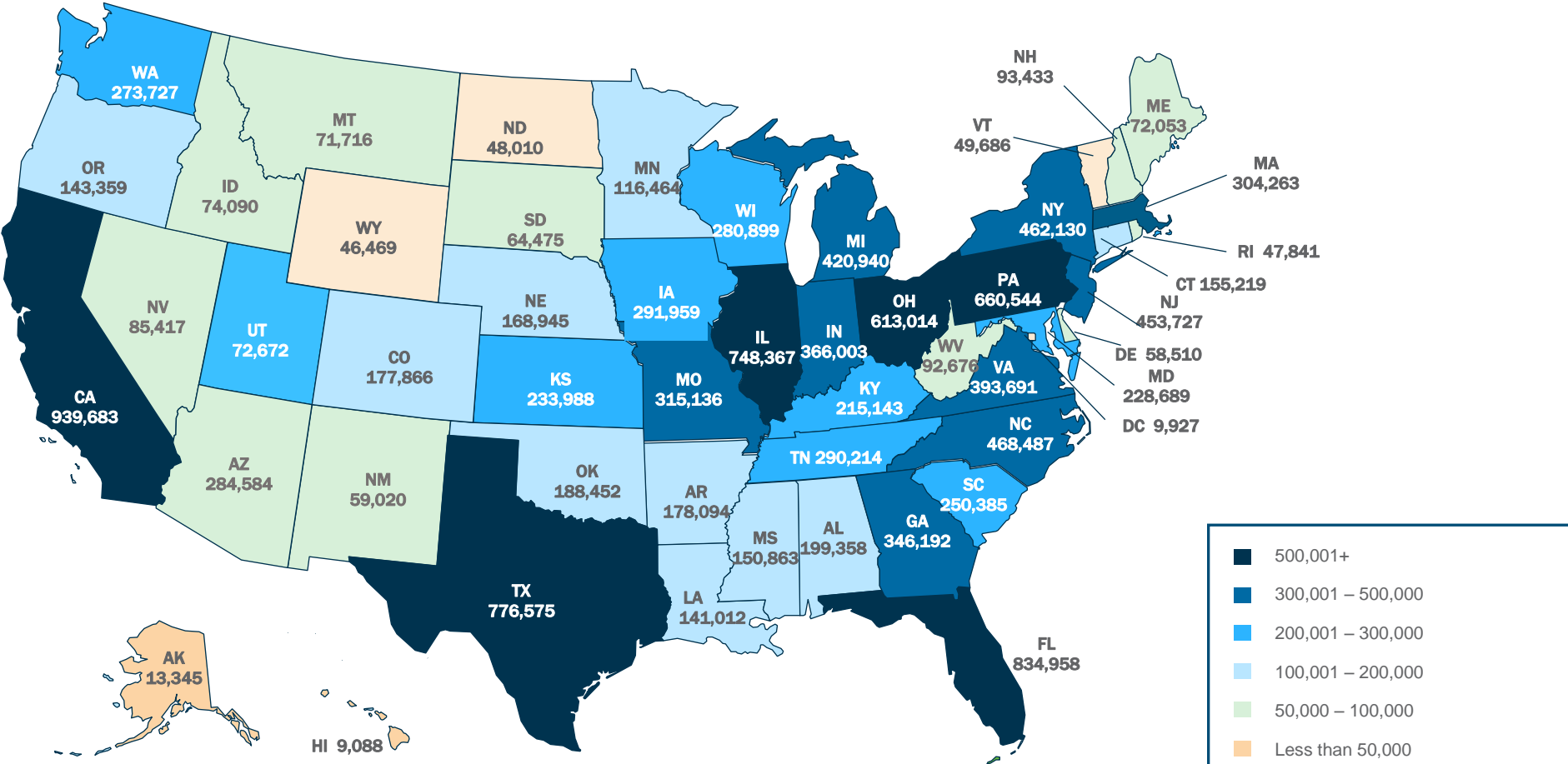
12,636,647

Source: AHIP Center for Policy and Research analysis of the National Association of Insurance Commissioners' (NAIC) Medicare Supplement Insurance Experience Exhibit, for the Year Ended December 31, 2016.

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. Four companies in CA reported their enrollment, 425,657, to the California DMHC only: these numbers are not included in the table.

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Figure 4: Number of Medigap Enrollees by State and U.S. Territory, December 2016

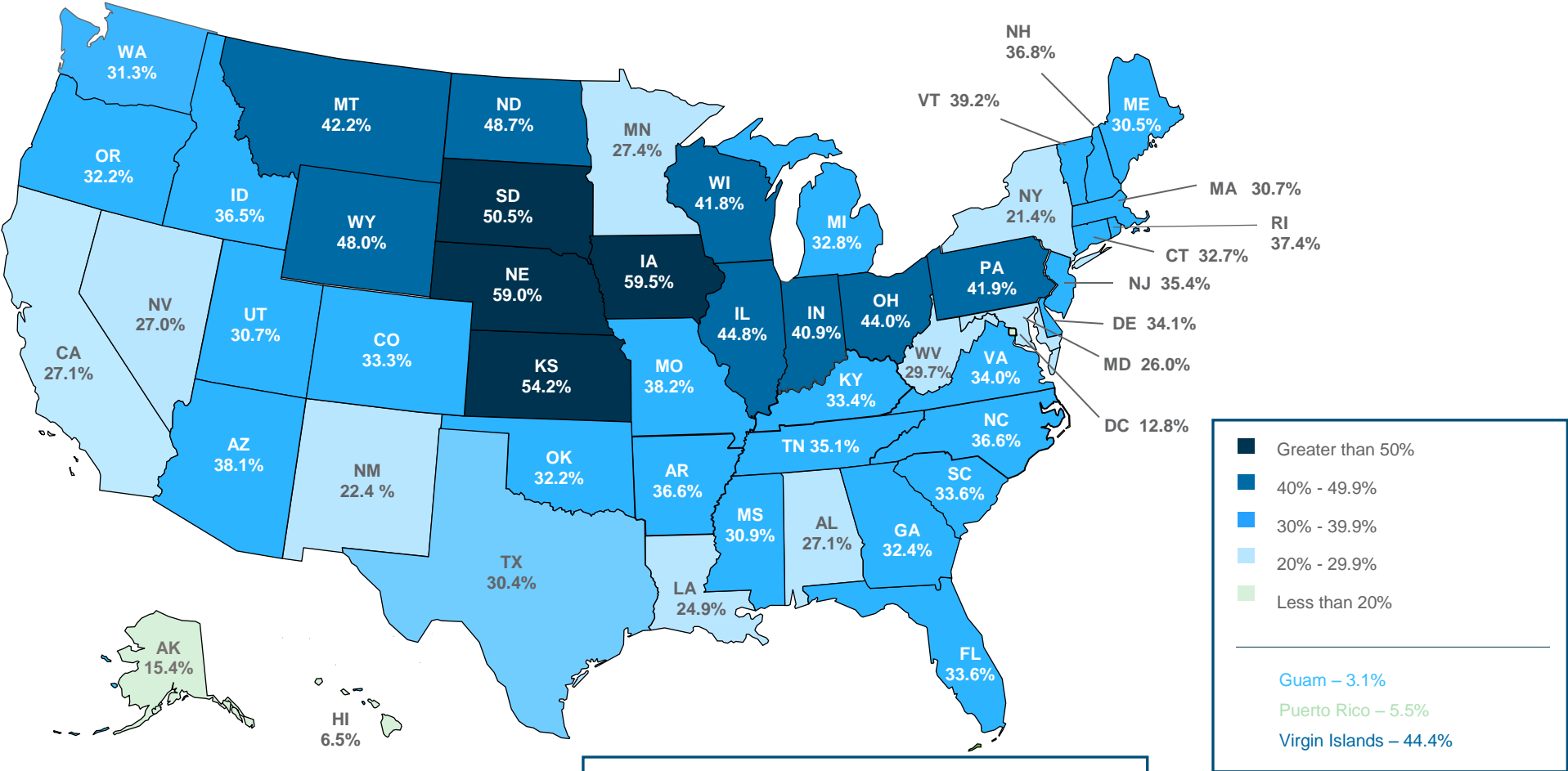


Source: National Association of Insurance Commissioners (2016), California's Department of Managed Health Care (2016).

Notes: Unlike in the previous AHIP reports on Medigap enrollment, the enrollment data for this Figure include Medigap enrollment numbers reported by insurers in 2016 to the California DMH (425,657 covered lives).

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Figure 5: Percent of FFS Beneficiaries with Medigap, by State and U.S. Territory, December 2016



Source: National Association of Insurance Commissioners (2016), California's Department of Managed Health Care (2016).

Notes: Unlike in the previous AHIP reports on Medigap enrollment, the enrollment data for this Figure include Medigap enrollment numbers reported by insurers in 2016 to the California DMH (425,657 covered lives).

**Total Medigap Covered Lives in the U.S.
13,062,304***

* Includes U.S. Territories

Methodology

For this report we analyzed 2016 Medicare Supplement data from the National Association of Insurance Commissioners (NAIC). Insurance companies submit their annual statement data directly to the NAIC using an electronic filing portal. Each state sets its own requirements for filing.

Data from four insurance companies are not included in the 2016 NAIC data; they are required to report their data to the California's Department of Managed Health Care (DMHC), which does not report Medigap enrollment data to the NAIC. Since, as in previous years, the DMHC does not provide the breakdown of the Medigap enrollment by plan type or market size, the data from the four Medigap insurers reporting to DMHC were included only in the tables and graphs presenting national and state Medigap enrollment and penetration, while all of the tables further subdividing Medigap enrollment by market size, Medicare Select policies and Medigap plan type have been calculated using exclusively the data from the NAIC.

We derived the total Medigap enrollment during 2016 by adding two variables together: 1) the number of policies issued before 2011, and 2) the total number of policies issued in 2011-2016. The NAIC requires Medigap companies to report these data separately. Only one person is covered per Medigap policy.

All analyses in the report contain data from the 50 states, District of Columbia, and the U.S. territories. The territories are: Guam, Northern Mariana Islands, Puerto Rico, and Virgin Islands.

The NAIC data set is structured so that reported enrollment is a point-in-time measure for Dec. 31, 2016. Other data set measures, such as those for premiums and claims, are for the full year. Therefore, it is possible that a company may submit information on a plan type even though at the end of the year enrollment was zero. To show the number of companies with policies in force as of Dec.31, 2016, we selected records where the number of people covered was greater than zero.

We calculated the percent of FFS beneficiaries with Medigap plans for 2013 to 2016 by dividing the number of Medigap enrollees by the number of Medicare FFS beneficiaries for each year. For the numerator we obtained the number of Medigap enrollees from the current and previous AHIP reports on Medigap trends.⁶ The denominator was the number of Medicare FFS beneficiaries from the Centers for Medicare and Medicaid Services (CMS) data for December of each year.⁷ The CMS data set provided the number of beneficiaries eligible for Medicare and the number of beneficiaries enrolled in Medicare Advantage. We subtracted the number of enrollees with Medicare Advantage from the number of eligible Medicare beneficiaries to get the number of Medicare beneficiaries with FFS. Figures 4 and 5 show these data by state and territory.

Data describing the demographic makeup of Medigap beneficiaries came from the 2015 Medicare Current Beneficiary Survey (MCBS) Access to Care files, maintained by the Centers for Medicare & Medicaid Services (CMS). Likewise, we used SAS Enterprise Guide® 6.1⁸ software to analyze the data.

Our analysis includes data on non-institutionalized beneficiaries in the 50 states, the District of Columbia, and Puerto Rico eligible for Medicare as of Jan. 1, 2015. June 2015 was the point in time for which beneficiary records were selected for inclusion.

It is worth noting that the MCBS survey field procedures, questionnaire structure and data categorization in 2015 underwent significant changes compared to the MCBS surveys conducted in 2013 and prior. For example, the Income And Assets questionnaire section underwent a major redesign to improve the accuracy and level of detail of Medicare beneficiaries' reported income and assets. As a result, the income variable used in this report reflects the combined income of a Medicare beneficiary and a spouse as opposed to the individual income of a Medicare beneficiary used in our previous reports. For more details on changes in the MCBS methodology, please see *MCBS 2015 Methodology Report*⁹. Additionally, the changes in the MCBS data collection and categorization enabled the production of more precise point-in-time (as of June 2015) statistics, which was achieved by using the "ever enrolled" EEYRSWGT weights unlike the "continuously enrolled" CS1YRWGT weights used in the previous year's reports. As a result, comparisons of the data from this report with the data from our previous reports may not be meaningful.

Medicare beneficiaries were identified as Medigap policyholders based on survey responses indicating the June 2015 coverage via a self-purchased non-specialty private insurance that was not an HMO or PPO policy. Additionally, in case of multiple insurance coverage, the beneficiaries enrolled in Medicare Advantage plans according to the CMS administrative data, were excluded from the Medigap-covered category.

The current MCBS data format does not allow for the separation of beneficiaries enrolled in Medicare Advantage plans from beneficiaries enrolled in non-Medicare Advantage capitated plans. As a result, all of the statistics in this report presented as Medicare Advantage may include some beneficiaries in non-Medicare Advantage capitated plans.

The original six race categories of beneficiaries provided in the MCBS dataset were re-grouped into four categories. The "Other" category for race distributions combines individuals who identified themselves as being Native Hawaiian or Pacific Islander, American Indian or Alaska Native, other race, or more than one race.

In the MCBS dataset, Medicare beneficiaries were classified as residing in either metropolitan, micropolitan or rural areas in 2015 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 “urban” category in this report. The original three urban/rural categories of beneficiaries provided in the MCBS dataset were re-grouped into two categories. The “Urban” category in our report includes individuals living in Metropolitan Statistical Areas (MSA), which are defined by the Office of Management and Budget as urban clusters with the population of 50,000 or more, while the “rural” category area all of the beneficiaries living outside of the MSAs.

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

Data Limitations

As noted, the total number of enrollees with Medigap is slightly understated because California does not require all insurance companies to report their data to the NAIC; four companies in California are required to report their data to California’s Department of Managed Health Care. Data from these companies represent 425,657 Medigap enrollees¹⁰, about 3 percent of all Medigap enrollment in the United States, and are not included in the subset of analyses describing Medigap insurers by market size, Medicare Select policies and Medigap plan type.

Beneficiaries have an option to purchase Plan F as a high-deductible plan. However, due to the way data are reported to the NAIC we are unable to determine what percent of enrollees in Plan F have a high-deductible policy or what percent of companies offer high-deductible Plan F. Therefore, data in this report representing Plan F may also include the high-deductible version.

Medigap plans are guaranteed renewable, therefore policyholders may keep their plans even though the plan may have been discontinued or the standard benefit design changed. This report does not make a distinction among standardized Medigap policies in force in December 2016 with respect to whether their benefit designs comply with requirements under OBRA 1990, MMA, or MIPPA.

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Appendix A

Medigap Benefits 2016	Standardized Medigap Plans									
	A	B	C	D	F*	G**	K	L	M	N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Part B coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes****
Blood (first 3 pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A hospice care coinsurance or copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled nursing facility care coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Part B deductible	No	No	Yes	No	Yes	No	No	No	No	No
Part B excess charges	No	No	No	No	Yes	Yes	No	No	No	No
Foreign travel exchange (up to plan limits)	No	No	80%	80%	80%	80%	No	No	80%	80%
Out-of-pocket limit***	N/A	N/A	N/A	N/A	N/A	N/A	\$4,960	\$2,480	N/A	N/A

Notes: This table reflects the benefit design for standardized Medigap plans under the 2015 Medicare Access and CHIP Reauthorization Act of 2015. Plans C and F (and F with a high deductible) will be available ONLY for beneficiaries eligible prior to January 1, 2020. Plans C and F are redesignated Plans D and G for beneficiaries newly-eligible after January 1, 2020.

*Plan F also offers a high-deductible plan. If the beneficiary chooses this option he/she must pay Medicare covered costs up to the deductible amount of \$2,180 in 2016 before the Medigap plan pays anything.

**Plan G will offer a high-deductible for those beneficiaries newly eligible after January 1, 2020.

*** For Plans K and L, after meeting the out-of-pocket yearly limit and the yearly Part B deductible (\$166 in 2016), the Medigap plan pays 100% of covered services for the rest of the year.

**** Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits, and up to a \$50 copayment for emergency room visits that don't result in an inpatient admission.

Acknowledgments

For further information, please contact AHIP's Center for Policy and Research at 202-778-3200, or visit our website at www.ahip.org/research.

Endnotes

¹ There is no coinsurance for inpatient hospital care for the first 60 days of hospitalization, per benefit period. Beneficiaries would pay \$322 in coinsurance per day per benefit period from days 61 to 90; and would pay \$644 for coinsurance per each "lifetime reserve day" per benefit period after day 90 (up to 60 days over lifetime). After that all inpatient costs are borne by the beneficiary. <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2015-Press-releases-items/2015-11-10.html>

² Ibid

³ Effective June 1, 2010.

⁴ https://www.cms.gov/Medicare/Health-Plans/Medigap/Downloads/CY_2016_OOP_Limits_-_Medigap_Plans_K_and_L.pdf

⁵ Technically, the highest rate of growth was in the plan M (219 percent). This plan had by far the lowest enrollment in 2016 among all of the Medigap plans, 5,116, and was offered by a very few companies. Because of that, plan M typically exhibits large year-to-year changes (for example, in 2014 it experienced a 76 percent drop in the enrollment) that are unique to this plan alone.

⁶ Trends in Medigap Coverage and Enrollment (2013 through 2015), accessed Feb. 12, 2018 at

<https://www.ahip.org/research/>

⁷ CMS Medicare Advantage Penetration Reports, 2013-2015, accessed Feb. 12, 2018 at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDENrolData/MA-State-County-Penetration.html>

⁸ 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

⁹ Centers for Medicare & Medicaid Services. Medicare Current Beneficiary Survey, 2015 | METHODOLOGY REPORT. Baltimore, MD: U.S. Department of Health and Human Services, 2018, accessible at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/MCBS/Downloads/MCBS2015MethodReport508.pdf>.

¹⁰ California Department of Managed Health Care, Enrollment Summary Report 2016, accessed February 12, 2018 at <http://www.dmhc.ca.gov/DataResearch/FinancialSummaryData.aspx>